Quilter

For the generations of today and tomorrow

Annual Report 2021

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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")*

7.4p +42%

Adjusted diluted earnings per share*

£4.0bn +167%

Net flows*

£23m +76%

IFRS profit/(loss) after tax from continuing operations

£138m +28%

Adjusted profit before tax*

5.6p +22%

Recommended total dividend per share

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

How are you investing to service the generations of tomorrow?

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

Minoka Radhakrishnan
Head of Strategy & Corporate Finance

Hanlie Van Staden
Transformation Director

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

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

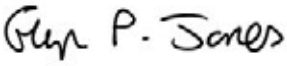
2021 was a year of significant progress for Quilter, a year in which we completed the reshaping of our corporate perimeter, have enhanced our customer propositions, delivered good profit growth and reorganised our business into two new segments. We are now at an inflection point where we can focus on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

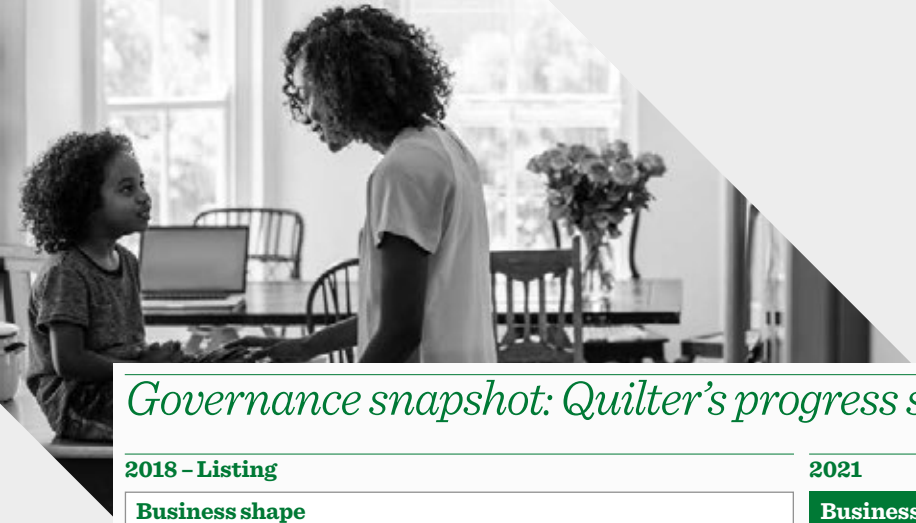
On behalf of the Board, I would like to thank our management team and all our colleagues for their effort, focus and commitment to achieving our goals in what has continued to be challenging operating conditions involving a combination of virtual and physical working environments. Thank you also to our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

Female	37%
Male	63%

Ethnicity

White	100%

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

Female	36%
Male	64%

Ethnicity

Asian-Indian	9%
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)

[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.

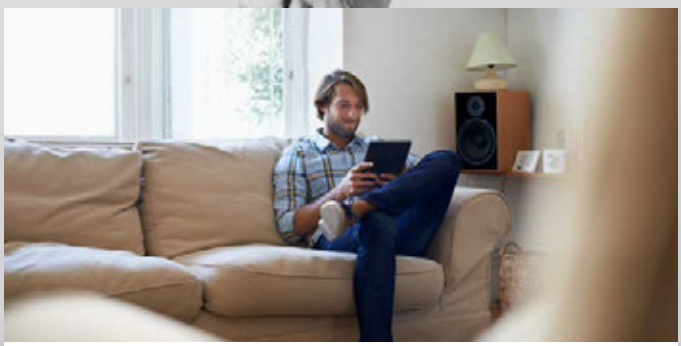
2. Enhance efficiency

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.



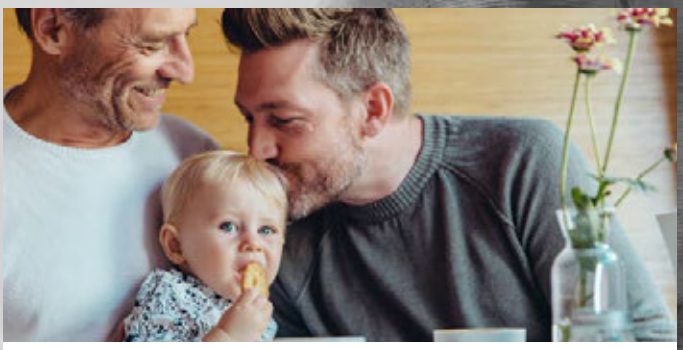
3. Embed digital

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.

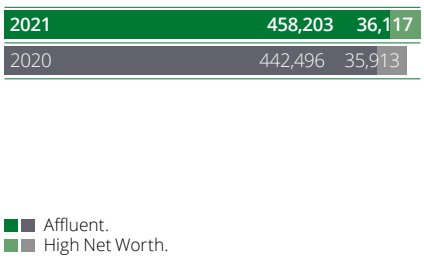
Link to strategic priority

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

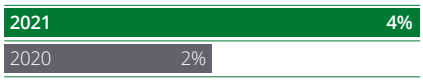
1

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.

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

*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

*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

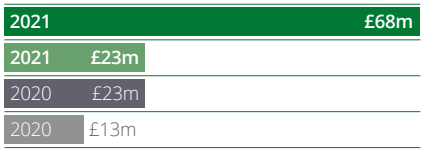
2

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

2021	5,721,206

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

2021	195k	7k

■ 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?

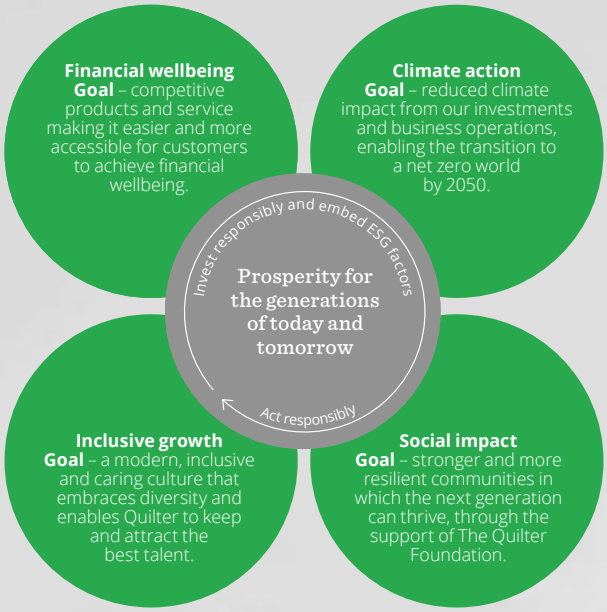
- Transparent and open regulatory relationships are fundamentally important and Quilter engages regularly with its main regulators to ensure business is conducted in line with their expectations and the evolving regulatory framework.
- The Board Risk Committee receives quarterly reports on the status 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.

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

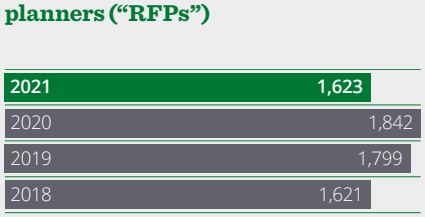
To measure our responsible wealth manager performance, we consider a range of non-financial metrics most relevant for our stakeholders. Outlined below are the key performance indicators for 2021, which are under review and due to be updated in 2022.

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 (%)

Number of restricted financial planners ("RFPs")

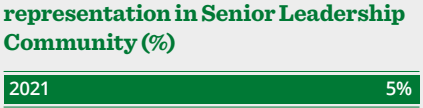


Responsible wealth manager pillar

Colleagues

Female representation in Senior Leadership Community (%)

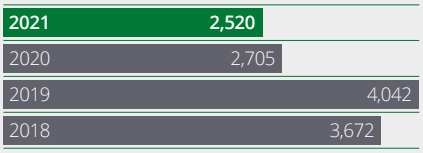
Ethnic minority group representation in Senior Leadership Community (%)



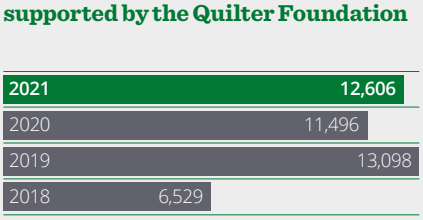
Responsible wealth manager pillar

Communities / Environment

Scope 1 and 2 greenhouse gas emissions (tCO_2e)



Total number of young people supported by the Quilter Foundation



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.

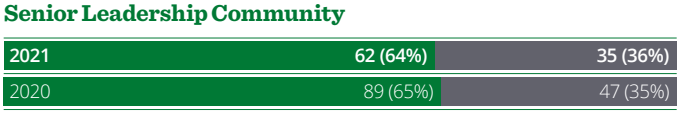
A grievance procedure is in place to provide a clear and secure route for employees to raise a complaint or problem about any issue relating to their work, working environment, pay and benefits, working hours or is concerned about any other issue affecting their employment.

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.

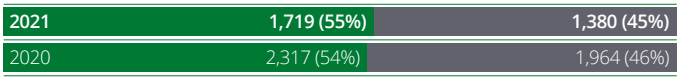
Gender diversity

Executive management

Senior Leadership Community



All colleagues



Latest UK Census (2011) benchmark

■ 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)

2,520

(2020: 2,717)

Number of young people supported by the Quilter Foundation

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.

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).

£4.0bn +167%

Net flows*

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

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.

2021 risk trend:

Stable

Risk owner:

HR Director

Mitigation:

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

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.

2021 risk trend:

Stable

Risk owner:

Chief Operating Officer

Mitigation:

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

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.

2021 risk trend:

Stable

Risk owner:

Chief Operating Officer

Mitigation:

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

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.

2021 risk trend:

Reducing

Risk owner:

Chief Risk Officer

Mitigation:

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.

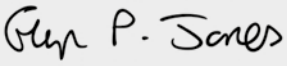
Conclusion on viability

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 Jones
Chair
On behalf of the Board

Chair's introduction to corporate governance

In this section

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Glyn Jones
Chair

Dear shareholder,
The Board governance framework we established when the business was listed in 2018 has served us well through a period of great change when the business has established itself as a standalone listed company, defined for itself a sharper more focused business perimeter, implemented its new investment platform and laid the foundations for future growth. In 2021 that robust Board governance has supported and challenged management while it tackled the continuing challenges created by the COVID-19 pandemic, completed the sale of the Quilter International business and continued to build our business strategy to become even more customer centric. We describe in more detail on pages 86 and 87 how the Board and its Committees worked together to oversee all aspects of the sale of Quilter International from the strategic analysis that a sale at an acceptable price would be in the best interests of our stakeholders to considering how the transaction should be presented in our financial statements.

The sale of the Quilter International business, which was announced to the market in April 2021, marked the completion of the redefining of the business perimeter and, with the launch of our new investment platform, the transformation of Quilter into a modern wealth management business. We are now a smaller, simpler and highly focused business.

This was therefore a natural point at which to review the strategy for the business and the new business model which more effectively brings to bear the strong capabilities in our various businesses. We expect our new operating structure to deliver growth, and outstanding service for our customers in a more efficient and effective organisational structure.

We were very fortunate that our Board strategy meeting in July 2021 took place in a period when UK Government guidance in relation to the COVID-19 pandemic restrictions were at their lightest and Paul Feeney and his management team were able to put forward a comprehensive and compelling vision of what the Quilter business could become. That refreshed strategy and several new initiatives, such as the plan to launch a hybrid advice offering and the combination of our Financial Planning business, Quilter Private Client Advisers, with our Discretionary Fund Management Business, Quilter Cheviot, are indications that Quilter is in very good health and ready to fully leverage all of its capabilities.

Culture and engagement
Our business has benefited over many years from having engaged people who are passionate about providing great service to our customers and advisers. The significant changes we have delivered in the midst of a global pandemic have been stretching and we have seen colleague engagement slightly decline as measured by our regular Peakon colleague surveys. While not surprising, we are determined to regain lost ground. The Quilter executive team are firmly focused on providing strong leadership through these challenging times and they have initiated the "We Rise" campaign to ensure our people are truly inspired by the strategy for our business. The early indications are that these initiatives are making a difference.

The sale of the Quilter International business, which was announced to the market in April 2021, marked the completion of the redefining of the business perimeter and with the launch of our new investment platform the transformation of Quilter into a modern wealth management business.

During the year we appointed Tazim Essani as our second Workforce Engagement Director responsible for bringing the voice of our people into our Boardroom. Tazim will particularly focus her time on supporting management's Diversity and Inclusion agenda. You can hear more from Paul Matthews (our other Workforce Engagement Director) and Tazim on pages 88 and 89.

Changes to your Board

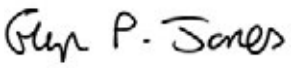
Rosie Harris has decided not to seek re-election at our 2022 Annual General Meeting and is stepping down from our Board on 30 April 2022. On behalf of the Board, I would like to thank Rosie for her tremendous work as a Board member and as Chair of the Board Risk Committee.

As previously reported, I have now served for just under six years as your Chair and I intend to retire as Chair of your Board in 2022, once a successor is ready to take the reins. Our Board governance had already put in place a Chair succession process and that process is being followed under the leadership of our Senior Independent Director, Ruth Markland.

When I step down from the Board in 2022, I will leave a strong, cohesive Board that has successfully navigated the challenges our business has faced in its first few years as an independent, listed company with great commitment. I am very grateful for the strong support I have received from my colleagues in my time as Chair of Quilter.

Looking ahead

In 2022, the Board will be even more focused on ensuring that our business is delivering on the commitments we have made to all our stakeholders to deliver growth and efficiency. By delivering a broader range of suitable, competitive products for our customers and the advisers we support, our people can benefit from the opportunities that growth and success can bring. In addition to this, the communities in which we operate benefit from the success of a company that sets high standards and has a clear purpose.



Glyn Jones
Chair

Compliance with the UK Corporate Governance Code 2018

UK Corporate Governance Code 2018 (the "Code")

Quilter is subject to the Code and complied with all of its provisions during the year. Details of our Corporate Governance Framework are available on page 79 and our website at plc.quilter.com. The Code is publicly available at www.frc.org.uk.

Disclosure Guidance and Transparency Rules ("DTRs")

By virtue of the information included in this Governance section of the Annual Report including our Directors' Report (pages 146 to 149) we comply with the corporate governance requirements of the FCA's DTRs.

Johannesburg Stock Exchange (the "JSE")

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

Principles of the UK Corporate Governance Code 2018	More information
Board leadership and company purpose	
Long-term value and sustainability	1-55
Culture	76-77
Shareholder engagement	38
Other stakeholder engagement	35-38
Oversight of Board level conflicts of interest	94
Division of responsibilities	
Role of the Chair	79
Division of responsibilities on the Board	79
Assessment of Non-executive Directors role	79 and 92
Assessment of independence on the Board	79
Composition, succession and evaluation	
Board effectiveness	94 and 95
Board and Executive succession planning	92
Audit, risk and internal control	
Integrity of financial statements	98
Fair, balanced and understandable	99
Internal controls and risk management	104
Assessment of external independent auditor	100-101
Principal and emerging risks (Risk Review)	66-69
Viability statement and going concern	74
Remuneration	
Policy, practices and alignment with purpose, values and long-term strategy	117-119
Independent judgement and discretion	112

Governance at a glance

Strong and effective leadership

8
Board members under five-year tenure

36%
Female Board members

9%
Asian-Indian Board members

Length of tenure for Chair and Non-executive Directors

0-1 years	**2**
1-3 years	**1**
3-4 years	**2**
4-5 years	**3**
5-6 years	**1**

Female representation on Board

Female	**4 (36%)**
Male	**7 (64%)**

Ethnicity

White	**10 (91%)**
Asian-Indian	**1 (9%)**
Other	**0 (0%)**

Female representation in senior Board roles*

Female	**1 (25%)**
Male	**3 (75%)**

*Defined by the FTSE Women Leaders Review as being the Chair, Senior Independent Director, Chief Executive Officer and Chief Financial Officer roles.

Sexual orientation

Heterosexual	**11 (100%)**
LGBT+	**0 (0%)**
Other/Prefer not to say	**0 (0%)**

Industry knowledge and experience

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

Figures represent number of Board members with relevant experience.

Female representation in senior Non-executive Board roles

Female	**4 (57%)**
Male	**3 (43%)**

Quilter defines senior Non-executive Board roles as the Chair, Senior Independent Director, or Chair of a Board Committee.

Board meeting attendance during 2021

Chairman and Executive Directors	Scheduled Board meetings	Ad hoc Board meetings[1]
Glyn Jones	**8**/8	**3**/3
Paul Feeney	**8**/8	**3**/3
Mark Satchel	**8**/8	**3**/3

Independent Non-executive Directors	Scheduled Board meetings	Ad hoc Board meetings[1]
Tim Breedon[2]	**7**/8	**3**/3
Tazim Essani[3]	**6**/6	**3**/3
Rosie Harris	**8**/8	**3**/3
Moira Kilcoyne	**8**/8	**3**/3
Ruth Markland	**8**/8	**3**/3
Paul Matthews	**8**/8	**3**/3
George Reid	**8**/8	**3**/3
Chris Samuel[4]	**4**/4	**1**/1

In addition to the meetings reported above, sufficient time was provided, periodically, for the Chair to meet privately with the Senior Independent Director and the Non-executive Directors.

[1]The ad hoc meetings shown above related to the oversight of the sale of Quilter International.
[2]Tim Breedon was unable to attend one meeting due to a long-standing commitment. He provided his comments to the Chair in advance of the meeting.
[3]Tazim Essani joined the Board in March 2021.
[4]Chris Samuel joined the Board in July 2021.

Operating within a robust governance framework

The Board

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

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

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

Board Committees

Board Corporate Governance and Nominations Committee
Chair: Glyn Jones

Board Audit Committee
Chair: George Reid

Board Risk Committee
Chair: Rosie Harris

Board Technology and Operations Committee
Chair: Moira Kilcoyne

Board Remuneration Committee
Chair: Ruth Markland

Executive Directors

Paul Feeney and Mark Satchel

The Quilter Board has delegated the day to day running of the Group to the Chief Executive Officer. The Executive Directors make and implement operational decisions to run the Quilter business on a day-to-day basis. To support the Chief Executive Officer in discharging his responsibilities, he has created the Quilter Group Executive Committee. The Quilter Group Executive Committee has in turn delegated certain of its responsibilities to the management committees below and receives regular reports from each of these committees on their activities. The executive team reports to the Chief Executive Officer for their respective areas of responsibility and delivery of the Operating and Business Plans.

Key management committees

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

Executive Risk Forum
Overseeing, challenging and monitoring the effectiveness of the Risk and Control framework of the Group.

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

Inclusion and Diversity Committee
Driving the Group's diversity and inclusion agenda across the Group.

Responsible Wealth Manager Steering Group
Providing direction and monitoring of the responsible wealth manager strategy.

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

2021 Board activity and how the Board spent its time

26%
Business performance oversight
(2020: 35%)

35%
Strategy and delivery of strategy
(2020: 20%)

15%
Stakeholder management
(2020: 10%)

24%
Risk management and governance
(2020: 25%)

Board of Directors

The Quilter plc Directors met in person during 2021 when permitted under the UK Government COVID-19 restrictions.

The Chair and all the Non-executive Directors have served on the Board for six years or less. All the Directors are subject to annual re-election by shareholders and the specific reasons why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success are set out in their biographies on pages 82 to 84. As announced on 28 January 2022, Rosie Harris has decided not to stand for re-election at the Company's 2022 Annual General Meeting and she will stand down from the Board on 30 April 2022. Glyn Jones has announced his intention to retire in 2022.

1. **Glyn Jones**
   Chair

2. **Paul Feeney**
   Chief Executive Officer

7. **Rosie Harris**
   Independent
   Non-executive Director

8. **Moira Kilcoyne**
   Independent
   Non-executive Director

3. Mark Satchel
Chief Financial Officer

4. Ruth Markland
Senior Independent Director

5. Tim Breedon CBE
Independent
Non-executive Director

6. Tazim Essani
Independent
Non-executive Director

9. Paul Matthews
Independent
Non-executive Director

10. George Reid
Independent
Non-executive Director

11. Chris Samuel
Independent
Non-executive Director

Glyn Jones
Chair

Appointed November 2016

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

Skills and experience:
Glyn has over 20 years' experience of chairing Boards, including those of Aldermore Group, Aspen Insurance Holdings, Hermes Fund Managers, BT Pension Scheme Management and Towry. This extensive experience provides him with the skills and understanding needed to lead an effective and cohesive Board at Quilter. His significant experience in UK and international financial services, gained during his tenures as CEO of Gartmore Investment Management and Coutts Group, and whilst running Standard Chartered's international private banking business in Hong Kong, provides him with the necessary knowledge to lead discussions on key business matters including strategy, performance and risk. Glyn is a Fellow of the Institute of Chartered Accountants in England and Wales. Glyn intends to retire in 2022 once his successor is in place.

Paul Feeney
Chief Executive Officer

Appointed August 2012

Skills and experience:
Paul is an experienced, entrepreneurial leader, having held various senior business roles in large international financial services businesses, including as Chief Executive Officer of NatWest Private Bank, and NatWest Investments USA, Group Managing Director and Head of Distribution for Gartmore Investment Management, and Global Head of Distribution at BNY Mellon Asset Management International. During his career, Paul has developed a deep understanding of the challenges, risks and opportunities faced by the industry, thereby enabling him to create and develop the vision and strategy of the Group. Paul's strong commercial acumen and dynamic leadership style allow him to effectively oversee the execution of our strategy. In recognition of his role in the industry, in January 2021, Paul was asked to chair the FCA Practitioner Panel and he held this position until 1 March 2022. Paul is passionate about promoting good mental health, and issues around mental health, both across the industry and at Quilter where he has sponsored the Thrive campaign to support colleagues including those impacted by the COVID-19 pandemic.

Mark Satchel
Chief Financial Officer

Appointed March 2019

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

Ruth Markland
Senior Independent Director

Appointed June 2018

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

Skills and experience:
Ruth, a solicitor and previously Managing Partner of Freshfields Bruckhaus Deringer's Asia business, has a wealth of FTSE-100 Board experience. She spent over ten years on the Boards of Standard Chartered plc and Sage Group plc, where she served as Senior Independent Director and Chair of the Remuneration Committees. Ruth was also an independent Non-executive Director of Deloitte LLP for five years until May 2020 and was a member of the Supervisory Board of Arcadis NV until April 2021. She has a strong understanding of corporate governance and Boardroom dynamics, enabling her to act as a helpful sounding board for the Chair and other Board members. Ruth was appointed Chair of the Board Remuneration Committee in May 2020, having served as a member since joining the Board. She brings extensive knowledge of remuneration governance and best practice, together with her deep understanding of the remuneration framework at Quilter.

Tim Breedon CBE
Independent Non-executive Director

Appointed June 2020

Committee membership
- Board Corporate Governance and Nominations Committee
- Board Risk Committee
- Board Remuneration Committee

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

Tazim Essani
Independent Non-executive Director

Appointed March 2021

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

Skills and experience:
Tazim's wealth of experience in senior executive roles at regulated financial services businesses over the last 30 years equips her well to provide strategic guidance and constructive challenge to Quilter's leadership team. Her executive career has focused on strategy and business development to drive growth and transformation, with her previous roles including a senior business strategy role at Santander UK, Group Head of Corporate Development at Close Brothers Group plc and senior roles at GE Capital and Royal Bank of Scotland. Throughout her career, Tazim has developed a deep understanding of corporate finance, transformational change and business development, enabling her to contribute strongly to the Board's deliberations. Tazim also brings in depth experience of interpretation and analysis of financial statements enabling her to contribute to the work of the Board Audit Committee, which she was appointed to in September 2021. Alongside Paul Matthews, Tazim is a designated Workforce Engagement Director with a particular interest in promoting diversity and inclusion. Tazim is a Non-executive Director of City of London Investment Group plc.

Rosie Harris
Independent Non-executive Director

Appointed April 2017

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

Skills and experience:
Rosie has extensive knowledge and experience of risk management within the insurance and wealth management industries, having served as Chief Risk Officer for UK Life at Aviva, Group Risk Director at Old Mutual plc and Chief Risk Officer (Insurance) and Managing Director, General Insurance at Lloyds Banking Group plc. She is also currently Chair of Tokio Marine Kiln's Insurance business, a Non-executive Director of its Syndicates business and chairs its Risk Committee. This extensive experience has been invaluable as Quilter has developed and embedded its risk management framework. Rosie provides valuable insights into managing and mitigating the risks that are inherent in running a successful wealth management business. Rosie will be stepping down from the Quilter Board on 30 April 2022 as in January 2022 she was appointed to the Board of several companies within the Phoenix Group. Rosie is a member of the Institute of Chartered Accountants in England and Wales. She is also a Council Member of the University of Birmingham.

Moira Kilcoyne
Independent Non-executive Director

Appointed December 2016

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

Skills and experience:
Moira brings over 25 years' technology and cyber security leadership, having spent much of her career working in senior technology roles at Morgan Stanley and Merrill Lynch, latterly executing global change management and transformative IT implementation as Co-Chief Information Officer for Global Technology and Data at Morgan Stanley. Moira is also currently a Non-executive Director of Citrix Systems Inc and Arch Capital Group. This experience, gained at both executive and non-executive level, together with her understanding of business operations, operational resilience, management of data and supplier oversight, equips her to oversee and challenge the design and delivery of Quilter's technology and operations strategies as well as the ongoing oversight of Quilter's investment platform. Moira is Trustee of the Board of Manhattan College.

Paul Matthews
Independent Non-executive Director

Appointed August 2018

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

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

George Reid
Independent Non-executive Director

Appointed February 2017

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

Skills and experience:
George has extensive financial experience having spent over 20 years in the accounting profession. This knowledge, gained during lengthy tenures at PwC, and, latterly, Ernst & Young LLP as managing partner and Head of Financial Services for Scotland and UK regions, provides George with a deep understanding of accounting and audit matters, and the control environment required for a wealth management business. Such experience allows him to critically assess key accounting and financial considerations including those associated with our recent disposal of Quilter International. George is a Fellow of the Institute of Chartered Accountants in England and Wales. In September 2021 George was appointed as the Senior Independent Director and Audit Committee Chair of FIL Life Insurance Limited.

Chris Samuel
Independent Non-executive Director

Appointed July 2021

Committee membership
- Board Risk Committee
- Board Technology and Operations Committee

Skills and experience:
Chris is an experienced Chair and Non-executive Director and his deep experience in the financial services industry enables him to challenge, advise and support Quilter's management team on a wide range of business, investment, distribution, finance and operational matters. Chris was Chief Executive of Ignis Asset Management, a business with circa. £65bn of assets under management, from 2009 to mid-2014. Over this period, he led the successful transformation, and then sale, of the business. Chris has held Board-level positions at a number of asset management businesses including Gartmore, Hill Samuel Asset Management, Cambridge Place Investment Management and spent 10 years with a US Investment Bank, Prudential-Bache. He began his career with KPMG where he qualified as a Chartered Accountant. Chris chairs BlackRock Throgmorton Trust plc and JP Morgan Japanese Investment Trust plc and is a Non-executive Director of UIL Limited. Chris will stand down as a Non-executive Director of Alliance Trust PLC at their Annual General Meeting in April 2022.

Patrick Gonsalves
Company Secretary

Appointed January 2017

Skills and experience:
Patrick is an experienced Company Secretary with broad experience across the financial services industry gained with Lloyds Bank, NatWest Bank and, up until December 2016, as Deputy Secretary of Barclays plc. Patrick was appointed Company Secretary of Quilter in January 2017 and is a Fellow of the Chartered Governance Institute. Patrick has extensive experience of providing advice and support to listed company boards in periods of significant change which is relevant to his role at Quilter.

Principal decisions of the Board in 2021

Building a simpler, more focused business

We reported to shareholders in our 2020 Annual Report that we were conducting a strategic review of Quilter International. As part of that review, the Board carefully considered a range of options for the future of the International business, including the option to retain the business and invest further to drive growth. The Board concluded that there would be significant risks and costs associated with retaining the business which had limited strategic fit with the rest of the Group. The Board assessed that a sale would be the most value-enhancing strategy as it would enhance the growth profile of the Group and allow a simplified, more focused wealth management business to be created. A range of bids were received for the Quilter International business and were critically assessed by an ad hoc Committee, the Transaction Oversight Committee, appointed by the Board, with support from external advisers. In coming to the conclusion to sell the business to Utmost Group, the Board carefully considered the impact of the transaction on the customers and employees of Quilter International and on the communities in which the business operates. There were regular interactions with the relevant regulators. Quilter's shareholders confirmed their support for the transaction at a General Meeting held on 17 June 2021. Further details on how the Board and its Committees oversaw the transaction are set out on pages 86 and 87.

The sale of Quilter International
pages 86 and 87.

Setting a strategy for growth and efficiency

Having agreed the sale of the Quilter International business which would conclude the re-shaping of the perimeter of the business, the Board reviewed the Group's strategy to ensure that the simplified and more focused business was structured to deliver for its customers and shareholders. A more customer-oriented operating model was endorsed with two business segments closely aligned to our key customer groups. The Board also agreed a range of growth initiatives for the two business segments that would leverage the broader capabilities of the Group's new investment platform. New growth initiatives supported by the Board included the decision to launch a hybrid advice channel and the further digitalisation of the business. It was also agreed that the time was right for Quilter to hold a Capital Markets Day.

Being transparent with investors

In preparation for the Capital Markets Day held on 3 November 2021, the Board reviewed the capital that the business would require to deliver the growth that the business is capable of, as well as the investment required to enhance the efficiency of the business as part of a programme of simplification. The Board concluded that some £90 million of the gross cash proceeds from the sale of the International business should be retained for these purposes. The Board also agreed that £328 million of the sale proceeds should be returned to shareholders. Given the enhanced growth profile of the business, the Board agreed that a revised Dividend Policy should be adopted that 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. Board members reviewed and commented on drafts of the Capital Markets Day presentations ahead of publication and endorsed the targets that were communicated to the market.

Setting stretching targets for management

Having completed the implementation of the new investment platform and completed the disposal of Quilter International, in December 2021 the Board approved a three-year operating plan which clearly articulates the key deliverables for the Group over the next three years. Achievement of these strategic and business as usual objectives will ensure that Quilter is able to provide new, innovative products for its customers, create opportunities for employees to develop their careers and provide superior returns for investors. Alongside the Operating Plan, the Board has approved a three-year Business Plan that sets stretching financial and business growth targets for management that are consistent with the commitments made at the Group's Capital Markets Day.

Becoming the Responsible Investment Manager

The Board has for some time recognised both the opportunity our business has in responding to the increased demand from customers for ESG products as well as enhancing our risk framework to ensure we are effectively managing environmental risks. The Board confirmed its support for the first phase of the responsible investing strategy which is requiring Quilter to embed consideration of our customers ESG preferences into our advice, investment management and platform services. The second phase of that strategy will be reviewed by the Board early in 2022. The Board will continue to closely oversee this important element of the Group's strategy.

Governance in action

The sale of Quilter International

Overview

In April 2021, Quilter announced that it had entered into an agreement with Utmost Group with respect to the sale of Quilter International. The disposal completed on 30 November 2021 for a total cash consideration of £481 million. The Board and relevant Committees all oversaw specific aspects of the transaction and worked in collaboration to oversee the transaction through to completion. Quilter continues to work closely with Utmost Group to ensure a smooth transition of essential business services to protect customer interests. The Board and Board Committee were supported by their advisers on the process and conclusions.

July to November 2020

The Quilter Board reviewed the strategy for the Quilter International business including the option to retain and invest in the business.

A Board Transaction Oversight Committee was formed to review in detail the strategic options for Quilter International, including the possibility of a sale.

December 2020 to March 2021

The Board concluded that a sale of Quilter International could be in the best interests of all stakeholders if a transaction could be concluded at an appropriate price and terms.

A robust sales process was initiated under the leadership of the Chief Financial Officer with strong interest from a range of interested parties bidding to buy the business.

The Board Transaction Oversight Committee reviewed the list of interested parties and, with support from their advisers, identified a short-list of potential buyers who were invited to take part in an in-depth due diligence process.

The Board Transaction Oversight Committee assessed the bids from interested parties against an objective set of criteria including price, achievability, impact on colleagues, customers, regulatory implications and the pre-agreed terms.

March to May 2021

The Quilter Board, on the recommendation of the Board Committee and its external advisers, unanimously agreed to recommend to shareholders the sale of Quilter International to Utmost Group.

Quilter shareholders were sent a Circular setting out the rationale for the sale of Quilter International.

June 2021

Quilter shareholders approved the sale of Quilter International with a majority of 99.99% of votes in favour.

Shareholder approval at

99.99%

November 2021

Quilter outlined its plans for returning the proceeds of the sale, subject to regulatory and shareholder approvals.

The sale of Quilter International to Utmost Group is completed.

Quilter continues to provide services to the Quilter International business under a Transitional Services Agreement.

2022 onwards

Quilter confirms the arrangements for the return of the proceeds of the sale of Quilter International to shareholders.

Quilter seeks regulatory approval, and convenes a General Meeting to obtain shareholder approval for the B share scheme and share consolidation.

Mark Satchel
Chief Financial Officer

Glyn Jones
Chair

Paul Feeney
Chief Executive Officer

Board and Committee activities

Board/Committee role and responsibilities	Number of times the Board and Committees considered the sale	Stakeholders considered	Actions taken
The Board	**8**	Advisers Colleagues Communities Customers Investors Regulators	– Oversaw the strategic decision to sell Quilter International and provided appropriate review and challenge on the analysis of the various strategic options including the option to retain the business and invest for future growth. – Debated the impact of the proposed transaction for our stakeholders, and most particularly our customers, colleagues, communities, investors and our regulators. – Ensured that communications to all stakeholder groups were appropriate and timely.
Board Transaction Oversight Committee	**5**	Advisers Colleagues Communities Customers Investors Regulators	– Oversaw the pre-sale preparations in relation to the sale of Quilter International and approved the criteria to support the decision making in selecting potential buyers. – Reviewed the Non-binding Offers received in relation to the initial price discovery phase and approved on behalf of the Board which, if any, bidders should proceed to the second phase of the process. – Reviewed the Binding Offers received from potential buyers. Recommended to the Board the buyers with whom a transaction might be concluded in accordance with the selection criteria.
Board Audit Committee	**3**	Investors and Regulators	– Reviewed the financial impacts of the transaction on the Group and carefully considered the resulting disclosures in the Group's financial statements. PwC were appointed as advisers on the sale to support on the production of the Working Capital Report, in accordance with item 1(2)(b) of Annex 1R to chapter 13 of the Listing Rules, and confirmed their independence in relation to the transaction.
Board Technology and Operations Committee	**2**	Customers and Advisers	– Reviewed the details of the Transitional Services Management Agreement and ensured the appropriate controls were in place for an efficient transition.
Board Risk Committee	**3**	Customers and Investors	– Considered the impact of the sale on the Group's overall risk profile and the impacts for the Group's capital and liquidity position. – Oversaw the assessment of the impact of the transaction on the Group and provided review and challenge on the sale to assist in the delivery of the transaction whilst minimising the operational risk of this change, and in particular ensuring that there would be no customer detriment.
Board Corporate Governance and Nominations Committee	**1**	Colleagues and Investors	– Reviewed the impact of the transaction on the succession plans for the Group.
Board Remuneration Committee	**1**	Colleagues	– Carefully considered the impact on colleagues leaving the Group and agreed how the all-employee and other discretionary incentive plans should operate.

Report from the Designated Workforce Engagement Directors

We are delighted to present our joint report as Workforce Engagement Directors. We want to share with you our thoughts on progress in the year, why this is important to the Board and what we intend to achieve in 2022.

Talking and actively listening to people's views is the best way to learn about the health of an organisation. It helps me understand the type of culture that people thrive in which ultimately drives the long-term success of the Company. I want to use my skills and experience to help Quilter be a place where people can thrive.

Paul Matthews

How we perform our role

As Paul reported in 2020, we have continued to work with the Quilter Employee Forum. With the agreement of the forum members, and facilitated by the Forum Chair, Farhana Sadeque, we attend their meetings in rotation. We only attend part of the Forum meetings for pre-agreed topics, but we have been able to listen to the discussions directly and share our thoughts with Forum members. We have sought views on matters as diverse as strategy, culture and the return to offices. We have been impressed with how engaged and committed Quilter colleagues are and how they are driven to support our clients and customers. Although we have not been able to meet people face to face as often as we would have liked during the pandemic, video technology has enabled good conversations. We intend to meet more colleagues in person during 2022.

Our progress

People are our most important asset. It is important that Quilter is an agile employer that attracts and retains talented people – whoever they are. The pandemic has brought a generational change in how people work and we are seeing a competitive labour market where talented people are much in demand.

The Board wishes to support management in creating a culture where everyone can thrive and people are able to bring their whole self to work. Appointing Tazim, who is diverse both in gender and ethnicity, as an additional Workforce Engagement Director, sets a clear tone from the top as to how seriously the Board takes its role in actively championing diversity and inclusion. Since Tazim's appointment in September 2021, her priority has been to raise awareness of her role and her personal interest in championing all talent. She has proactively built a strong relationship with the Head of HR and the new Head of Diversity, Inclusion and Talent Acquisition. An example of how we have raised awareness of the work to create a truly diverse workforce was when Tazim hosted a dinner to celebrate Black History month.

Workforce engagement key themes:

Supporting our people

Quilter has continued to conduct regular surveys on employee engagement. During the year there has been, understandably, a slight decline in the overall engagement scores reflecting the considerable level of change Quilter has undergone.

The implementation of our new platform and sale of Quilter International impacted many people and the measures to simplify our business have sometimes created uncertainty. Face to face meetings and gatherings have been largely impossible during the year as most colleagues have adopted hybrid working patterns.

Leadership

Management continued to use video technology to remain extremely visible to colleagues during the pandemic. Additionally, when possible, the Executive Committee members and other leaders spent time updating Quilter colleagues and advisers in person on our strategy and ensuring colleagues are informed to show them how their work contributes to our success. The launch of the "We Rise" programme, sponsored by our Executive Committee, has been an important step to support our leadership team and all colleagues. In January 2022, our Executive Committee led a virtual conference for all colleagues to discuss our strategy and support "We Rise".

"My manager cares about me as a person."

2021	8.4/10
2020	8.5/10

"People from all backgrounds are treated fairly here."

2021	8.4/10
2020	8.4/10

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

2021	8.2/10
2020	8.3/10

"Overall engagement."

2021	7.0/10
2020	7.5/10

Why our role is important
Management is extremely focused on ensuring that our employees' voices are heard. The Board receives regular updates on People and Culture, with data sourced from a weekly Colleague Pulse survey. Our role has enabled us to get more colour around the data and help understand the tone of the conversation, which is not always obvious from data alone. One important lesson is to ensure we do not generalise about what our employees think. For example, in the period of enforced home working, some colleagues actively wanted and needed to come to the office for mental health or family reasons or just to be with other like-minded people, whereas others have thrived working from home and feel this enables them to be more productive, with a better work/life balance.

Our achievements to date and what we are most proud of
We are delighted to represent the Board to Quilter colleagues and vice versa. Our role provides a clear, senior direct link to the Board and our engagement shows colleagues how seriously the Board takes their issues and wants to hear their voices. We are looking at ways to reach the broader workforce, particularly important sub-groups and colleagues in all offices.

We are extremely supportive of the robust strategy that the Board has already endorsed to progress our diversity and inclusion agenda and making Quilter a place where you can bring your whole self to work. The Board recognises that it is a competitive market for talented individuals, both in the financial services industry and more broadly, and we need to create an environment that attracts and retains that talent. We intend to sponsor and champion opportunities to ensure all colleagues are heard and make Quilter an open and inclusive workplace. In 2022 we hope that we can do a lot more in person and share directly how colleagues' voices have made a difference in the decisions the Board has made. We are currently planning how we can best support the Company in 2022.

When the Board asked me to be an additional Workforce Engagement Director in July 2021, I was delighted to bring a diverse lens to the conversation. As an ethnically diverse female, I bring a different perspective to discussions, particularly within the financial services industry. I want to help colleagues to make their voices and experiences heard.

Tazim Essani

Aligning our culture and values to our strategy
The Board pays particular attention to our culture metrics to ensure that our culture and values align to our strategy. The proportion of our colleagues who feel aligned to our purpose and vision marginally declined in the year, and the "We Rise" programme has been devised to drive this score up.

As Paul reported last year, in 2021 the Board has reviewed both a Group-wide view and individual business lens to ensure that management action was targeting the underlying issues. Our employees continue to be aligned to our culture and values of Dependable, Stronger Together and Pioneering.

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

2021	8.2/10
2020	8.2/10

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

2021	7.4/10
2020	7.9/10

Note: Data as at 31 December 2021 and 30 December 2020 respectively.
Data derived from Peakon staff surveys.

One further extremely important measure of a strong and healthy culture is the extent to which employees feel able to voice concerns and know that they will be listened to and appropriate action taken should issues be raised. The survey makes it clear it is easy for colleagues to highlight areas of potential concern.

George Reid, who is our Whistleblowing Champion, talks more about this important role in the Board Audit Committee report which you can read on page 100.

Paul Matthews
Independent
Non-executive Director

Tazim Essani
Independent
Non-executive Director

Board Corporate Governance and Nominations Committee report

At a glance

Committee activity

7%
Board evaluation
2020: 11%

26%
Board and Board Committee succession planning
2020: 19%

10%
Executive succession planning and talent
2020: 24%

40%
Corporate governance
2020: 23%

17%
Responsible business
2020: 23%

Committee highlights 2021

Diversity and inclusion

Heightened focus on Quilter's diversity and inclusion strategy.

Refreshed Board

Continued refresh of Board and Board Committees, including recommending to the Board the appointments of Tazim Essani and Chris Samuel as new Non-executive Directors.

The process we followed
page 92

ESG

Oversight of the framework to drive ESG matters.

Committee responsibilities

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

Committee membership and meetings attended/eligible to attend

Glyn Jones (Chair)	**6**/6
Tim Breedon	**6**/6
Ruth Markland	**6**/6

Committee governance

The Board Corporate Governance and Nominations Committee currently comprises the Chair of the Board and two independent Non-executive Directors. Details of the skills and experience of the Committee members can be found in their biographies on pages 82 to 84.

Evaluation

As part of the 2021 Board effectiveness review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.

Discharging our responsibilities

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

Attendance

The Chief Executive Officer and HR Director regularly attend Committee meetings, except when it would not be appropriate for them to do so.

Collaboration

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

Dear shareholder,

The work of this Committee focuses largely around ensuring that the people who make up our Board and our Executive leadership team have the skills, experience and competencies needed to deliver the Group's strategy. We recognise that our success and the delivery of our corporate strategy, our purpose and our values, is dependent on attracting, retaining and motivating high-quality people. As Quilter has moved to being a simpler, modern wealth manager, we reviewed and shared with the Board a briefing on talent and succession planning for our leadership team. This was particularly important as we realigned our businesses to the two business segments we now report against and positioned our business to deliver fully on its potential.

The Committee has continued to provide oversight to the Board and Board Committee succession plans. As I reported last year, we recommended the appointment of Tazim Essani to our Board in March 2021 and in July we were pleased to recommend the appointment of Chris Samuel to the Board.

In January 2022, we announced that Rosie Harris has confirmed that she will not seek re-election at our 2022 Annual General Meeting. Rosie has been a tremendous asset to our Board, and as Chair of our Board Risk Committee. She has overseen the development of a more mature and embedded risk management framework and leaves with our thanks and best wishes. As I stated before, I am intending to retire in 2022 once my successor is in place, so I have asked our Senior Independent Director, Ruth Markland, to lead the search for a new Board Risk Committee Chair. We are fortunate that we were able to implement our contingency succession plan and that George Reid, who has been a member of the Board Risk Committee since his appointment in 2017, has agreed to act as an interim Chair of the Board Risk Committee from 1 May 2022.

Since Listing, our Board has consistently met or exceeded the minimum requirements for female representation on the Board with females taking senior roles chairing the majority of our Board Committees, and we have also met the recommendations of the Parker Review. As with all our external recruitment, the search for the Board Risk Committee Chair and for my successor, will be managed in accordance with our Board Diversity Policy and our desire to promote equality in its broadest sense. I remain, however, conscious that capable diverse talent is in high demand and that many companies and organisations are seeking diverse candidates with skillsets similar to the criteria we set.

In addition to our focus on talent and succession, the Committee has spent considerable time on the oversight and promotion of our diversity and inclusion agenda to ensure that Quilter can create an environment where talented and capable people feel included and can flourish. The Board is strongly supportive of building a diverse talent pipeline. The strategy approved by the Committee will maximise how we access talent that can benefit our Company and ultimately our customers and advisers. To that end, in July 2021, we asked Tazim Essani to work alongside Paul Matthews as a Workforce Engagement Director. You can read more from Paul and Tazim on pages 88 and 89 on their work to date, what has happened as a result and how they intend to engage with our people going forward.

A key area of focus this year has been ensuring that our governance framework overseeing Quilter as a responsible wealth manager maximises the opportunities and minimises the risks.

A further key area of focus for this Committee in 2021 has been ensuring that our governance framework overseeing our role as the responsible wealth manager maximises the opportunities and minimises the risks that this initiative presents. We have endorsed management's simplification of the framework and have been pleased with the progress made both for Quilter as an investment manager and as a Company. There is, of course, more to do.

As announced in October 2021, it is my intention to retire in 2022 and I am not directly involved in the search for my successor. Our Senior Independent Director, Ruth Markland has formed a Sub-Committee of the Board Corporate Governance and Nominations Committee comprising herself, as Chair, Tim Breedon and George Reid to oversee the recruitment of my successor. Having sought the views of all Board members, the Sub-Committee approved a detailed candidate specification in line with the Board Diversity Policy. External search agents have been appointed but the process is ongoing at the moment, and once complete we will update you on the outcome and provide full details of the process followed.

Ruth Markland provides an update on our 2021 Board effectiveness review and the changes made to address the feedback from the review on page 95.

Glyn P. Jones

Glyn Jones
Chair

Key areas of Committee focus

Board and Board Committee succession planning
The accountabilities, competencies and expectations required of the holder of each role on the Board, including those required by the Code, have been documented in our Board Charter, which is reviewed annually. This includes the responsibilities of the Directors as a whole, including their responsibilities under section 172(1) of the Companies Act 2006, and the role profiles of the Chair, Senior Independent Director, Committee Chairs, Non-executive Directors and Executive Directors. Performance against these expectations was assessed in the 2021 Board effectiveness review, detailed in the report from our Senior Independent Director on page 95, and it was confirmed that all Directors were discharging their roles effectively. The time commitment expected of the Non-executive Directors is set out in the Board Charter and their letters of appointment.

The Committee is responsible for overseeing the composition of the Board and its Committees and ensuring that it is an appropriate size and that there is an appropriate balance of diversity in skills, experience, thought, independence and knowledge. It is also responsible for reviewing and making recommendations to the Board on succession planning for the Board and key leadership positions within Quilter. The Chair and all the Non-executive Directors have served on the Board for six years or less. All the Directors are subject to annual re-election by shareholders and the specific reasons why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success are set out in their biographies on pages 82 to 84. The membership of the Quilter Board is regularly reviewed by the Committee using a Board Skills, Experience and Diversity matrix to ensure that the Board has available to it all of the required skills to oversee the delivery of Quilter's strategy and long-term success. A summary of this matrix is set out on page 78. In line with best practice, the Committee has also agreed emergency succession arrangements for all of the key Board positions including the Chair of the Board, the Senior Independent Director and the Board Committee Chairs. Although strong candidates are available for each position on an emergency basis it is still likely that some external recruitment would be required for permanent successors given that the Board is not large enough to carry a pool of succession candidates for all Board roles.

As I wrote in last year's Annual Report, after a full external search, we were pleased to appoint Tazim Essani to our Board on 9 March 2021. The recruitment agency engaged, Egon Zehnder, was fully independent of Quilter and was not conflicted in providing this service. Egon Zehnder have been retained for other Non-executive Director searches but have no other connection with Quilter or individual Directors. Tazim joined our Board Remuneration Committee on appointment. Tazim had a full induction programme, meeting with both her fellow Board members and senior management and colleagues. Tazim's appointment enabled us to continue to meet our targets in terms of gender and ethnic diversity on the Board, as we have done for nearly all of the period since Listing. As Tazim only recently finished her executive career, her appointment to our Board Audit Committee was staged to enable her time to more fully familiarise herself with our business. Again, following consultation, she has undergone a full induction programme with management, and internal and external auditors on matters important to that Committee. In July 2021, we recommended to the Board that Chris Samuel, who chairs our Quilter Financial Planning Board, join the Quilter plc Board. Chris also joined our Board Risk Committee and Board Technology and Operations Committee. Chris is an experienced Non-executive Director and has deep expertise in operations and asset management. Chris has chaired the Quilter Financial Planning Board since June 2020 and was therefore well known to Quilter, so, exceptionally, in this instance no external search firm was used. Provision 20 of the Code requires that "Open advertising/External search consultants should generally be used for the recruitment of the Chair or Non-executive Directors". External search consultants have been used in relation to all other appointments of Non-executive Directors since the Company's Listing in 2018.

As explained in more detail on page 91, Rosie Harris will not seek re-election at our 2022 Annual General Meeting and will step down from the Board on 30 April 2022. Quilter has a strong Board and, in line with our succession plan, George Reid will serve as the interim Board Risk Committee Chair from 1 May 2022, pending the recruitment of a new Board Risk Committee Chair. Ruth Markland has been leading the search for a new Board Risk Committee Chair so that this search is closely co-ordinated with the Quilter Chair search. As at the time of writing this search is underway.

Executive succession planning and talent management

Following a review of our succession and talent management for our senior leadership team in November 2020, and to address feedback from the 2020 Board effectiveness review, the Board received an update from our Chief Executive Officer and HR Director in January 2021 on the development of talent within the Group and the succession arrangements in place for key executive positions. They presented the People strategy which the Committee challenged and endorsed the strategy to support succession within senior leadership roles and the development of talent to build capability for the future.

Talent development is an area which has continued to progress in preparation for the implementation of our new business segments and in November 2021 the Committee received a further update on how our leadership team is being developed to support our new business segments, including the appointment of a single business head across the Quilter Investment Platform and Quilter Investors businesses. The update covered initiatives to develop internal capability to support succession, the leadership and management programmes being offered to colleagues and an update on external recruitment. The update included both a gender and ethnicity lens as these populations are closely monitored and tracked to promote a more diverse workforce.

Responsible business framework

As our goal of being the responsible wealth manager is so integral to our strategy, this is an area where the Committee focused on overseeing our responsible business framework with the Board monitoring our responsible investment strategy, and the Board Risk Committee ensuring that the reporting of risks and risks around our ESG strategy were appropriately identified, monitored and mitigated.

Diversity and inclusion

In recognition of our desire to become a more diverse organisation, in July 2021 we asked Tazim Essani to work alongside Paul Matthews as an additional director with responsibility for workforce engagement. You can read more about the progress and outcomes as a result of that work on pages 88 and 89. The Committee and the Board place significant reliance on this role, although all our Board routinely engage with colleagues in a variety of ways. We have formally documented the responsibilities of this role which are set out in our Board Charter published on our website at plc.quilter.com.

One important facet of our responsible business agenda is to ensure that our colleagues are representative of the communities that they work in. The Committee has spent time ensuring that there are appropriate mechanisms and support in place to promote a diverse workforce and an inclusive environment for our people. We strongly endorsed management's strategy to promote diversity and inclusion, and we were joined by Tazim Essani, who has a particular focus on diversity and inclusion, for these important discussions. The Committee has also been updated directly by Tosin James-Odukoya, the new Head of Diversity, Inclusion and Talent Acquisition. Tosin was made responsible for recruitment in recognition of how important it is for practical access routes to be available to reach new joiners from diverse backgrounds. As at 31 December 2021, 28% (2020:26%) of our senior management team, comprising the Executive Committee, the Company Secretary and their direct reports, are female. We received updates on the progress being made to build supportive networks, promote mentoring and achieve greater diversity in its broadest sense.

Key objectives of the Diversity Policy

1. The Board is committed to maintaining a minimum one third female Director representation at Board level, which is in line with the Hampton-Alexander review recommendations.

2. In order to achieve the development of a more diverse pipeline for Board succession, the Board will proactively seek opportunities to support Quilter's strategy of creating more diversity at senior levels including but not limited to gender, LGBT+, BAME, age, disability and socio-economic background.

3. We strive to ensure that the Board is made up of an appropriate range of skills, experience, knowledge and background. To support that objective, we only engage search firms who have signed up to the voluntary Code of Conduct on both gender and ethnicity.

4. We will consider all aspects of diversity, including age, gender, LGBT+, disability, socio-economic background and ethnicity, when reviewing the composition and balance of the Board, and will seek opportunities to drive a more diverse pipeline.

The Board Diversity Policy is online at plc.quilter.com

Key areas of Committee focus

Sponsored by our Chair, the Committee has reviewed and commented on important consultations on diversity and inclusion for financial services firms and also for listed companies. We have decided to review again our Board Diversity Policy in 2022 once the outputs of these consultations are known. In light of the publication in February 2022 of the FTSE Women Leaders Review, the Committee will be reviewing the Board Diversity Policy and will be setting more stretching targets for gender diversity on the Board and a timetable to achieve these targets. In the meantime, with the support of our Board, I am pleased we are reporting on a broader range of diverse characteristics for our Board on page 78 and for our colleagues more broadly on page 47 for the first time this year. I am pleased to report that the Board continues to meet or exceed the recommendations of the Hampton-Alexander Review and meet the Parker Review, and indeed a majority of our Board Committees continue to be chaired by female Directors. Since the year end the Board, along with senior executives who support the Board, took part in a thought provoking interactive session on diversity and inclusion led by John Amaechi OBE, Founder of APS Intelligence exploring our roles as leaders in making change happen.

Board evaluation

The Committee concluded that a lighter touch, internally facilitated review would be appropriate in 2021. A full report on that review and the outcomes are set out on page 95. The Committee intends to ask our Senior Independent Director to oversee an externally facilitated review in 2022.

Corporate governance

The Quilter corporate governance framework places material emphasis and reliance on the role and work of our subsidiary boards and during the year the Committee continued to facilitate further alignment across our governance structure with the appointment of Chris Samuel to the Quilter plc Board. The Group Subsidiary Governance Manual was reviewed and an updated version was published in January 2021 to clarify some of the reporting and escalation processes from subsidiary boards. With the simplification of our business and the operation of our new business segments, the Committee continues to review regularly the governance framework to ensure that it remains appropriate and proportionate.

Conflicts of interest

In accordance with the Companies Act 2006 and the Company's Articles of Association, the Board may authorise conflicts of interest. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of Quilter. The Company Secretary maintains a conflicts of interest register which is reviewed by the Board and the Board Corporate Governance and Nominations Committee. Noting the recommendations of the Code, the Committee is required to pre-approve, on behalf of the Board, any new external appointments that a Director wishes to adopt. During the year, the Committee carefully reviewed requests to approve new external appointments for a number of our Non-executive Directors, and concluded that these additional responsibilities would not impact their time commitment or cause any potential conflicts of interest for Quilter.

The Board continues to meet or exceed the recommendations of the Hampton-Alexander Review and meet the Parker Review, and a majority of our Board Committees continue to be chaired by female Directors.

Read more about our Board diversity
page 93

2021 Board effectiveness review

2021 Board effectiveness review update

As Senior Independent Director, I was asked to oversee the 2021 Board effectiveness review which the Board decided should be managed internally.

The 2021 review was conducted in September 2021 using a questionnaire which was completed by all Board members and a small number of executives who work closely with the Board. The questionnaire covered the performance of the Board, each of its Committees and individual Board members.

The Board intends that the next Board effectiveness review in 2022 will be facilitated externally.

Conclusions

I am pleased to report that the review concluded that the Board and the Board Committees continue to be fully effective in the discharge of their responsibilities and overall the Board's assessment of performance was stable year on year. The Board was pleased with progress made during the year, despite the challenges of largely meeting virtually. As usual, the review identified a small number of areas where improvements could be made and an action plan to address those areas of focus was debated and agreed by the Board in November 2021. The Board Corporate Governance and Nominations Committee is monitoring the delivery of that action plan.

2021 overall Board effectiveness score

6.4/7

Ruth Markland
Senior Independent Director

Summary of themes, outputs and how these will be addressed

Themes	Matters to be addressed	How the issue will be addressed
Monitor corporate performance	Continue to drive a culture of lessons learnt throughout the organisation	There would be benefit in working with management to access opportunities to learn from, and to escalate more quickly, the insights gained from the handling of past issues and the reviews conducted of the root causes, and to embed those learnings into the business.
Culture	Greater insight into culture within individual businesses required	The Board will continue to receive regular reporting on culture, and will monitor closely the success, or otherwise, of the "We Rise" programme.
Leadership and talent	Continued focus on performance and succession of the leadership team	The Board calendar has been updated to include updates on executive performance, succession and management structure.
Subsidiary oversight	Continue to work closely with subsidiary boards.	The Board Corporate Governance and Nominations Committee will oversee the subsidiary governance framework. Corporate Secretariat will support the reporting to the Quilter Board, and Quilter Board Committee Chairs will continue to meet with subsidiary board counterparts.

2021 Committee effectiveness

The performance of each Board Committee was assessed and each concluded that the Committees were operating effectively. You can read about those reviews in the individual Committee reports elsewhere in the Governance report.

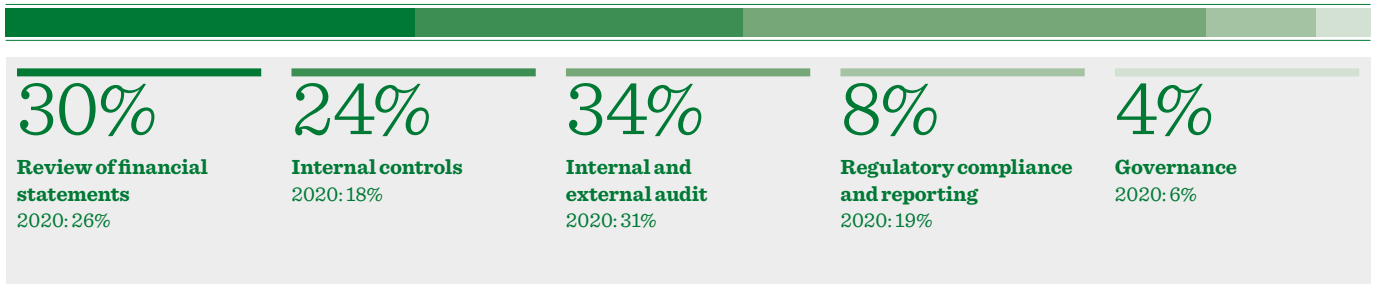
Progress against the 2020 Board effectiveness review

The Board Corporate Governance and Nominations Committee has regularly reviewed the progress on the action plan in response to the 2020 Board effectiveness review. In accordance with the action plan, the Board has received more detail on the KPIs used by management to drive our business forward and measure long-term business health. Greater reporting on executive succession planning, and culture at business level, and the activities of the subsidiary boards has been welcomed by the Board. The Committee was content that all the findings of the 2020 effectiveness review had been fully addressed.

Board Audit Committee report

At a glance

Committee activity



Committee highlights 2021

Fair, balanced and understandable

A comprehensive review process to support the Board in reaching its conclusion that the 2021 Annual Report is fair, balanced and understandable.

Read more on page 99

Internal Audit

The External Quality Assessment confirmed that Quilter has a leading internal audit function.

Read more on page 100

Committee responsibilities

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

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

Committee membership and meetings attended/eligible to attend

George Reid (Chair)	**12**/12
Tazim Essani*	**4**/4
Rosie Harris	**12**/12
Ruth Markland	**12**/12

*Appointed 1 September 2021.

Committee governance

The Board Audit Committee currently comprises four independent Non-executive Directors. The Chair of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the business sectors that Quilter operates in. Details of the skills and experience of the Committee members can be found in their biographies on pages 82 to 84.

Evaluation

As part of the 2021 Board effectiveness review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.

Discharging our responsibilities

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

Attendance

The Chief Internal Auditor, the Chief Financial Officer, the Chief Risk Officer and representatives of PwC, the external auditors, attend all meetings of the Committee. The Committee holds regular private sessions with the Chief Internal Auditor and the representatives of PwC in accordance with best practice.

Collaboration

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

Dear shareholder,
As Chair of the Board Audit Committee, I am pleased to have this opportunity to present this report on the Committee's work during 2021.

The Committee has focused clearly on its key responsibilities of assisting the Board in monitoring the Group's control environment, providing robust governance over the Group's financial reporting and challenging the judgements made by management and the estimates and assumptions on which they are based, whilst ensuring appropriate, balanced disclosures are included.

During the year, the Committee continued to deal with the challenges of the COVID-19 pandemic which required the majority of our employees to perform their roles remotely. The Committee has regularly assessed the state of the financial control environment throughout the year and is content that remote working has not led to any significant weakening in the operation of our internal financial controls and the controls over our financial reporting.

I reported to you last year that in light of the COVID-19 pandemic, the Committee had deferred the External Quality Assessment ("EQA") of the Internal Audit function to 2021. I am pleased, therefore to confirm that in 2021 we were able to commission and oversee a thorough EQA process conducted by KPMG. Further details on the EQA, which confirmed that the Quilter Internal Audit function is a leading internal audit function that benchmarks well to its peers, are set out on page 100.

In September, the Committee was pleased to welcome Tazim Essani as a member. Tazim's breadth of business experience and expertise in the interpretation, analysis and presentation of financial statements has enabled her to contribute immediately to the Committee's deliberations.

During the year, the Committee received communications from the Financial Reporting Council ("FRC") in relation to two items, the Group's pension transfer advice provision, as part of the FRC's thematic review of provisioning, and a separate request for clarification on the intention for the Group to reduce the number of Alternative Performance Measures ("APMs") used in the 2021 Annual Report. The FRC confirmed they were satisfied with the Group's approach to both of these matters.

The second half of 2021 saw the Committee focus on the presentation of the Group's financial results on the basis of continuing and discontinued businesses, following the disposal of Quilter International at the end of November 2021, and ensuring that the Committee satisfied itself with the basis for reporting on the Group's new business segments: High Net Worth and Affluent.

The Committee has also spent time reviewing how the Finance function has operated and maintained the effectiveness of financial controls, particularly whilst working remotely and during the transition to a new General Ledger system. Further information on how the Committee has overseen the Group's financial reporting and controls can be found on pages 98 to 100.

Information on how the Committee has discharged its role is set out below covering the following areas:
- financial reporting
- CASS compliance
- whistleblowing
- regulatory reporting
- internal audit; and
- external audit.

Looking ahead, given the relative complexity of the Group's 2021 financial statements the Committee will be focused on simplifying the Group's financial disclosures and I will report on the progress made in this regard in the 2022 Annual Report.

George Reid
Chair

Key areas of Committee focus

Financial reporting

The Group's accounts are prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain APMs are used to add insight for Quilter's shareholders on the performance of the business, aligned with how the business is managed. The Committee has continued its close scrutiny of APMs to ensure that where they are used they are necessary, clearly highlighted and explained and are reconciled to statutory performance measures in line with the guidance from the FRC.

The Committee has reviewed the Group's Accounting Policies and confirmed that they are appropriate to be used for the 2021 financial statements. Following the sale of Quilter International, specific attention has been paid to the presentation of the financial results on the basis of continuing and discontinued businesses. Consideration has also been given to the basis for reporting on the new business segments: High Net Worth and Affluent.

The Committee has also reviewed the basis of accounting, the appropriateness of adopting the going concern basis of preparation for the Group's financial statements, and the Group's viability statement. In doing so, the Committee considered:

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

The form of the viability statement and period covered by the statement were specifically considered by the Committee. The Committee was satisfied with the content of the viability statement and supported the time period of the statement which aligns with the three-year internal financial planning cycle. The viability statement can be found on pages 74 and 75.

The Committee reviewed and challenged the Interim Results for 2021 and the Annual Report and Accounts for 2021. The Committee's reviews were supported by analysis and discussion provided by the Finance and Actuarial teams, reports from the second line on the solvency position and the reports of the external auditors. Having considered these inputs and the Committee's own independent judgements, the Committee recommended to the Board the approval of each of these sets of financial statements.

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

Accounting judgements and estimates

The Committee has continued to receive good support from the Quilter Finance team which has enabled it to consider in advance of the end of each reporting period the approach that it would wish to take on the key areas of judgement and estimates that impact the financial results.

Critical accounting judgements, critical accounting estimates and other principal estimates deliberated by the Committee during review of the 2021 Annual Report and Accounts included the treatment of:

Area of focus	Issue/role of the Committee
Sale of Quilter International	The Committee reviewed and challenged the accounting for, and disclosure of, the sale of Quilter International including considering the key judgements and estimates of provisions, presentation of ongoing costs and the treatment of costs associated with the sale.
Provisions for Lighthouse British Steel and other past business review cases	The Committee reviewed the estimates involved in the provisioning for DB pension to DC pension cases which are subject to a skilled person review in Lighthouse and other past business review cases, which have been assessed for suitability and the number of cases requiring redress ascertained. The disclosures in the Group's financial statements were reviewed to ensure compliance with IFRS and transparent presentation in the financial statements.
Goodwill and intangibles	The Committee considered the appropriateness of the key assumptions underpinning the Group's goodwill impairment testing, and the sensitivities modelled, which were based upon the Group's two operating segments: Affluent and High Net Worth, and followed the allocation of a portion of the goodwill to the Quilter International disposal group. The Committee reviewed the associated disclosures in both the half-year and year-end financial statements to ensure these met the requirements under IFRS, and provided the relevant information to the readers of the financial statements.
Deferred tax	The approach taken for the recognition of deferred tax assets, and the estimations and assumptions used, were reviewed by the Committee, along with consideration of the associated disclosure in the Group's financial statements for compliance with IAS 12.

The sale of Quilter International
pages 86 and 87

Fair, balanced and understandable

There has been a comprehensive review process to support the Board in reaching its conclusion that the 2021 Annual Report is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's financial position, performance, business model and strategy.

The process which enabled the Committee to reach this conclusion included:

- the production of the 2021 Annual Report and Accounts, managed closely by the Chief Financial Officer, with overall governance and co-ordination provided by a cross-functional team of senior management;
- cross-functional support to drafting the 2021 Annual Report and Accounts which included input from Finance, Risk, Investor Relations, Corporate Secretariat, HR and wider business leaders;
- a robust review process of inputs into the 2021 Annual Report and Accounts by all contributors, to ensure disclosures are balanced, accurate and verified, with further comprehensive reviews by senior management;
- a review by the Company Secretary of all Board and Board Committee minutes to ensure all material matters considered at Board level meetings have been disclosed in the 2021 Annual Report and Accounts;
- a specific management paper detailing the 2021 year end assessment of fair, balanced and understandable;
- a formal review by the Board Audit Committee of the draft 2021 Annual Report and Accounts in advance of final sign-off; and
- a final review by the Quilter Board of Directors.

Having carefully reviewed and considered all relevant information, the Committee is satisfied that, taken as a whole, the 2021 Annual Report and Accounts are fair, balanced and understandable and has confirmed that to the Quilter Board. This process was also undertaken in respect of the Group's 2021 Interim Results to ensure that, taken as a whole, based on the information supplied to it and challenged by the Committee, they were fair, balanced and understandable, and the Committee advised the Board to that effect.

Controls over financial reporting

The Committee has continued to closely monitor the programme of work to strengthen and enhance the Group's internal financial controls and governance framework that underpins the Group's financial reporting. Management has regularly reported on the state of the financial control environment throughout the year, confirming that good progress has been made towards delivering the enhancements required. The Committee has monitored the progress made against the PwC internal control recommendations and is content that good progress has been made towards closing these agreed actions.

The Committee has also spent time reviewing the work to enhance the financial control environment within the Quilter Financial Planning business.

As part of the process to review and challenge the 2021 financial statements, the Committee considered the processes and controls in place to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements. The Chair of the Committee has reported to the Board on this area.

Alternative performance measures

The Committee understands that APMs are an area of particular focus in terms of the understanding of the Group's financial statements by shareholders and other stakeholders. The refinements made to these disclosures in 2020 have continued to be enhanced in the 2021 Annual Report in light of the Financial Reporting Council's thematic review report on APM's published in October 2021. As part of its review of the financial statements, the Committee has challenged the clarity of any APMs used and careful consideration has been given to these disclosures. The Committee is satisfied that they provide clear definitions and explanations of the APMs, as well as a reconciliation of the APMs to the nearest IFRS line item which has been cross-referenced to Quilter's KPIs.

Alternative performance measures
pages 255 to 258

CASS compliance

Monitoring compliance with the CASS rules, and the programmes of work under way in each of the regulated businesses to maintain appropriate CASS controls, is crucial to protecting the interests of Quilter's customers. The Committee performs this role by reviewing reports on CASS produced by the internal and external auditors, the second line and by management. This has included overseeing the impact of the Platform Transformation Programme on our CASS processes and controls and the performance of third-party suppliers who manage the Group's CASS arrangements in certain parts of the business. The Committee has also heard from management about the challenges faced by the businesses in maintaining a strong CASS control environment during a year of considerable change and continued remote working. The Committee has been kept informed about how the various CASS entities in the Group have been increasing co-ordination and moving towards simplifying and harmonising their CASS Control Frameworks.

Key areas of Committee focus

Regulatory reporting
During the year, the Committee reviewed, challenged and recommended to the Board for approval the Solvency II reporting for the Quilter businesses for the 2020 year end and, in doing so, were supported by detailed reports on the disclosures from management, the second line Actuarial function and the external auditors. The Committee also scrutinised and approved the methodology and assumptions to be applied to the 2021 year end Solvency II reporting and reviewed the 2020 year end consolidated Capital Requirements Directive IV disclosures for the Group ahead of their publication on Quilter's website. The Committee has closely monitored the Department of Business, Energy & Industry Strategy ("BEIS") consultation on restoring trust in audit and corporate governance. The consultation included recommendations arising from the Competition and Market Authority's statutory audit market study, the Brydon Review on the quality and effectiveness of audit, and the Kingman Review of the Financial Reporting Council. The Committee carefully considered the potential impacts of these recommendations and formally responded to BEIS on the initial consultation. Once the consultation is finalised we will focus on the impact to our business and any required changes.

Whistleblowing
Quilter is committed to ensuring a transparent and open culture that encourages employees to speak up. To support this, it is important that the Group's whistleblowing arrangements are not only effective in practice but are seen by staff and all other stakeholders as being fair, rigorous and effective in resolving concerns. During the year, the Committee has reviewed the effectiveness of the whistleblowing processes in place across the Group and reviewed the details of specific whistleblowing complaints and the outcome of management's investigations. The Committee has also reviewed data on grievances and other indicators that the Group has an open culture where employees feel able to raise concerns. The Committee has continued to encourage management to embed a "speak up" culture in the organisation and receives assessments of the culture of transparency and a "speak up" environment. The Chair of the Board Audit Committee is the Whistleblowing Champion for Quilter.

Internal audit
Quilter's shareholders and customers can take comfort that the Group's internal audit function is mature, appropriately focused and is functioning efficiently and effectively. The Chief Internal Auditor attends all meetings of the Committee and has reported in detail on the work conducted by Internal Audit including key statistical analysis on the results of their work, the pace at which management is addressing any issues raised and the extent to which management has self-identified the issues being raised by internal audit. This is an important indicator of the maturity of the Group's control framework and this measure is tracked closely.

The Committee has regular meetings with the Chief Internal Auditor without management present, in accordance with best practice.

During the course of the year, the Committee received regular reports from Group Internal Audit on its activities across the Group detailing their assessment of the internal control environment and highlighting to management where action is needed to enhance internal controls.

In December 2021, the Committee approved a risk-based internal audit plan for 2022 focused on the most critical areas for the Quilter business and supporting the delivery of good customer outcomes. The internal audit plan was formulated to complement the second line's plan for 2022 and was reviewed in conjunction with the Board Risk Committee. The Chief Internal Auditor has confirmed that he has the necessary resources to deliver the 2022 internal audit plan, including having contingency resources in place to ensure that they can respond to unexpected demands.

In line with the Chartered Institute of Internal Auditors standards, the Committee commissioned an external quality assessment ("EQA") which was undertaken by KPMG during the second half of 2021. The report concluded that:
- Group Internal Audit is a leading internal audit function and benchmarks well against other financial services internal audit functions, particularly in its organisational position and its process, methodology and reporting;
- Group Internal Audit generally conforms with the International Standards for the Professional Practice of Internal Auditing, as published by the Chartered Institute of Internal Auditors. This is the highest score that can be achieved during an EQA; and
- the strength of the function gives Group Internal Audit opportunities to consider implementing optional alternative working practices to drive greater efficiency.

As part of the assessment, the Group Internal Audit team held workshops with KPMG to explore areas where the function could drive even greater efficiency. Increased use of data analytics was identified as an area where the function could continue to develop its capabilities. The Committee confirmed that it was satisfied with the conclusions drawn in the report and supports the function's drive for greater efficiency.

External audit
The Committee deems it vital that Quilter benefits from a robust, high-quality external audit conducted by an independent and professional audit firm. PricewaterhouseCoopers (PwC) were appointed as the Group's statutory auditors, with effect from the 2020 financial year, following a formal tender process. The Committee has received regular and detailed reports from PwC throughout 2021.

The Committee has also assessed management's response to the external auditor's internal control findings. In advance of each Board Audit Committee meeting, the Chair of the Committee meets separately with PwC's lead audit partner, Mark Pugh, to ensure the discussions at Committee meetings are appropriately focused, challenging the conclusions reached by management as well as the audit work performed thereon.

During the period, the external auditors provided reports covering all aspects of their work. The information provided to the Committee included:

- The non-audit services provided by PwC, including preparing the Working Capital Report in preparation for the sale of Quilter International and reports on their own independence. The Committee were content that providing these services would not impair PwC's independence.
- An effectiveness review report focused on whether the External Auditors have delivered a high-quality audit.
- Reviewing the PwC audit plans, their reports on their work and any management actions recommended as evidence of their objectivity and effectiveness.
- Reviewing lessons learnt from the audit conducted during the 2020 year end cycle.

In addition to the reports provided by PwC on their independence, the Committee has also received reports from management providing details of the non-audit services provided by PwC and consultancy support provided by other leading audit firms. The Committee has adopted a policy of non-audit services, which requires that non-audit services provided by the statutory auditor, will not exceed 25% of the fees charged for audit and audit related services. In line with the policy, the Committee approved the appointment of PwC to conduct the reporting accountant work in relation to the sale of Quilter International as clearly as Quilter's Group auditors, PwC were clearly best placed to provide this service.

The Committee engaged with PwC in a pilot programme on using Audit Quality Indicators ("AQIs") as a tool to inform the assessment of the effectiveness of the external audit. The Committee and PwC agreed five AQIs in areas important to an effective audit, such as project management and the timeliness of management deliverables. The AQIs have been reported on by the external auditor to the Committee throughout the course of the audit which has led to the Committee having a more granular understanding of the audit process.

The Company has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year ended 31 December 2021.

PwC partners and staff have attended all meetings of the Committee since their appointment, withdrawing only when their attendance would be inappropriate. PwC have contributed strongly to discussions on Quilter's financial statements, enhancements to the Group's internal financial controls, the Group's financial reporting processes and key accounting and reporting judgements.

In November 2021 an effectiveness review was conducted by the Company Secretary, using a written survey of management's assessment of PwC's performance across a range of criteria including independence, effectiveness, objectivity, industry knowledge, efficiency and service quality. The results of that survey concluded that PwC in their first audit since appointment had performed strongly and had delivered an effective service overall for the Group and achieved a very strong rating for independence and challenge. The Committee commended PwC for delivering a high-quality audit despite the difficult circumstances that have applied during their audits of the 2020 and 2021 financial statements. Accordingly, PwC are recommended for re-appointment by shareholders at Quilter's AGM to be held in May 2022.

Auditors' remuneration

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Fees payable for audit services		
Group and Parent Company	1.5	1.5
Subsidiaries	2.2	2.0
Additional fees payable to KPMG LLP related to the prior year audit of the Group	–	0.6
Total fees for audit services	3.7	4.1
Fees for audit-related assurance services	0.8	1.0
Fees for non-audit services	0.5	–
Total Group auditors' remuneration – continuing operations	5.0	5.1
Total Group auditors' remuneration – discontinued operations	0.3	0.8
Total Group auditors' remuneration	5.3	5.9

All fees are presented net of VAT.

Board Risk Committee report

At a glance

Committee activity

60%
Top risk oversight
2020: 54%

15%
Risk appetite, profile and capital & liquidity
2020: 20%

6%
Change programmes
2020: 13%

19%
Regulatory change
2020: 13%

Committee highlights 2021

Liquidity

Maintaining an appropriate capital and liquidity position.

Read more on page 104

Customer

Ensuring our advice process is robust and promotes good customer outcomes.

Operational risk

Monitoring our operational risk profile at a time when COVID-19 continued to challenge our markets and our business.

Committee responsibilities

- Monitors and reviews the effectiveness of the internal control and risk management system.
- Provides advice to the Board on the management of the top risks faced by the Group.
- Recommends the total level of risk Quilter is prepared to take (risk appetite).
- Monitors the risk profile.
- Advises the Board on risk strategy.
- Oversees the effectiveness of the Compliance function.

Committee membership and meetings attended/eligible to attend

Rosie Harris (Chair)	**9**/9
Tim Breedon	**8**/9
Moira Kilcoyne	**9**/9
Paul Matthews	**9**/9
George Reid	**9**/9
Chris Samuel*	**5**/5

*Chris Samuel was appointed to the Committee on 1 July 2021.

Committee governance

The Board Risk Committee currently comprises six independent Non-executive Directors. Details of the skills and experience of the Committee members can be found in their biographies on pages 82 to 84.

Evaluation

As part of the 2021 Board effectiveness review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.

Discharging our responsibilities

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

Attendance

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

Collaboration

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

Read our Terms of Reference at plc.quilter.com

Dear shareholder,

I am pleased to share with you my report on the work the Committee has undertaken during the year. As we strive to meet our goal to be the responsible wealth manager, we have focused on protecting our customers and meeting the expectations of other key stakeholders. The Committee supports and advises the Board on Quilter's risk profile and we monitor the Group's overall risk appetite, which is the amount and type of risk the Company is prepared to accept in the delivery of its strategy, by monitoring both our internal and external risk profile. Overall, our risk profile has marginally reduced in the year in line with a reduction in the Group's complexity and we have maintained strong and conservative capital and liquidity positions, with prudent surpluses over risk appetite targets throughout the year.

2021 was an important year for Quilter as we transitioned to a smaller, simpler and more focused business. The Committee continued to ensure that the risks to delivery of our strategy are understood and mitigated. 2021 has also proved to be the second year influenced by the direct and second order impacts of the COVID-19 pandemic. Externally, the economic environment fluctuated as the UK economy grew following the sharp contraction in 2020 and the threat of higher interest rates and inflation challenge economic stability. During the year, the wealth advice market has become even more margin focused, with some competitor disruption from new entrants targeting our advisers and flows have been disrupted. Despite these headwinds, Quilter remains resilient.

Most of our people ended the year as it started, working remotely, as the numbers of people affected by the latest COVID-19 Omicron variant rose, and the UK Government again asked people to work from home where they could.

The Committee continues to review the adequacy of our systems for risk assessment, risk management and reporting. We have been rigorous in our oversight of the Company's operational risk profile. We have sought to minimise the impacts for our customers when our operational risk increased as it did through the platform migration. We commissioned additional updates to better inform our discussions on the impacts for customers. We continue to work closely with the Board to ensure that there is appropriate focus on delivering day to day for our customers and advisers and ensuring we know when we delight these important stakeholders. There continues to be a high level of regulatory change and we are focused on ensuring the new FCA Consumer Duty is embedded in Quilter's day-to-day processes and is well understood by our workforce.

As we reported last year, we have continued to pay close attention to situations where it is identified that potentially unsuitable Defined Benefit to Defined Contribution pension advice has been provided by businesses before we acquired them. We are ensuring that in such cases customers are, where appropriate, appropriately compensated. Management is working closely with Grant Thornton (including in its capacity as skilled person in relation to the s166 process for Lighthouse) and the FCA to ensure fair outcomes are delivered. In light of these issues in an acquired business, we have asked management to perform a stress test for a reasonable worst case scenario.

Our attention has also been directed to the environmental risks for Quilter, both for us as a business through our own carbon footprint and importantly in our role in providing advice to our customers and as an investment manager. Our new Committee Terms of Reference approved in December 2021 set out how we have refined our governance for this important oversight responsibility. Following a Board briefing in June 2021, in November the Committee requested an environmental stress and scenario test and we will continue to monitor this closely in 2022. The Committee is focused on the articulation and mitigation of the transition risk as we move to a lower-carbon economy.

I am pleased to confirm that the Committee has fully discharged its responsibilities within the year and worked in collaboration with other Board Committees to ensure that appropriate scrutiny and oversight was exercised on key risk matters. There continues to be a high degree of overlap in Committee membership with the Board Audit Committee and the Board Technology and Operations Committee and we work closely to ensure issues are given appropriate scrutiny. We were pleased to welcome to the Committee Chris Samuel, who Chairs Quilter Financial Planning, and brings additional insights into the risks in our advice business.

Looking forward

The Committee has asked management to focus more attention on emerging risks, their identification and mitigation. We will invite first line risk owners to our meetings to update us on this as well as crystallised risks. I have also asked the Internal Audit function to perform some follow up work in 2022 on aspects of the work of the Risk function, as this work was postponed in 2021 due to COVID-19.

This is my last report as your Committee Chair, as I am stepping down from the Board on 30 April 2022. I am pleased to leave behind a strong and focused Committee.

Rosie Harris
Chair

Key areas of committee focus

Risk appetite
On behalf of the Board, the Committee monitors the Group's risk appetite. During the year we reviewed the Strategic Risk Appetite Principles ("SRAPs") and approved changes to the Customer SRAP and a new Climate Related Risk Appetite Statement.

We also approved the methodology for constructing the risk appetite thresholds (Long Term Targets, Early Warning Thresholds and Limits) together with their actual levels as at year end 2021 for the Group.

The Company continued to operate inside of risk appetite limits in 2021, based on performance against the SRAP measures.

Top risks
You can read about the Group's assessment of our top risks and how these are identified, managed and mitigated in the Risk Report on pages 66 to 73. Our Committee routinely receives quarterly updates from the Chief Executive Officer and the Chief Risk Officer on their assessment of these risks.

Despite the challenging external environment, Quilter remains strongly capitalised and within risk appetite.

Prudential risk
An important area of focus has been to ensure that the control framework is strong and that the Group's stress and scenario planning is comprehensive and robust. We debated and challenged the scenarios underpinning the own risk and solvency assessment ("ORSA") and internal capital adequacy assessment process ("ICAAP") on behalf of the Board. Over the year, we reviewed the component parts of the ORSA and ICAAP, including the capital allocations and stress and scenario testing. The Committee further reviewed the impacts of the sale of Quilter International on the Group's reports. We were briefed on the implications for Quilter of the introduction of the new UK Investment Firms Prudential Regime ("IFPR")" and in December 2021 took a first look at the reporting timetable and inputs for the new internal capital adequacy and risk assessment (ICARA), which we will report against in 2022.

Capital and liquidity
The Committee received quarterly updates from our Chief Financial Officer on the Group's capital, cash and liquidity against our risk appetite during the year. Despite the challenging external environment, Quilter remains strongly capitalised and within risk appetite. We remain well positioned to support our stakeholders. On all measures, the Company is projected to remain within thresholds for the Business Plan period.

We have asked management to perform further stress testing on the impacts for our business of inflation and interest rates for our scrutiny in 2022.

The Committee reviewed the potential impact of negative interest rates on the Group and impressed upon management the need to be prepared both operationally and financially for such an eventuality.

Internal control
The Board Risk Committee, the Board Audit Committee and the Board Technology and Operations Committee regularly review internal controls on behalf of the Board and receives regular reports from management, Internal Audit and the Finance function. The Chairs of the Board Audit Committee, the Board Risk Committee and the Board Technology and Operations Committee regularly brief the Board on the key matters discussed by these Committees. Throughout the year ended 31 December 2021 and to date, the Group has operated a system of internal control that provides reasonable assurance of effective operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the principal risks facing the Group in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the Financial Reporting Council.

The Board Risk Committee received management's assessment of the effectiveness of internal controls over financial reporting as of 31 December 2021 and concluded that, based on their assessment, they were effective. The Board also considered and endorsed this assessment as well as the Board Audit Committee's review of the internal controls over financial reporting. The Chair of the Board Audit Committee reports on the review of controls over financial reporting and how the Board Audit Committee has monitored the independence and effectiveness of the internal and external auditors on pages 100 and 101.

Operational risk

Our operational risk profile was heightened in 2021 as the mandatory lock-downs due to COVID-19 meant our contact centres were impacted by periods of remote working and sickness absence. The final move of some £14 billion of assets and more than 5,000 advisers and customers to our new investment platform in February 2021 coincided with a COVID-19 lock-down and fewer of our contact centre staff could work in our offices. Whilst service levels were maintained in the immediate migration period, we were disappointed that the service levels subsequently declined and we have asked to receive regular updates on the programme of upgrades that will enable us to better support our customers. Our team have worked hard to provide support for advisers and customers who have been impacted and by the end of the year we saw a welcome return to more stable service levels.

The Committee monitored on behalf of the Board the risks associated with the sale of Quilter International which occurred on 30 November 2021. The sale reduced Quilter's overall operational risk profile and will continue to incrementally reduce it further as legacy systems are closed or migrated to the purchaser, Utmost Group. The Committee will continue to monitor the risk associated with the transitional services agreement in place with Utmost Group. You can read more about our role, alongside those of the Board and the other Board Committees on pages 86 and 87.

The introduction of a new internal risk assessment tool, Resolver, will further inform management and the Board of management's assessment of top risk issues through the tracking and monitoring of risk and control self assessments. The Risk team review and assess the effectiveness of the risk framework and the Committee receives assurance from the Chief Executive Officer on internal control and the Committee approve any material changes to the Quilter Policy Suite.

The increased focus on the environment and climate change risk meant we counselled management to give careful consideration to the risk of "greenwashing" and the need to ensure that our products promote and record ESG meaningfully.

Advice

The Committee has received routine updates on the progress in enhancing controls to mitigate the risk associated with providing inappropriate advice to customers. Along with the Board of Quilter Financial Planning, we have monitored the steps management are taking to fully embed a robust and effective control culture throughout the business to ensure our customers are appropriately protected and we can demonstrate that the advice provided is in their best interests and will promote good customer outcomes. The measures taken include education and robust on-boarding processes for new advisers.

Conduct

Quilter always seeks to treat customers and advisers fairly, before, during and after the advice process through offering products which meet their needs and expectations, perform as represented and provide value for money. The Committee has continued to champion our vision of being the responsible wealth manager with our on-going management of conduct risk, meaning that our products and processes are focused on delivering good customer outcomes. This year the increased focus on the environment and climate change risk meant we counselled management to give careful consideration to the risk of "greenwashing" and the need to ensure that our products promote and record ESG metrics meaningfully and transparently and will not be reviewed retrospectively and found by regulators or other stakeholders to be inadequate in some way.

Key areas of committee focus

People
We monitored closely the impact for our people of prolonged periods of remote working and the reduction in the number of people the Group employs as a result of the introduction of our new platform, the sale of Quilter International and increased efficiency. We noted the slight decline in the Peakon scores which measure colleague engagement, and you can read more in the Board Report on pages 88 and 89 how the Board has supported management in ensuring appropriate understanding of culture and staff turnover. The Committee has also asked management to consider performing scenario testing with regards to the risk of wage inflation and reduced talent availability in 2022.

Third party suppliers
The Group's technology platforms are provided by third parties, and this Committee, along with the Board Technology and Operations Committee, oversee the effectiveness of the control processes in place to manage the services they provide to the Group, particularly as the services provided directly impact our customers and advisers. We have urged management to work closely with our suppliers to ensure that the necessary upgrades and technology fixes are applied promptly.

Cyber and information security
Cyber Risk and Information Security Risk is a threat commonly faced across the financial services industry. Along with the Board Technology and Operations Committee, we received an update on mitigation of these important risks.

New and emerging risks
The bi-annual updates on emerging risks identified risk to Quilter as a business from the external environment including an assessment of likelihood and time scale. As a result of these reports, we commissioned additional stress and scenario testing, subsequently receiving an additional deep dive on climate change reporting risk.

We commissioned additional stress and scenario testing, subsequently receiving an additional deep dive on climate change reporting risk.

As part of our preparations for the new UK Investment Firms Prudential Regime, we ensured that the Board received a detailed presentation on the impacts for Quilter. The Committee was routinely briefed on progress as part of our plans for reporting in 2022.

Strategic delivery
We continued to pay close attention to strategic delivery risk issues facing the Group. Quilter is at an inflection point as we transition to a simpler, digitally enabled, business which brings new risks into focus.

The Committee received detailed updates on the operational risk issues arising from the sale of Quilter International. In collaboration with the Board Technology and Operations Committee, we will continue to monitor the risk associated with the transitional services agreement with Utmost Group.

The degree of strategic change underpinning the Business Plan also commanded our attention and our Chief Operating Officer provides full updates on the plans to achieve our Business Plan targets. Given the breadth of the agenda of work facing the Group, we asked management to consider what we could stop or pause which would not cause detriment to the overall delivery for our stakeholders.

Regulatory risk
The Committee receives a quarterly report which provides analysis and commentary on the interactions with our regulators. The reporting covers regulatory and legal change that impacts our business, clients and customers. It includes horizon scanning and an assessment of likely change and the impact for Quilter. Work to embed the new FCA Customer Duty is fully underway and changes in the regulations underpinning how we define people who are deemed to be Material Risk Takers were reviewed in collaboration with the Board Remuneration Committee.

Conflicts of interest
The conflicts of interest inherent in our business model are closely monitored and as the business moved to the new reporting segments, the Chief Executive Officer provided us with an update on the identification and education processes in place to mitigate this risk alongside a second line assessment.

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

Money Laundering Officer's report
The Committee further receives an annual update from the Group's Money Laundering Officer's report. Despite a deteriorating external environment with an increase in fraud attempts our processes and procedures have performed adequately and we have continued to train colleagues in how to spot fraud and work with others to reduce fraud. The Money Laundering Officer has led industry efforts to raise the profile of digital fraud and its prevention.

Risk and Compliance function and plans
The Committee receives regular updates on the Risk and Compliance function and plans. This includes an assessment of the quality and appropriateness of resourcing and overall delivery of key activity. Adjustments to the plans are brought back to the Committee if necessary.

The Chair continues to collaborate with other Committee Chairs to ensure that risk issues are given appropriate scrutiny. The collaboration is supported by the cross-committee membership with the Board Audit Committee, Board Technology and Operations Committee and the Board Remuneration Committee.

Board Technology and Operations Committee report

At a glance

Committee activity

15%
IT security
2020: 12%

11%
Operational resilience
2020: 11%

31%
PTP and other change programmes
2020: 59%

43%
Technology and operations strategy
2020: 18%

Committee highlights 2021

Oversight of embedding Quilter's new investment platform.

Read more on page 110

Simplification of our IT estate to reduce risk and ensure our services are resilient.

Ensuring our technology continues to enable business growth.

Committee responsibilities

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

Committee membership and meetings attended/eligible to attend

Moira Kilcoyne (Chair)	**7**/7
Rosie Harris	**7**/7
George Reid	**7**/7
Chris Samuel*	**3**/3

*Chris Samuel was appointed to the Committee on 1 July 2021.

Committee governance

The Board Technology and Operations Committee currently comprises four independent Non-executive Directors. Details of the skills and experience of the Committee members can be found in their biographies on pages 82 to 84.

Evaluation

As part of the 2021 Board effectiveness review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.

Discharging our responsibilities

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

Attendance

The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer and Chief Information Officer regularly attend Committee meetings. The Group Chair and other Non-executive Directors attended Committee meetings for matters of particular interest, such as the Platform Transformation Programme.

Collaboration

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

Dear shareholder,

During 2021 the Group successfully completed the safe delivery of its new investment platform which had been the Group's number one priority in the period leading up to the third and final phased adviser migration in February 2021. The Committee's work in relation to the Platform Transformation Programme did not of course end there and the Committee has continued to oversee the transition to the new platform, the plans for closing down the legacy platform, the resourcing of our operations area through the transition and over the busy tax year end period and the leveraging of the new platform to provide enhanced services to our customers and advisers.

Inevitably there have been challenges in implementing the new investment platform in the midst of a global pandemic. Management has had to adapt to the increased complexity of having many of our staff working remotely through this process which has made training and embedding of new skills more difficult. Staff sickness and isolation absences and reduced productivity resulting from remote working in our platform customer servicing area have coincided with periods of heightened customer demand creating inevitable pressures. Quilter's management has continued to ensure that Quilter's advisers and customers receive the best quality of service possible when using our platform even when this has added materially to short-term costs and delayed other revenue enhancing initiatives. By the end of 2021, with management focus and determination, our service levels have returned to our usual high standards.

In accordance with best practice, the Committee required that management conduct a thorough lessons learned exercise following the completion of the Platform Transformation Programme. Overall, the review concluded that the programme had been well managed with careful planning and good risk decision making such that the programme was delivered with the minimum of disruption for our advisers and customers. The lessons learned will prove valuable as the Group continues to adopt significant change activity.

The Committee has continued to oversee the programme of work to enhance the resilience of the Group's operations and technology so that our customers and advisers can be confident in the availability of our services.

Good progress has been made on the Group's digital strategy which encompasses our digital customer proposition, public websites and portals. The implementation of our digital advice proposition and our digital transformation of our business operations will be a key focus for 2022.

During the year, the Committee's membership has been strengthened by the addition of Chris Samuel to the Committee. Chris has added deep experience of operations in the financial services industry to our deliberations.

By the end of 2021, the Group's technology estate looks very different to when the business was separated from Old Mutual in 2018. We have made significant progress in building a simpler, less fragmented technology estate that is more secure, agile and resilient and there is more to be done. Managing and leveraging the new opportunities created has required the business to acquire new skills such as in managing and collaborating with major third party providers as well as new capabilities in digital technology. The Committee will continue to make sure that the business has the skills that it requires to continue to make progress in these areas.

Moira Kilcoyne
Chair

Key areas of committee focus

Platform Transformation Programme
The final migration for our new investment platform moved some 5,000 advisers and approximately £14 billion of assets onto the new platform in February 2021. The Committee received assurances from management as to the readiness of our call centres, our regulatory reporting arrangements and the advisers to be migrated before endorsing management's decision to proceed.

Management had prepared a detailed plan for decommissioning the legacy investment platform. By the end of 2021 over 1,584 legacy servers had been decommissioned leaving a materially simplified technology estate, reducing costs and security risks.

The lessons learned exercise conducted at the end of the Platform Transformation Programme ("the Programme") highlighted clearly that the Programme had benefited significantly from being identified early as the most critical and high priority strategic programme in the Group. The whole firm was engaged in the Programme and the Programme had access to the firm's best talent and a diverse skillset. The quality of the end product delivered for customers and advisers was emphasised throughout the Programme and critical decisions were made to prioritise quality over cost savings and speed of delivery. The whole Board attended a full demonstration of the new platform so that they could see first hand what our advisers and customers experience when they are using the platform.

No programme of this scale is without challenges. The Committee is satisfied that the Programme succeeded in its objective to safely deliver a high-quality investment platform that meets the needs of customers and advisers, and positions the business for growth despite the challenges of a complex programme and the COVID-19 pandemic.

Quilter Financial Planning payments programme
Quilter Financial Planning's new payments solution, CommPay, was successfully launched in February 2021, following a re-planning of the programme in 2020. The new system has delivered benefits to both advisers and staff with streamlined processes and enhanced reporting tools.

Operations
The Group's operations areas have been the most directly impacted by the continuing effects of the COVID-19 pandemic. The business has had to manage the challenges of remote working and heightened sickness levels. The demand for staff in the operations areas has been unprecedented, challenging management to be more flexible and adaptive for recruitment and retention.

While the COVID-19 pandemic created significant management challenges, it also offered opportunity. The rapid move to remote working allowed the Group to accelerate existing optimisation strategies resulting in the early deployment of a Group-wide standard desktop enabling a consistent and stable work from home solution. Productivity levels have been kept almost as high as when staff were working from the office. The Group has adopted remote training successfully, but as with all new processes, there will need to be a balance as staff feedback has highlighted the need for face to face options as well.

Some operational processes have been made more efficient in response to the crisis such as a reduction in the numbers of cheques being issued by some business areas. Controls have been re-engineered to ensure they remain effective whilst working remotely.

As some COVID-19 restrictions were eased in the summer, staff were able to return to the office. Where appropriate, flexible working has been implemented and staff have welcomed the ability to better balance their home and work life.

The Committee is mindful of the large number of manual processes across the organisation and encouraged management to reinvest some of the proceeds from the sale of Quilter International to simplifying and automating operational areas, commencing with Quilter Financial Planning which will have the additional benefit of enhancing controls.

Information security
Mindful of the pressures on all firms and organisations to manage the risks posed by external threats, and the need to manage data well, we continued to urge management to remain focused in managing this risk within risk appetite. During the year, we received a deep dive on information security threats and management actions to mitigate such risks through the implementation of appropriate controls, monitoring and training. Management provided assurance on the measures we take as a firm to protect client data and our systems. We discussed the continuing use of data access management tools and the risks associated with unstructured data.

Technology strategy

The Group has made significant progress in 2021 on the delivery of several major transformational programmes including the Platform Transformation Programme, the Enterprise Resource Planning Programme and the Quilter Financial Planning payments system mentioned previously. The first phase of the Group's Infrastructure Transformation Programme has been completed and the second phase, which includes the data centre consolidation, is progressing well. New cloud-based capabilities are now available and new Enterprise Telephony services are being introduced. Management has defined and gained support for the new data strategy which the Committee will be overseeing delivery against in 2022.

Digital strategy

The Group's digital strategy covers several initiatives aimed at improving the digital access and experience of our customers and advisers. The digital customer proposition includes enhancements to the Group's public websites, online portals and mobile apps. Good progress has been made in relation to public websites. Since 2019 we have moved from having nine different public websites on nine different technologies. All of our websites are now on the same strategic technology with shared functionality across the Group's websites and an aligned look and feel. As part of the launch of the new investment platform, a new online customer portal has also been made available with enhanced functionality and useability. A new customer mobile app is also being developed for the Affluent business.

There is more to be done to leverage digital capabilities that will support the Group's intention to create a simpler, more efficient business.

ReAssure migration

As part of the sale of the Quilter Life Assurance business to ReAssure in 2019, a Transitional Services Agreement was put in place for Quilter to continue to provide certain core services to support the Quilter Life Assurance business. The Committee has carefully overseen the preparations for the migration of these customers from Quilter's systems to ReAssure's, including a number of dry run exercises and dress rehearsals held between June and September 2021 to ensure that the process would run smoothly, customers would not be impacted and ReAssure's operations area could seamlessly take on the support for these customers. The migration was successfully completed in October 2021.

In parallel with the planning for the customer migration, management also developed a detailed plan for decommissioning the systems and hardware that service these customers. Robust governance is in place for IT environment decommissioning post-migration with the majority of the work completed by the end of 2021.

Operational resilience

The Committee has continued to oversee the work to ensure the Group's operational resilience continues to be in line with our and our regulators' expectations. As part of this review, management has identified its important business services and defined the tolerances for impact to those services that we are prepared to accept. The aim is to ensure that Quilter can continue to make these important business services available to our customers and advisers in a range of severe but plausible scenarios. With the support of our second and third lines of defence, there is a strong plan in place for achieving the required end state.

Strategic change initiatives

Given the large volume of change that the Group has navigated in recent years and the strategic changes that are planned to complete the transformation of the Group to a simpler, more efficient modern wealth manager the Committee has prioritised the identification of lessons learnt from major programmes. All major change programmes have, on their conclusion, conducted lessons learnt reviews with the support of the second and third lines of defence. These learnings are captured and built into the methodology for future change initiatives to help ensure that the Group's material investment in change delivers the benefits that were agreed at the inception of the programme.

Business technology and operations updates

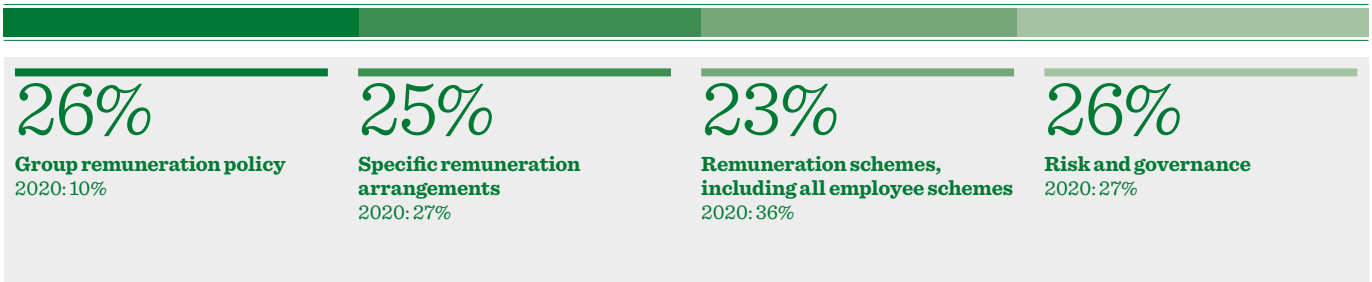
In addition to the Committee's oversight of significant change programmes it has also exercised oversight at a more granular level on the technology and operations areas in each of our businesses, Quilter Financial Planning, Quilter Investors, Quilter Investment Platform, Quilter International, Quilter Cheviot and our Group functions. These were helpful, interactive sessions which enabled the sharing of best practice and new initiatives across the Group.

Sale of Quilter International
pages 86 and 87

Board Remuneration Committee Report

At a glance

Committee activity



Committee highlights 2021

Strong year of performance

Remuneration outcomes for Executive Directors reflect a year of strong business performance and strategic execution.

New Policy

We have reviewed our Directors' Remuneration Policy to ensure it aligns to the next phase of the Quilter strategy. We have proposed minimal changes to the Policy previously approved by shareholders with a 97% vote at the 2019 AGM, and we are proposing evolutionary changes to its implementation for 2022.

Committee responsibilities

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

Committee membership and meetings attended/eligible to attend

Ruth Markland (Chair)	**10**/10
Glyn Jones	**10**/10
Tim Breedon	**9**/10
Tazim Essani*	**7**/7
Paul Matthews	**9**/10

*Appointed to the Committee on 9 March 2021.

Compliance with the Code

The Board Remuneration Committee ("Committee") currently comprises four independent Non-executive Directors and the Group Chair, who was independent on appointment. Details of the skills and experience of the Committee members can be found in their biographies on pages 82 to 84.

Evaluation

As part of the 2021 Board Effectiveness Review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.

Discharging our responsibilities

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

Attendance

The Chief Executive Officer, Chief Financial Officer, HR Director, Reward Director and the Committee's independent remuneration adviser regularly attend Committee meetings, except when it would not be appropriate for them to do so.

Collaboration

The Chair briefs the Board on key discussions and provides a written report to the Board, where feasible, after each meeting. The papers and reports presented to the Committee are made available to all Quilter Non-executive Directors. The members of the Board Risk Committee are invited to join Committee meetings when the impact of risk on remuneration matters is being discussed.

Dear shareholder,

As Chair of the Board Remuneration Committee ("Committee"), I am pleased to present on behalf of the Board the Remuneration Report ("Report") in respect of the year ended 31 December 2021. This statement and the accompanying Report aims to ensure high levels of disclosure regarding pay policy in accordance with the Corporate Governance Code and transparency of remuneration decision making.

2021 was a year of strong business performance and significant strategic progress for Quilter, as demonstrated in our 2021 results and reflected in remuneration outcomes for the Executive Directors. During 2021, we completed the strategic reshaping of the business with the sale of Quilter International and the final migration to our new platform, whilst delivering robust financial performance with net flows of £4.0 billion (up from £1.5 billion in 2020) and Adjusted Profit for the continuing business of £138 million (up from £108 million in 2020).

The Committee approved a 2021 STI outcome of £886k (66% of maximum) for the Chief Executive and £618k (69% of maximum) for the Chief Financial Officer, and an outcome of 56% of maximum for the vesting of the 2019 LTIP award after exercising discretion to adjust for corporate activity. Full details of these outcomes are set out in the Report.

As part of its review of 2021 performance, the Committee – at a joint meeting with the Board Risk Committee – considered the impact of any material risk events or risk issues that arose during the year. The Committee noted that several past reviews into historic defined benefit pension transfers initiated in 2020 and 2021 resulted in a further £12 million of estimated customer remediation costs and professional fees during the 2021 financial year. The formulaic impact of these costs within the profit component of the STI scorecard was to reduce the Chief Executive's STI outcome by £93k (a reduction of 9% of the outcome) and the Chief Financial Officer's STI outcome by £62k (a reduction of 9% of the outcome). The Committee concluded that the 2021 financial impact of the customer remediation provisions was appropriately reflected in the 2021 STI outcomes. It will continue to monitor the impact of all defined benefit past business reviews as they progress and will consider carefully whether any further risk adjustments to remuneration outcomes are necessary in the future.

Our Report for 2020 received 97% of votes in favour at the last AGM and our current Directors' Remuneration Policy also received 97% of votes in favour at the 2019 AGM. This year we will present our new Directors' Remuneration Policy (the "Policy"), which we will put to a binding shareholder vote at the 2022 AGM. The Committee undertook an extensive and holistic review of the Policy during 2021, taking into account Quilter's strategic priorities and the alignment of executive reward with the long-term sustainable success of the Company in the interests of all stakeholders, as well as the latest market developments, regulatory requirements and corporate governance best practice. The Committee consulted with the Company's major shareholders on the Policy, engaging with over 50% of the share register.

Shareholder feedback has been gratefully received and is reflected in the new Policy. As you will see, we are proposing a new Policy which is evolutionary in nature, with no major structural changes, except the removal of the ability to grant an exceptional LTI award above the normal Policy maximum in line with market practice.

For 2021 we have reported a median gender pay gap of 29% and a median bonus gap of 53% for the continuing business. Whilst our pay gaps have reduced since Gender Pay Gap Reporting was introduced five years ago, we still have much further to go. Last year, the Company committed to long-term gender and ethnic minority representation targets for our Senior Leadership Community and progress against these will be formally incorporated into the Executive Directors' 2022 STI scorecards. Further details of our gender pay gap and diverse representation targets can be found on pages 46 to 47 of the Responsible Business Report.

Looking at the year ahead, we look forward to inviting shareholders to vote on the new Policy at the AGM. We will continue to monitor executive remuneration developments within the industry and the regulatory landscape to ensure that remuneration supports the alignment of executive and shareholder interests and is consistent with the prudent risk management of the business.

The Committee actively engages with shareholders and investor bodies and welcomes the opportunity for further engagement to discuss remuneration issues in advance of the 2022 AGM. I appreciate the ongoing support and feedback from our shareholders.

Ruth Markland
Chair of the Remuneration Committee

Remuneration at a glance

2021 remuneration in numbers

STI metrics

£60m
IFRS profit before tax (STI Outcome)
2020: £3m

4%
Net flows as a percentage of opening AuMA
2020: 2%

LTI metrics (2019-2021)

12%
Earnings per share (EPS) CAGR performance achieved
2020: 7%

27%
Total Shareholder Return (TSR)
2020: 9%

Executive Directors' outcomes

Paul Feeney

66%
Short-term incentive (STI) as a % of max
2020: 0%

56%
Long-term incentive (LTI) as a % of max
2020: 49%

69%
Total compensation as a % of max
2020: 41%

Mark Satchel

69%
Short-term incentive (STI) as a % of max
2020: 0%

56%
Long-term incentive (LTI) as a % of max
2020: 49%

70%
Total compensation as a % of max
2020: 39%

Components of Executive remuneration and outcomes for 2021

Components of remuneration

Fixed pay +

- Salary, benefits, and pension.
- Normally reviewed annually with effect from 1 April.

Short-term incentive ("STI") +

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

Long-term incentive ("LTI")

- Awards subject to three-year performance period ending 31 December 2021.
- Award vests in Q1 following end of the performance period and subject to further two-year holding period.

How much our Executive Directors earned in 2021

The following charts set out the aggregate emoluments earned by the Executive Directors in the year ended 31 December 2021.

Paul Feeney **£2,519k**

Fixed	
Salary	675.0
Benefits	10.2
Pension	67.5
Short-term incentive	
Total incentive award	886.0
Long-term incentive	
Award vests	880.6

Mark Satchel **£1,707k**

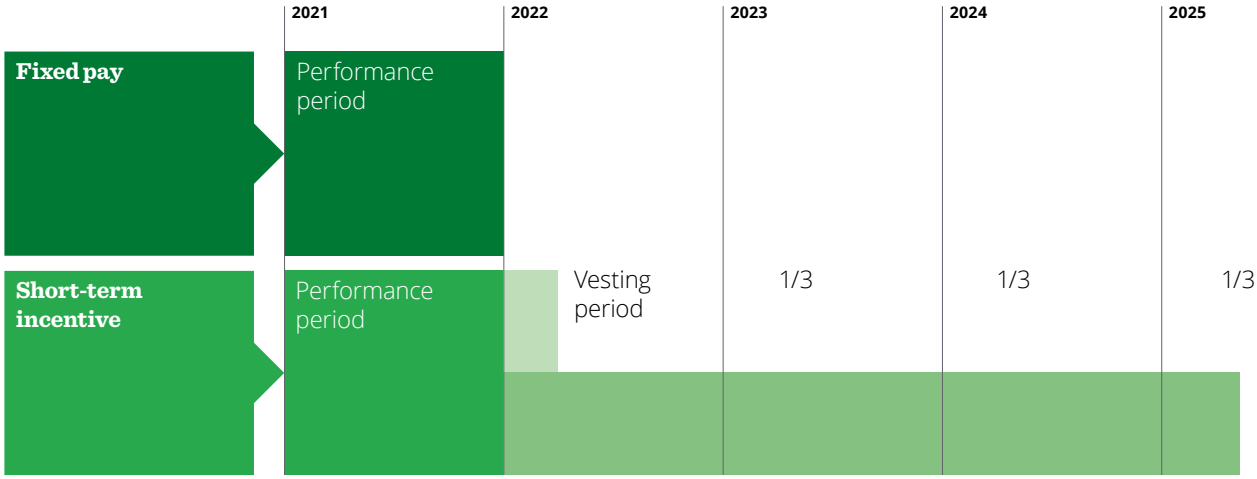
Fixed	
Salary	450.0
Benefits	7.1
Pension	45.0
Short-term incentive	
Total incentive award	618.0
Long-term incentive	
Award vests	587.0

Link between remuneration and business strategy

Performance indicators			STI scorecard weighting	2021 achievement (% of maximum)
Short-term incentive	Financial	IFRS profit before tax (excluding amortisation, policyholder tax adjustments, business disposal impacts and one-off items)	40%	69%
		Net flows as a percentage of opening AuMA	20%	43%
	Non-financial	Risk management	10%	75%
		Customer outcomes	10%	61%
		Strategic personal performance: – Paul Feeney – Mark Satchel	20%	 80% 95%

			LTI scorecard weighting	2021 achievement (% of maximum)
Long-term incentive	EPS growth	EPS compound annual growth rate (2018-2021)	70%	63%
	TSR value	TSR relative to FTSE-250 (excluding investment trusts)	30%	42%

Summary of the key elements of our Policy

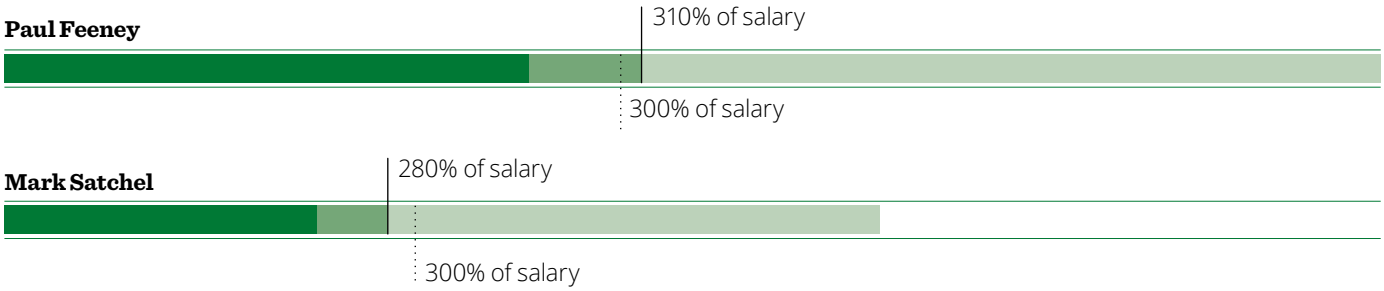


Maximum short-term incentive opportunity is 200% of salary.

- Cash element of incentive outcome (50% of the whole award) is paid in Q1 following the end of the performance year.
- Deferred element of incentive outcome (50% of the whole award) is granted in shares and vests in three equal tranches in Q1 2023, Q1 2024 and Q1 2025 subject to the plan rules.

Maximum long-term incentive opportunity 200% of salary.

Shareholding



- Owned shares
- Unvested shares
- Additional awards subject to performance conditions

- - Minimum shareholding required (after five years)
— Current shareholding

Key areas of Committee focus

Key performance highlights

- IFRS profit before tax (excluding amortisation, policyholder tax adjustments, business disposal impacts and one-off items) for remuneration purposes was £60 million for 2021, compared to £3 million in 2020 (£63 million including Quilter International).
- Net flows from continuing operations of £4.0 billion was more than double the £1.5 billion in the previous year, supported by increased IFA usage of the new Quilter platform.
- AuMA for continued operations increased by 13% during the year to close at £111.8 billion as a consequence of strong net flows and £8.8 billion of positive market movement, compared to £99.0 billion AuMA in prior year.
- Net flows as a percentage of opening AuMA is 4%, which is double the 2% achieved in the prior year.
- Expenses were well managed and ended the year below market expectations.
- Good progress was made with strategic priorities; the safe and secure delivery of our new UK Platform and streamlining our business with the sale of Quilter International.
- We have continued to increase customer focus, and whilst we have experienced some disruption following the final UK Platform migration, core investment performance and customer and adviser experience on the whole has been positive.

Short-term incentive outcome

- Business performance has been robust. Our 2021 IFRS profit result for STI purposes of £60 million was 69% of maximum and accounted for 40% of the Executive Directors' scorecard. The STI target range for 2021 was set at a relatively wide range – both on the upside and the downside – in recognition of market uncertainty amid the ongoing impact of the COVID-19 pandemic.
- Net flows as a percentage of opening AuMA was introduced to the scorecard for the first time in 2021 to reflect its importance as a lead indicator of business performance. The outcome of 4% (£4.0 billion) equated to 43% of maximum and accounted for 20% of the Executive Directors' scorecard.
- The Company made good strategic progress in 2021, notably on the completion of the UK Platform Transformation Programme and the sale of Quilter International, which completes the strategic reshaping of the perimeter of our business.
- The risk management of the business and overall progress against key customer outcome measures was positive, notwithstanding some customer disruption following the migration of the UK Platform which was closely managed over the year.
- Overall this generated an STI award of 66% of maximum (£886k) for the Chief Executive Officer and 69% of maximum (£618k) for the Chief Financial Officer.
- As part of its review of 2021 performance, at a joint meeting with the Board Risk Committee, the Committee considered the impact of any material risk events that arose during the year. In particular, taking advice from the Chief Risk Officer and Board Risk Committee, the Committee considered the impact of past business reviews of historic defined benefit pension transfer advice, which resulted in provisions of £12 million for customer remediation costs and professional fees, which in turn reduced the profit component of the STI scorecard.
- The Committee noted that the 2021 financial impact of the customer remediation provisions reduced the Chief Executive's STI outcome by £93k and the Chief Financial Officer's STI outcome by £62k, and concluded that this was an appropriate adjustment and that no additional risk-based adjustment to Executive Directors' STI was required.

Long-term incentive outcome

- The performance period for the 2019 LTI award ended on 31 December 2021 and the award is due to vest on 25 March 2022, subject to a further two-year holding period.
- The performance conditions measure compound annual profit growth from 2018 to 2021, and TSR relative to the FTSE-250 (excluding investment trusts) from 2019 to 2021.
- The Committee considered carefully the impact of corporate activity during the performance period and determined an approach which appropriately reflected underlying performance. Specifically, the Committee decided to exclude the earnings of Quilter Life Assurance and Quilter International, net of stranded costs, from the EPS CAGR calculation, neutralise the impact of Quilter's share buyback programme and increase the target CAGR range. The full calculation is set out on pages 137 to 138 of the Report. This approach was considered an appropriate way to measure the performance of the ongoing business and is also consistent with the treatment of the 2018 LTI award as disclosed in the 2020 Report.
- Awards will vest on 25 March 2022 with an outcome of 56% of maximum for the Executive Directors, as detailed in the Report.
- In respect of the 2018 LTIP award, the Committee exercised discretion to allow vested options to be exercised on vesting in order to avoid a technical issue whereby the Executive Directors would be unfairly disadvantaged by not being eligible to receive dividends or dividend equivalents on exercised options during the holding period. This treatment was determined on an exceptional basis in accordance with the terms of the Directors' Remuneration Policy in force at the time, and aligns the treatment of their awards with the wider workforce and market practice. This Committee required the net-of-tax shares to be held by corporate nominee during the post-vesting holding period to preserve its effectiveness.

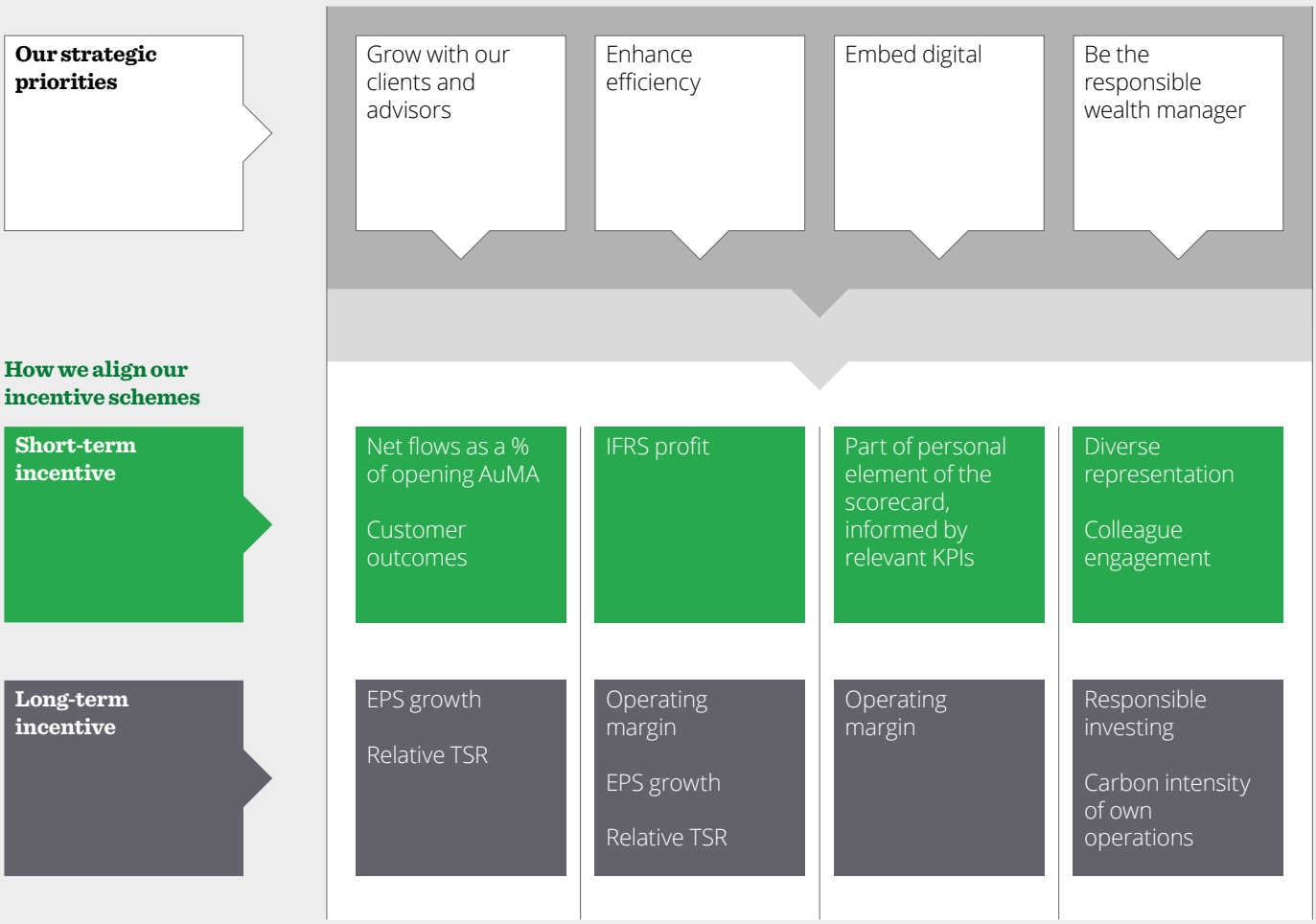
Remuneration Policy

- The Committee conducted a thorough review of the Policy, whilst considering corporate governance best practice, regulatory requirements including future IFPR impacts and latest market developments to ensure the Policy continues to encourage and reward growth of shareholder value and promotes the long-term sustainable success of the Company.
- The new Policy is an evolution of the current version, which remains fit for purpose and aligned with best practice.
- The next phase of the Company's strategy is guided by four strategic priorities and the application of the new Policy is proposed to evolve to become more clearly aligned to these, as set out below.
- The main changes to the way we propose to apply the Policy in 2022 are to the LTI metrics; adding operating margin and ESG measures, whilst also changing the methodology of EPS growth from compound annual growth rate to a cumulative measure. We will also increased the weighting of net flows as a percentage of opening AuMA within the STI scorecard for 2022.
- There are no changes proposed to the remuneration structure or opportunity at threshold, target and maximum.
- The Committee has decided to remove the opportunity to grant an exceptional LTI award of up to 400% of salary, above the normal Policy maximum of 200% of salary, that previously existed, in consideration of current market practice.
- The Policy also formally includes the post-cessation shareholding requirement for Executive Directors' previously introduced in 2020.
- We approached more than 50% of the share register for feedback on the Policy, which was gratefully received and has been reflected in the final proposals.
- The new Policy will be put to a shareholder vote for formal approval at the 2022 AGM.

Alignment to strategic priorities

The application of the Policy has evolved to align management incentives to the four strategic priorities of the Company, as set out in the chart below.

How we create value for our stakeholders



Key areas of Committee focus

Inclusion, diversity and the gender pay gap

A key priority for the Company is the continued commitment to an inclusive culture and the equality and diversity of our workforce. The Inclusion and Diversity agenda is led by Paul Feeney. Further details can be found in the Responsible Business report on pages 46 to 47. During 2021 the Company made progress across several areas, including:

- on-boarded a Head of Diversity, Inclusion and Talent Acquisition, a new role dedicated to our inclusion, diversity and wellbeing priorities and supported by a new Inclusion and Diversity Steering Committee, comprised of Quilter Executive Committee members;
- updated our talent programme to ensure we can identify, track and support individuals of under-represented ethnicities and gender in progressing their careers in Quilter; and
- continued to evolve our recruitment processes to ensure we market roles, shortlist and select candidates on a fully diverse and inclusive basis.

For 2021 we have reported a median gender pay gap of 29% and a median bonus gap of 53%. Whilst our pay gaps have reduced since Gender Pay Gap Reporting was introduced five years ago, we still have much further to go. Further details regarding our gender pay gap figures can be found on pages 46 to 47 of the Responsible Business report.

The Committee is focused on ensuring that pay arrangements across the Group reflect our diversity and inclusion ambitions. In 2022, the Committee has decided to include new diversity and Inclusion measures within the personal measures of the STI scorecard for both Executive Directors, including specific targets set for diversity and culture goals.

Employee voice

Paul Matthews and Tazim Essani, Independent Non-executive Directors of Quilter and members of the Remuneration Committee, are responsible for reflecting the employee voice in the Boardroom and engaged directly with our Employee Forum during 2021 to gain valuable insight on employee views pertaining to corporate strategy, change management and culture. Further details on the progress made during the year can be found in the Governance in action report on pages 88 to 89.

Considerations for the year ahead

We continue to monitor executive remuneration developments within the industry and the regulatory landscape, to ensure that remuneration supports the alignment of executive and shareholder interests and is consistent with the prudent risk management of the business.

The Committee considered the overall remuneration arrangements for the Executive Directors for 2022 in accordance with the Policy. Key points are as follows:

- there will be no increase to the Executive Directors' salaries at the 1 April 2022 review date, and base salaries were also not increased at the April 2021 or 2020 review;
- the structure, performance metrics and target and maximum award levels of the STI awards in respect of 2022 will remain unchanged, however the weighting of net flows within the scorecard will be increased;
- the structure, target and maximum award levels of the LTI grants in 2022 will also remain unchanged. However, the performance metrics will be updated to include operating margin and ESG measures, as well as a change to the EPS growth methodology from compound annual growth rate to cumulative; and
- there will be no increase in fees for the current Board Chair or Non-executive Directors' for 2022.

Directors' Remuneration Policy

The following Policy is subject to formal approval by shareholders at the 2022 AGM. It is intended that the Policy will apply for three years from that date.

The previous Policy has been in place since the Company listed in 2018 (taking effect from the first AGM in May 2019). In line with the usual cycle, the Company is therefore due to seek shareholder approval for a renewed Policy at the forthcoming AGM. This has provided an opportunity for the Committee to reflect on the current Policy to ensure it continues to be appropriate. Overall, the Committee concluded that the current Policy continues to align with market practice, remains fit-for-purpose and operates as intended. It is therefore tabling only minor changes for the 2022 Remuneration Policy.

In determining the new Remuneration Policy, the Committee followed a rigorous process. The Committee discussed the detail of the Policy over a series of meetings throughout 2021. Input was sought from the management team, including the risk function. The Company also undertook a significant engagement exercise with our key shareholders, whose input helped guide the Committee's thinking. Conflicts of interest were suitably mitigated throughout the review process, and external perspective and market insight was provided by our independent advisors. The Committee also assessed the Policy against the principles of clarity, simplicity, risk management, predictability, proportionality and alignment to culture, as set out in the Corporate Governance Code 2018.

The key drivers of our Remuneration Policy:

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

Remuneration Policy for Executive Directors

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

Fixed elements of pay

Base salary

Purpose and link to strategy
Essential to attract and retain Executive Directors with the calibre, personal skills and attributes to develop, lead and deliver the Group's strategy.

Operation
Base salaries are normally paid in equal monthly instalments during the year and reviewed annually with increases usually effective 1 April. In reviewing base salaries the Committee takes into account a number of factors, including:
- Group and individual performance;
- the skills, experience and level of responsibilities of the Executive Director and his/her market value;
- the scope, nature and size of the role;
- levels of increase across the wider employee population; and
- affordability, economic factors, external market data, business and personal performance.

The Committee considers the direct and indirect impacts of any base salary increases on total remuneration.

Maximum opportunity
There are no prescribed maximum salary levels, but any salary increases will normally be in line with percentage increases across the wider employee population.

In specific circumstances, the Committee may award increases above this level, for example:
- where the base salary for a new recruit or promoted Executive Director has been set at a lower level to allow the individual to progress into the role over time;
- to reflect a material increase in the size or scope of an individual's role or responsibilities;
- where a change is deemed necessary to reflect changes in the regulatory environment; and
- where the size, value or complexity of the Group warrants a higher salary positioning.

Performance metrics
Individual and Company performance will be taken into account in determining any salary increases.

Proposed changes to application for 2022
No change in approach.

Benefits

Purpose and link to strategy
Benefits are provided to Executive Directors to attract and retain the best talent for the business and to ensure that the total package is competitive in the market.

Operation
The Committee's policy is to provide Executive Directors with a market competitive level of benefits taking into consideration benefits offered to other employees in the UK.

Benefits currently provided to Executive Directors include:
- private medical insurance;
- life assurance; and
- income protection.

The usual approach for benefit provisions for Executive Directors is to be consistent and operated in line with the rest of the organisation. Specific benefit provisions are subject to regular review in line with market practice and may be subject to change from time to time.

In line with other Quilter employees, Executive Directors can access discounted Company products and are eligible to participate in the Company's voluntary benefits which they fund themselves, sometimes through salary sacrifice. Executive Directors are eligible for other benefits that are introduced for the wider workforce on broadly similar terms.

They are eligible to participate in the UK all-employee share plans on the same terms as other employees, including the Company's Share Incentive Plan and Sharesave Plan.

Where the Committee considers it appropriate, other benefits may be provided, for example, but not limited to, situations involving recruitment or relocation for a defined period.

Any reasonable business-related expenses (including tax thereon if determined to be a taxable benefit) can be reimbursed.

Maximum opportunity
In line with other employees, there is no maximum monetary level for benefits as this is dependent on the individual's circumstances, market practice and the cost to the Company.

Performance metrics
There are no performance conditions.

Proposed changes to application for 2022
No change in approach.

Pension

Purpose and link to strategy
To provide a market-competitive contribution towards retirement benefits that helps to attract and retain the best talent for the business.

Operation
Executive Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan) or a cash allowance in lieu of pension benefits, or a combination. Contributions and/or a cash alternative are paid monthly.

Maximum opportunity
The maximum benefit will normally be capped at a level comparable to the benefit available to the wider workforce. This is currently 10% of base salary.

Performance metrics
There are no performance conditions.

Proposed changes to application for 2022
No change in approach.

Short-term incentives ("STI")

Purpose and link to strategy
The STI plan is designed to align remuneration with performance against financial and non-financial business plan targets and personal goals, within the Group's risk appetite and taking into consideration the Company's culture and values, on an annual basis.

A portion of any award is deferred and delivered in shares to aid retention, encourage long-term shareholding, a considered risk-based environment and align the executive and shareholder interests.

Operation
Performance targets and weightings are normally reviewed and set annually by the Committee taking into account business plans and the Company's risk appetite. Pay-out levels are determined by the Committee following the year end, based on performance against objectives.

STI awards are funded from the overall Group bonus pool, which is approved each year by the Committee.

STI pay-out for threshold performance is set at 25% of maximum, on-target performance is set at 50% of maximum and maximum is set at 100%.

Overall pool funding and individual outcomes are also subject to risk adjustment after the Committee's consideration of a comprehensive report from the Chief Risk Officer and in conjunction with the Board Risk Committee in relation to the nature and incidence of risk events and an overall assessment of risk management relative to the Board's risk appetite.

At least 50% of any STI awarded to an Executive Director is normally deferred in the form of conditional awards under the Share Reward Plan, which vests annually in equal annual instalments over a three-year period subject to the rules of the Share Reward Plan. Where required by regulation, deferral will be increased to ensure compliance with regulatory deferral levels for all variable pay.

Vested awards:
- may be subject to a post-vesting holding period in line with regulatory requirements, during which vested shares may not normally be exercised or sold other than to settle any tax liability arising; and
- must be exercised within ten years of the grant date.

Dividend equivalents may accrue on deferred awards during the deferral period and are normally paid in the form of shares or, exceptionally, cash to the Executive Directors upon vesting, calculated on an assumed reinvested basis.

Malus and clawback provisions apply to both cash and deferred portions of the STI awards as described in further detail in 'Risk adjustments, malus and clawback' on page 126.

Maximum opportunity
The maximum STI opportunity for Executive Directors is set at 200% of base salary for stretch performance.

Performance metrics
The STI plan uses a balanced scorecard of performance measures, which are aligned with the key strategic priorities of the Group and designed to deliver sustainable shareholder value.

Performance is usually measured based on a mix of financial, non-financial, strategic and personal targets. The splits between the performance measures and relative weighting of the targets are reviewed by the Committee at the start of each year and set out in the Annual Report on Remuneration. The majority of any annual bonus is subject to financial measures, with at least 50% of the scorecard reflecting financial performance.

When determining the outcome of the performance measures, the Committee will seek the advice of the Chief Risk Officer and the Board Risk Committee to ensure all relevant risk factors are identified and the bonus pool and/or individual awards adjusted accordingly.

Specific measures, targets and weightings will be set by the Committee annually and disclosed on a retrospective basis.

Proposed changes to application for 2022
The weighting of net flows as a percentage of opening AuMA will be increased from 20% to 25% for 2022, with the weighting of IFRS profit reduced accordingly from 40% to 35% to reflect the importance of net flows as a key growth driver. The weighting of the non-financial aspect of the scorecard will remain unchanged at 40%, which is made up of risk management (10%), customer outcomes (10%) and strategic personal performance (20%).

Long-term incentives ("LTI")

Purpose and link to strategy
To incentivise and reward Executive Directors for achieving superior long-term business performance that creates shareholder value and maximises sustainable shareholder returns.

Operation
LTI awards are made under the Quilter plc Performance Share Plan ("PSP"). Awards are normally granted annually as nil cost options, which are subject to performance conditions. Awards normally vest after three years, subject to the achievement of performance conditions and continued employment.

Performance is measured based on a mix of financial and non-financial targets. The splits between the performance measures and relative weighting of the targets are reviewed by the Committee at the start of each performance period and set out in the Annual Report on Remuneration. The targets are subject to review and possible amendment for future plan cycles.

Vested awards:
- are subject to a minimum post-vesting holding period of two years;
- may be exercised in full at vesting but vested shares may not be sold during the holding period other than to settle any tax liability arising; and
- must be exercised within ten years of the grant date.

The Committee may shorten the minimum holding period in exceptional circumstances provided it is not to participants' advantage, such as a situation where the vesting date is delayed and the holding period is shortened, to maintain the original release date no earlier than the fifth anniversary of grant.

Dividend equivalents accrue during the vesting period and are released on the vesting date, or date of exercise of the vested option. These will normally be delivered in the form of shares on an assumed reinvested basis.

LTI awards are subject to malus and clawback provisions as described in further detail in 'Risk adjustments, malus and clawback' on page 126.

Maximum opportunity
The maximum annual value of a PSP award for any Executive Director is an award over Company shares with a face value of 200% of base salary at the date of grant.

Performance metrics
Performance measures are selected by the Committee for the relevant plan cycle prior to the beginning of the relevant performance period. Measures are designed to align with the Group's strategic priorities of delivering sustainable returns to shareholders over the long term and promoting the long-term sustainable success of the Company for the benefit of all stakeholders.

Performance is measured based on a mix of financial and non-financial targets. The splits between the performance measures and relative weighting of the targets are reviewed by the Committee at the start of each performance period and set out in the Report. The majority of any award will be subject to financial measures.

For each performance metric, a threshold and stretch level of performance is set. At threshold, 25% of the relevant element vests rising on a straight-line basis to 100% for attainment of levels of performance between threshold and maximum targets.

When determining the outcome of the performance measures, the Committee will seek the advice of the Chief Risk Officer and the Board Risk Committee to ensure all relevant risk factors are identified and the award outcomes adjusted accordingly. The Committee also has discretion to reduce award outcomes to nil if required, via a risk management assessment based on a report of risk exposures, or to reflect financial underperformance not adequately reflected in the financial measures.

Proposed changes to application for 2022
For the grant of PSP awards in 2022, it is proposed to introduce additional performance metrics to the EPS growth and relative TSR measures that have comprised the performance conditions for prior awards. In line with the Company's strategic priorities regarding growth, efficiency and being a responsible wealth manager, the Committee proposes to add operating margin, responsible investment and environmental measures to the LTI scorecard. It is also proposed to amend the calculation methodology for EPS growth from compound annual growth rate to cumulative EPS. Relative TSR would remain subject to the same methodology as present. Further details regarding these changes and the weightings and targets for 2022 are set out on page 139 in the Report.

Shareholding requirement including post-cessation

Purpose and link to strategy
To align Executive Directors' interests with those of shareholders.

Operation
The Group operates a mandatory shareholding policy under which Executive Directors are required to build up and maintain a shareholding in the Company with a value at least equal to 300% of base salary. Executive Directors are expected to meet the requirement within five years of the Company's Listing date or, for newly appointed Executive Directors, within five years of appointment if later.

At least 50% of any shares vesting under Quilter's share plans (on a net-of-tax basis) are expected to be retained until the shareholding requirements are met. Vested and unvested (net of tax) awards under the Share Reward Plan are included in the calculation of a Director's shareholding for this purpose. Vested awards no longer subject to performance conditions (net of tax) under the PSP are also included.

Executive Directors are normally required to hold shares for at least two years following cessation of their appointment at the lower of the minimum shareholding requirement of 300% of base salary or the value of shares held at the point of departure (if the Executive Director is still in the five-year accumulation period).

Any shares purchased by an Executive Director from the open market (i.e. separate to shares originally awarded under a Company share plan) will be excluded from the post-cessation shareholding requirement. However, only 25% of the value of such purchased shares will count towards the minimum shareholding requirement during employment. This applies to shares purchased after the date the post-cessation policy came into effect, in January 2020.

For any good leaver, unvested share awards that may be permitted to be retained shall vest on their original vesting date(s) and remain subject to post-vesting holding periods post-termination, in accordance with the relevant share plan rules.

The Committee has discretion to make adjustments to the shareholding and post-cessation shareholding requirement in exceptional circumstances.

Proposed changes to application for 2022
No change in approach.

Committee scope for discretion

The Committee will operate the STI plan (including the Share Reward Plan) and the PSP according to their respective rules and the policy set out above. The Committee, consistent with market practice, retains discretion in a number of areas relating to the operation and administration of these plans.

These include (but are not limited to) the following:

- who participates in the plans;
- the timing of award grants and/or payments;
- the size of an award and/or a payment (within the limits set out in the Policy table above);
- the choice and weighting of performance metrics (in accordance with the statements made in the Policy table above);
- in exceptional circumstances, determining that any share-based award (or any dividend equivalent) shall be settled (in full or in part) in cash;
- discretion relating to the measurement of performance in the event of a change of control or restructuring;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment in such circumstances;
- determining the extent of payment or vesting of an award based on the assessment of any performance conditions, including discretion as to the basis on which performance is to be measured if an award vests in advance of normal timetable (on cessation of employment as a good leaver or on the occurrence of a corporate event) and whether (and to what extent) pro-rating shall apply in such circumstances; whether (and to what extent) malus and/or clawback shall apply to any award;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends);
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose whilst being no less stretching; and
- the discretion to adjust vesting outcomes to take account of overall performance and the wider stakeholder experience.

While the Committee anticipates that any such discretion would normally result in a reduction, the Committee reserves the right to make an upwards adjustment if considered appropriate.

Legacy arrangements

Executive Directors may be eligible to receive any relevant payment from any award or other remuneration arrangements made prior to the approval of the Policy (or prior to appointment to the Board) or that are in line with the previous Policy. Details of any such payments will be set out in the Report as they arise as required.

Payment of statutory entitlements and settlement of claims

The Company may pay any statutory entitlements, to which a Director is entitled, or settle or compromise any claims made in connection with the employment of a director where the Committee considers such claims to have a reasonable prospect of success and that it is in the best interests of the Company to do so.

Performance measures

The 2022 performance measures selected for the STI plan and PSP have been chosen by the Committee to align with the Group's strategic priorities and are consistent with the key performance indicators in relation to the operation of the business. Targets are set annually taking into account a number of internal and external reference points including: the level of performance that is achievable over a sustained period of time; historic performance and internal forecasts of future performance; market expectations and any guidance provided to the market; and the Company's agreed risk appetite.

Risk adjustments, malus and clawback

All variable pay arrangements operated by the Group are subject to malus and clawback provisions. The Committee may, in its absolute discretion, determine to reduce the number of shares before they are released (malus), impose further conditions on the vesting or exercise of an award or, alternatively, at any time within five years of an award being made, the Committee may require the Executive Director to transfer to the Company a number of shares or a cash amount (clawback).

Malus may be applied where:

- the results or accounts or consolidated accounts of any company, business unit or undertaking in which the Executive Director worked or works or for which he or she was or is directly or indirectly responsible are found to have been materially incorrect or misleading;
- an error in the calculation of the Executive Director's bonus in respect of which any deferred bonus award was made;
- there is any material failure of risk management at a Group, or business unit level and/or loss from business written, due in whole or in part, to a failure to observe risk management policies in effect at that time;
- there is evidence of Executive Director gross misconduct or it is discovered that the Executive Director's employment could have been summarily terminated, or there is reasonable evidence of Executive Director misbehaviour or material error;
- the behaviour by the Executive Director resulted or is likely to result in serious reputational damage to the Company or has or is likely to bring, the Company into disrepute in any way;
- the Executive Director participated in or was responsible for conduct that resulted in significant losses for the Company and/or for any company, business or undertaking in which he/she worked;
- the Executive Director failed to meet appropriate standards of fitness and propriety, in accordance with any regulatory rules or principles, internal policies or reasonable expectations as determined by the Committee in its absolute discretion;
- the Company or any company, business or undertaking in which the Executive Director worked or works or which he/she was or is directly responsible has suffered a material downturn in its financial performance which the Committee considers to justify the application of malus;
- corporate failure of the Company or any Group Company; and
- any other circumstances similar in nature to those described above where the Committee consider adjustments should be made.

Clawback may be applicable where:

- the results or accounts or consolidated accounts of any company, business unit or undertaking in which the Executive Director worked or works or for which he or she was or is directly or indirectly responsible are found to have been materially incorrect or misleading;
- there is any material failure of risk management at a Group, or business unit level and/or loss from business written, due in whole or in part, to a failure to observe risk management policies in effect at that time;
- there is evidence of Executive Director gross misconduct or it is discovered that the Executive Director's employment could have been summarily terminated or there is evidence of Executive Director misbehaviour or material error;
- the Executive Director participated in or was responsible for conduct that resulted in significant losses for the Company and/or for any company, business or undertaking in which he/she worked;
- the Executive Director failed to meet appropriate standards of fitness and propriety, in accordance with any regulatory rules or principles, internal policies or reasonable expectations as determined by the Committee in its absolute discretion;
- the Company or any company, business or undertaking in which the Executive Director worked or works or which he/she was or is directly responsible has suffered a material downturn in its financial performance which the Committee considers to justify the application of clawback;
- corporate failure of the Company or any Group Company; or
- any other circumstances similar in nature to those described above where the Committee consider adjustments should be made.

The Committee is supported in its decision making in this area by the Board Risk and Board Audit Committees and the Quilter Risk function.

Remuneration policy for other employees

The general principles of the Policy are broadly applied throughout the Group and are designed to support recruitment, motivation and retention as well as to reward high performance in a framework of approved risk management.

The structure of total remuneration packages for the Executive Directors and for the broader employee population is similar, comprising of salary, pension and benefits and eligibility for a discretionary STI award based on a combination of Company and personal performance in the financial year. The level of STI opportunity is determined by role and responsibility.

All employees are subject to the Company's deferral policy, which applies above a certain threshold of annual incentive award or such other amount as may be required in accordance with regulatory requirements. Deferred bonuses are granted in the form of a conditional award of shares in Quilter under the Share Reward Plan, or for portfolio managers in Quilter Investors in their own funds and vest no faster than annually, over three years in equal parts.

Executive Directors and other selected senior executives participate in the PSP to aid retention and motivate the delivery of long-term growth in shareholder value and to align their interests with those of shareholders. As a result of this more limited participation, a greater proportion of the Executive Director's potential pay is subject to performance and therefore 'at risk' than compared to the broader employee population.

Annual base pay increases for the Executive Directors are normally limited to the average base pay increase for the wider employee population unless there are exceptional circumstances such as a change in role or salary progression for a newly appointed director.

The provision of pension contributions for the Executive Directors is consistent with the wider workforce.

Recruitment policy

The remuneration package for a new director will be established in accordance with the Company's approved Policy subject to such modifications as set out below.

Salary and pension levels for Executive Directors will be set in accordance with the Policy, considering the experience and calibre of the individual and his or her existing remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be made over subsequent years subject to individual performance and development in the role. Benefits will be limited to those outlined in the Policy, with relocation assistance provided where appropriate. Where provided, relocation assistance will normally be for a capped amount and/or limited time.

The structure of variable elements will be in accordance with the Company's approved Policy detailed above. The maximum variable pay opportunity will be set out in the Policy table. Different performance measures may be set initially during the year of joining to take into account the responsibilities of the individual and the point when he or she joined the Board. An LTI award can be made shortly following an appointment (assuming the Company is not in a closed period).

The Committee may buy out incentive awards a new hire has forfeited on joining the Group, if it considers the cost can be justified and is in the best interests of the Company. Any buy-out award would take into account timing and expected value (e.g. likelihood of meeting any performance criteria) of the forfeited awards and be structured, to the extent possible, to take into account other key terms (e.g. vesting schedules and performance conditions) of the awards which are being replaced. The Committee retains the discretion to rely on the exemption under LR 9.4.2 of the Listing Rules to make such an award, or to utilise any other incentive plan operated by the Group. The aim of any such award would be to ensure that as far as possible, the expected value and the structure of the award will be no more generous than the amount forfeited.

Where an Executive Director is appointed from within the Group, any legacy arrangements would be honoured in line with the original terms and conditions as long as these do not cause a material conflict with the Policy.

For an overseas appointment, the Committee will have discretion to offer cost-effective benefits and pension provisions which reflect local market practice and relevant legislation.

Fees for a new Chair or Non-executive Director will be set in line with the Policy.

Executive Directors' service agreements

All Executive Directors enter into service agreements with the Company. The service agreements are of indefinite duration, subject to termination by either party on six months' notice. Where a longer notice period is required to recruit an executive, a notice period of up to 12 months may be offered for an initial period. The agreement contains terms typical for a senior executive, including entitlement to a salary, pension contribution, other core benefits including annual holiday entitlement, and eligibility for consideration of annual short-term and LTI awards in accordance with the Remuneration Policy. The Executive Directors are also entitled to reimbursement of reasonable business expenses incurred by him/her in the performance of his/her duties and will be eligible for cover under any director or officer insurance the Company has in place from time to time. Service contracts are available for inspection at the Company's registered office.

Termination of office policy

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

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

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

Prior arrangements

The Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the terms of the Policy where the terms of the payment were agreed:

- before this Policy came into effect, provided in the case of any payment whose terms were agreed before this Policy became effective, either (a) the remuneration payment or payment for loss of office was permitted under the Company's former Policy at the time of agreement or (b) the agreement was before the former Policy entered into effect; or
- at a time when the relevant individual was not a Director of the Company and in the opinion of the Committee the payment was not in consideration for the individual becoming a Director of the Company.

Change of control policy

STI awards may continue to be paid in respect of the full financial year pre and post change of control, or a pro-rated STI award may be paid in respect of the portion of the year that has elapsed at the point of change of control. Exceptionally the Committee may exercise its discretion to waive pro-rating.

All the Company's employee share plans contain provisions relating to a change of control. In the event of a change of control, outstanding awards and options may be lapsed and replaced with equivalent awards over shares in the new company, subject to Committee discretion. Alternatively, outstanding awards and options may vest and become exercisable on a change of control, subject to the assessment of performance at that time and pro-rating of awards, in accordance with the rules of the Company share plans and terms of awards.

External appointments

Subject to prior clearance by the Board, an Executive Director is permitted to hold one external non-executive directorship of a listed company and is entitled to retain any fees paid for doing so.

Compliance with regulatory requirements

The Policy is compliant with current regulatory requirements, namely the PRA and FCA Remuneration Codes that apply to the Company. Remuneration arrangements will operate in line with the PRA and FCA Remuneration Codes, as amended from time to time.

The Committee may make minor amendments to this Policy (for regulatory, exchange control, tax or administrative purposes, to correct clerical errors or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Illustration of the application of the Policy

Our aim is to ensure that superior rewards are only paid for exceptional performance, with a substantial proportion of Executive Directors' remuneration payable in the form of variable, performance-related pay. The graphics below illustrate the Executive Directors' fixed remuneration and how much they could earn for target and maximum performance for 2022.

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

Fixed remuneration

Consists of 2021 base salary plus the value of benefits in 2021 and a 10% pension contribution or allowance.

On-target

Based on value of fixed remuneration plus the potential value that the Executive Director could earn for on-target performance:
- annual variable element paying out at 50% of maximum; and
- long-term incentive element (under PSP) paying out at 50% of maximum.

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

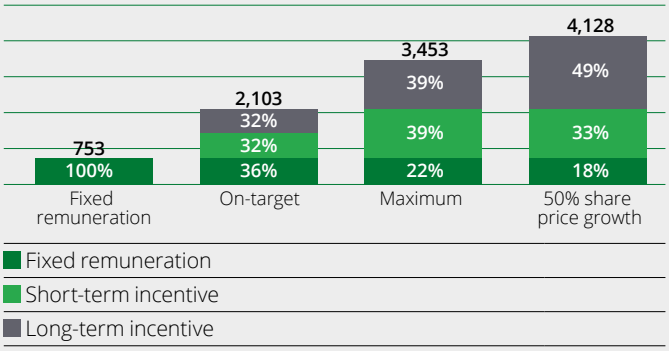
Maximum

In addition to fixed remuneration, includes the potential value under the Share Reward Plan and PSP that the Executive Director could earn for maximum performance.

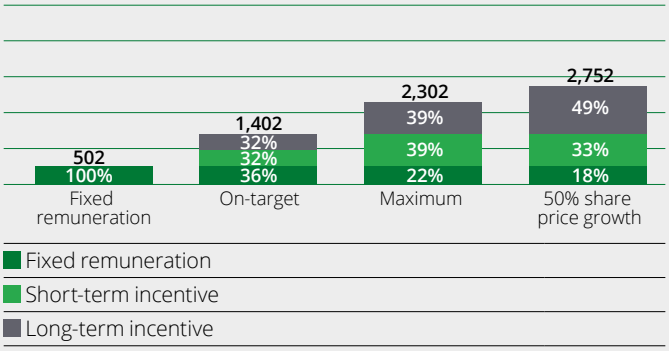
Share price growth

Assuming share price growth of 50% to the maximum long-term incentive outcome, total remuneration would be:

Chief Executive Officer (£'000)



Chief Financial Officer (£'000)



How the views of employees are taken into account

Pay and employment conditions generally in the Group will be considered when setting Executive Directors' remuneration. Though currently the Company does not consult with employees specifically in determining Executive Director remuneration, the Board has appointed Paul Matthews and Tazim Essani (both are members of the Committee) as the designated Non-executive Directors responsible for ensuring the "employee voice" is heard at Board level on matters including executive remuneration and alignment to the wider workforce. This role extends to a range of issues that matter to employees and includes inputs from annual employee engagement and culture surveys, meetings with employee forums/representatives and a report to the Board.

The Committee receives regular updates on overall pay and conditions in the Group, including (but not limited to) changes in base pay and the incentive schemes in operation, as well as pay ratio data. The Committee also has oversight of the all-employee share plans which Executive Directors and all other Group employees can participate in on the same terms and conditions.

Statement of consideration of shareholder views

The Committee recognises that Director remuneration is an area of particular interest to our shareholders and in setting and considering changes to remuneration, it is critical that we listen to, and take into account, their views.

The Committee considers shareholder feedback received in relation to the AGM each year at its first meeting following the AGM. This feedback, as well as any additional feedback received during any other meetings with shareholders, is then considered as part of the Group's annual review of the implementation of the Remuneration Policy. We also regularly engage with our largest shareholders to ensure we understand the range of views which exist on remuneration issues.

The Committee engaged with key shareholders in the development of this Policy during 2021. These discussions were productive and their feedback was taken into account in the finalisation of the policy. The Committee were pleased that many shareholders were supportive of the approach the Committee has taken in maintaining consistency with, and making only minimal changes to, the pay approach in the existing policy. In developing the new Policy, the Committee has also considered the guidelines from the main shareholder bodies and regulatory requirements, as well as prevailing market practice.

Non-executive Directors

The following table sets out the key elements of remuneration and policy for Non-executive Directors:

Approach and link to strategy	Fees for the Chair and Non-executive Directors are set at an appropriate level to attract individuals of the highest calibre with relevant commercial and other experience to develop, monitor and oversee the Group's strategy. Fee levels take into account: – the time commitment required to fulfil the role; – the duties and responsibilities associated with the role; and – external fee reference points and typical practice from relevant FTSE and other comparable competitor organisations.
Operation	The Chair receives an all-inclusive annual fee which is reviewed periodically by the Committee. All Non-executive Directors receive a basic annual fee. Additional fees may be payable to: – the Senior Independent Director; – the Chairs of the Board Audit, Risk, Technology and Operations, Remuneration and Corporate Governance and Nominations Committees[1]; and – other members of the Board Audit, Risk, Technology and Operations, Remuneration and Corporate Governance and Nominations Committees. Additional fees to reflect the extra responsibilities and additional time commitment required from Non-executive Directors for chairmanship or membership of subsidiary boards. If there is a temporary yet material increase in the time commitments for Non-executive Directors, the Board may pay extra fees on a pro rata basis to recognise the additional workload. Fee levels are reviewed annually by the Chair and Executive Directors. The Chair's fee is reviewed annually by the Committee. No individual may participate in the approval of his or her own fees. Neither the Chair nor other Non-executive Directors are eligible for any performance-related remuneration or a pension contribution. They do not receive any benefits but they may be reimbursed or paid directly by the Company for the cost of any reasonable and properly documented business expenses incurred in carrying out their duties which are deemed taxable by the relevant tax authority (including any personal tax due on such expenses). Details of current fees are set out in the Annual Report on Remuneration.

[1]The Board Corporate Governance and Nominations Committee is chaired by the Chair who receives an all-inclusive annual fee.

Proposed changes to application for 2022

No change in approach.

Letters of appointment for Non-executive Directors

All Non-executive Directors have a letter of appointment with the Company for an initial period of three years, subject to annual reappointment at the AGM. Appointments may be terminated with three months' notice. The appointment letters for the Chair and Non-executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses. All Directors submit themselves for re-election at the AGM each year. Service contracts and letters of appointment are available for inspection at the Company's registered office. The service contract policy for a new appointment will be on similar terms as existing Executive Directors, with the facility to include a notice period of no more than three months.

Details of the Chair's and Non-executive Directors' terms of appointment are set out in the table:

Non-executive Director	Effective date of appointment
Glyn Jones	7 November 2016
Rosie Harris	3 April 2017
Moira Kilcoyne	31 December 2016
George Reid	8 February 2017
Ruth Markland	25 June 2018
Paul Matthews	8 August 2018
Tim Breedon	1 June 2020
Tazim Essani	9 March 2021
Chris Samuel	1 July 2021

Termination of office policy

Non-executive Directors

- Three months' notice period.
- Appointed for an initial three-year term.
- Normally expected to serve two three-year terms, subject to annual re-election at the AGM.
- A third term (of up to three years, or longer in exceptional circumstances) may be offered on a year-by-year basis after completion of the first two terms.

Annual Report on Remuneration

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

Application of the Policy in 2022
Content within a shaded box indicates that the information is planned for implementation in 2022.

The Report sets out how the Policy of the Company has been applied in 2021 and how the Committee intends to apply the Policy going forward. An advisory shareholder resolution to approve this Report will be proposed at the AGM.

The table below sets out the single figure of remuneration for the full financial year 2021 together with 2020 comparator figures.

Audited

Executive Director	Base salary £'000	Benefits £'000	Pension[1] £'000	STI £'000	LTI[2] £'000	Total £'000	Total Fixed £'000	Total Variable £'000
2021								
Paul Feeney	675.0	10.2	67.5	886.0	880.6	2,519.3	752.7	1,766.6
Mark Satchel	450.0	7.1	45.0	618.0	587.0	1,707.1	502.1	1,205.0
2020								
Paul Feeney	675.0	7.5	67.5	–	875.1	1,625.1	750.0	875.1
Mark Satchel	450.0	5.9	45.0	–	282.0	782.9	500.9	282.0

[1]Pension includes contributions made under the Group defined contribution pension scheme plus, where applicable, amounts received as a pension allowance.
[2]LTI is a vesting value determined as a result of the achievement of performance measures or targets relating to the performance period ending on 31 December of the relevant financial years. These relate to the PSP (see pages 137 to 138). The value is calculated using the average share price over the final three-month period of the year ending 31 December 2021, which is £1.4728. The actual vesting date is 25 March 2022 and the actual value will be reflected in next year's Report. The amount of this figure, which includes share dividend equivalents, attributable to share price appreciation is valued at £46,958 for Paul Feeney and £31,306 for Mark Satchel as at 31 December 2021. The 2020 LTI value has been updated to reflect the share price on the actual vesting date, 16 April 2021, which was £1.6550.

Components of the single figure

There were no increases to Executive Director base salaries at the 1 April 2021 review date, and unlike the wider workforce there are no increases to Executive Directors base salaries planned for the 1 April 2022 review date.

Audited

Executive Director	Annual base salary as at 1 April 2021 £'000	Total base salary paid in 2021 for qualifying services £'000	Total base salary effective 1 April 2022 £'000
Paul Feeney	675.0	675.0	675.0
Mark Satchel	450.0	450.0	450.0

Benefits

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

Audited

Name	Life assurance £'000	Medical £'000	Income protection £'000
2021			
Paul Feeney	3.5	1.1	5.6
Mark Satchel	2.3	1.1	3.7
2020			
Paul Feeney	3.1	1.4	3.0
Mark Satchel	2.2	1.1	2.6

Benefits for 2022
No changes to the approach.

Pension

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

Audited Name	Cash in lieu of pension contribution £'000	Contribution to pension scheme £'000	Total contribution £'000
2021			
Paul Feeney	67.5	–	67.5
Mark Satchel	41.3	3.7	45.0
2020			
Paul Feeney	67.5	–	67.5
Mark Satchel	39.2	5.8	45.0

Pension for 2022

No changes to the approach.

2021 STI awards

For the purpose of determining the 2021 STI outcome, the Committee assessed the performance of the business and the individuals by reference to a balanced scorecard of IFRS Profit (40%), net flows as a percentage of opening AuMA (20%), Customer/Risk (20%) and Strategic Personal performance objectives (20%) in line with the Policy.

The summary below reflects the Committee's assessment of performance for the year ended 31 December 2021, before consideration of any adjustment for material risk events.

Group financial achievement

Audited Group financial performance measures	Weighting as % of total STI opportunity	Threshold (25% of max)	Target[1] (44% of max)	Stretch[2] (50% of max)	Maximum (100%)	Outcome	Outcome as % of max
IFRS profit before tax (excluding amortisation, policyholder tax adjustments, business disposal impacts and one-off items)[2]	40%	£11m	£38m	£47m	£82m	£60m	69%

[1]In recognition of market uncertainty due to the ongoing impact of the COVID-19 pandemic, the Committee approved a wider target range than normal. The Committee decided that business plan achievement would generate an outcome lower than 50% of maximum in consideration of absolute profit expectations relative to pre-pandemic levels, with management required to outperform plan by 24% to achieve a target outcome of 50% of maximum, with a super-stretch target set at more than double the target profit to achieve maximum.
[2]IFRS profit for the continuing business only.

IFRS profit reconciliation

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

Audited

2021 profit reconciliation	Reported profit	STI target	STI outcome
Adjusted profit before tax (before financing costs)	**£138m**	**£110m**	**£138m**
Debt financing costs	(£10m)	(£10m)	(£10m)
Adjusted profit before tax (after financing costs)	**£128m**	**£100m**	**£128m**
UK Platform Transformation Programme ("PTP")[1]	(£28m)	(£28m)	(£28m)
Optimisation[1]	(£22m)	(£30m)	(£30m)
Quilter Life Assurance decommissioning costs	(£1m)	(£1m)	(£1m)
Managed Separation costs	(£2m)	(£3m)	(£2m)
Customer remediation[2]	(£7m)	–	(£7m)
IFRS profit before tax on a continuing basis (excluding amortisation, policyholder tax adjustments, business disposal impacts and one-off items)	**£68m**	**£38m**	**£60m**

[1]Optimisation costs were lower than the plan expectation for the year due to the timing of delivery and costs are still expected to be incurred at a later date. As such, the Committee approved an adjustment to these amounts to remove the benefit of below-plan spend in the outcome.
[2]The customer remediation costs relate to an increase in estimated customer redress and professional fees for historic DB to DC pension transfer advice.

Net flows as a percentage of opening AuMA

2021 is the first-year net flows as a percentage of opening AuMA has been included in the scorecard, and represents a maximum of 20% of the total STI opportunity. This is aligned to the Group's KPIs and is calculated by assessing the full year's net flows, which is made up of gross inflows less gross outflows, divided by the opening AuMA excluding discontinued operations as at 1 January 2021. The below table details the performance and outcome:

Audited

Performance condition	Weighting as % of total STI opportunity	Threshold (25% of max)	Target (50% of max)	Maximum (100% of max)	Outcome	Outcome as a % of max
Net flows		£2.9bn	£4.4bn	£6.8bn	£4.0bn	
Opening AuMA[1]		£97.3bn	£97.3bn	£97.3bn	£97.3bn	
Net flows as a percentage of opening AuMA	**20%**	**3.0%**	**4.5%**	**7.0%**	**4.1%**	**43.2%**

[1]Opening AuMA was restated by £1.7 billion to £99.0 billion during the year, after the Committee approved the target, to include the intra-group eliminations relating to Quilter International since the business area is no longer part of the Group.

Group risk and customer performance achievement

Key Group non-financial objectives represented a maximum of 20% of the total STI opportunity. The risk measure assesses the effectiveness of risk management at an overall corporate level for each of the Executive Directors. For the Customer element of the scorecard, performance was assessed against key risk and performance indicators covering customer strategy and governance, product and proposition, customer experience, advice, suitability and customer on-boarding and post-advice servicing as measured by the Company's Customer Strategic Risk Appetite Principles ("SRAP"), as well as a qualitative assessment of broader customer focus. Performance commentary is given in the table below.

Audited

Customer and Risk Performance measures	Executive Director	Weighting as % of total STI opportunity	Key achievements in the year	Outcome as % of max
Risk Management Framework Effectiveness	Paul Feeney	10%	– Strong tone from the top promoting an effective risk culture. – Chaired the Executive Risk Forum and ensured it remained focused on the key risks facing the business. – Appropriate balance between risk reduction, revenue generation and cost management evidenced through project prioritisation and focus. – Open and pro-active engagement with regulators. – Established and led joint executive oversight committee with FNZ to manage customer experience and regulatory risks post-migration of the UK Platform.	75%
Risk Management Framework Effectiveness	Mark Satchel	10%	– Solid risk focus through the capital management forum and deputy chair of the Executive Risk Forum. – Continued constructive engagement with the second line, seeking opinions and challenge on key decisions. – Good balance of challenge on financial performance and cost control to appropriately manage risks and issues. – Strong risk considerations in strategy and planning, with key risk considerations given due prominence. – Proactive and open engagement with the FCA, PRA and the various Quilter International regulators.	75%
Customer Outcomes	Paul Feeney and Mark Satchel	10%	– Strong progress made on strategic customer initiatives and evidence of a positive culture to address customer needs. – The Quilter Investment Platform final migration delivered a safe and successful transition of customers' investments, however customer experience deficiencies and increased regulated complaints were experienced following migration. – Quilter Investors' Assessment of Value project has driven customer outcome improvements with discretionary customer plans at the forefront. – Strong performance against core customer metrics for Quilter Cheviot with client feedback rating favourable to the peer group benchmark. – Investment performance in our flagship Cirilium, Income and WealthSelect ranges delivered positive returns, whilst performance against comparators was mixed.	61%

Strategic personal performance – achievement

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

Audited

Executive Director	Weighting as % of total STI opportunity	Overview	Key achievements in the year	Outcome as % of max
Paul Feeney	20%	Objectives for 2021 were focused on the strategic development of the business to maximise future growth potential, improve the control environment, provide responsible leadership and drive an inclusive culture, whilst achieving strong core business performance and creating value for shareholders.	– A strong year leading the strategic transformation of Quilter into a simpler, UK-centric wealth manager poised to deliver strong growth and sustainable returns, with the completion of the Platform Transformation Programme and sale of Quilter International marking the culmination of a three-year journey from the Company's Listing in 2018. – Improved control environment, with use of better management information and close attention to risk to drive performance and pre-empt issues. Whilst the post-migration platform stabilisation period was longer and more disruptive than hoped, instituted effective oversight to mitigate risks and improve customer experience. – Made progress on embedding ESG into the advice and investment process as we build towards becoming a leading responsible wealth manager. – Strong leadership in relation to key stakeholders – our people, customers, regulators and shareholders – amid a second year of unprecedented social and economic disruption caused by the COVID-19 pandemic.	80%
Mark Satchel	20%	Objectives were to deliver on the outcome of the Quilter International strategic review, lead our Optimisation goals, deliver strong cost discipline across the business, whilst achieving strong core business performance and creating value for shareholders.	– An exceptional year managing the sale of Quilter International for a price of £481 million with the sale process executed professionally and expediently. – Leading preparations for the proposed capital return to shareholders of £350 million and successfully managed the share buyback programme following the sale of Quilter Life Assurance, which concluded in early 2022 and delivered a further £375 million capital return to shareholders. – Driven very strong cost containment across the business, with expenses lower than plan expectations in almost all areas. – Optimisation programme has realised benefits ahead of plan and within overall budget, with a further £45 million of cost savings targeted as part of the next phase of business simplification. – Delivered significant operational improvements, with the general ledger rationalisation project substantially concluded in 2021. – Provided very strong leadership and engagement with all stakeholders, including the investor community, leading a successful Capital Markets Day in November 2021.	95%

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

The Committee noted that several past business reviews into historic defined benefit pension transfer advice were initiated in 2021 and resulted in total provisions of £12 million for estimated customer remediation costs and professional fees, £7 million of which relates to advice provided by Lighthouse prior to the acquisition of the business and £5 million of which is included in adjusted profit before tax. The impact of these costs within the profit component of the annual scorecard was to reduce the Chief Executive Officer's STI outcome by £92,571 (a reduction of 9%) and the Chief Financial Officer's STI outcome by £61,714 (a reduction of 9%). The Committee concluded that the 2021 financial impact of the customer remediation provisions was appropriately reflected in the 2021 STI outcomes and no further adjustment was necessary.

Deferral policy

In line with our Policy, 50% of the Executive Directors' 2021 STI awards will be deferred into a conditional award of ordinary shares under the Share Reward Plan and will vest in equal annual instalments over a three-year period, subject to continued employment and malus and clawback provisions in accordance with the rules of the Share Reward Plan.

Audited

	Total		Deferred bonus		To be paid in cash	
Executive Director	**£'000**	**% of salary**	**£'000**	**% of salary**	**£'000**	**% of salary**
Paul Feeney	886.0	131%	443.0	66%	443.0	66%
Mark Satchel	618.0	137%	309.0	69%	309.0	69%

STI for 2022

In line with our Policy, both Executive Directors are eligible to receive STI awards up to 200% of base salary. Performance will be based on a combination of Group financial targets as well as strategic (including customer and risk measures) and personal measures. The personal measures will include a specific target on diversity and culture.

The weighting of net flows as a percentage of opening AuMA will be increased from 20% to 25% for 2022, with the weighting of IFRS profit reduced accordingly from 40% to 35% to reflect the importance of net flows as a key growth driver. The weighting of the non-financial aspect of the scorecard will remain unchanged at 40%, which is made up of risk management (10%), customer outcomes (10%) and strategic personal performance (20%).

Actual targets for 2022 have not been disclosed due to commercial sensitivity. These targets will be disclosed in the 2022 Report.

Vesting of 2019 LTI awards

On 31 December 2021, the 2019 LTI awards granted under the PSP reached the end of their performance period. These awards will vest on 25 March 2022, with the vested shares subject to a further two-year post-vesting holding period. The performance conditions which applied to the 2019 LTI award and the performance achieved are set out below.

Audited

Performance condition	Weighting	Threshold[1] (25% vesting)	Maximum[1] (100% vesting)	Performance Achieved[2]	Weighted Percentage of Award Vesting
EPS CAGR (2018-21)[3]	70%	6%[4]	17%[4]	11.5%	43.81%
Relative TSR[5]	30%	Median	Upper quartile	80 out of 176 companies[6]	12.65%
			Award Outcome		**56.46%**

[1]Straight-line interpolation between points.
[2]The Committee adjusted the EPS CAGR performance condition to reflect the sales of Quilter Life Assurance and Quilter International.
[3]Adjusted EPS, pre-dividend excluding amortisation and goodwill.
[4]The Committee adjusted the EPS CAGR threshold and maximum targets from 5-11% to 6-17% to reflect an expectation of higher growth excluding discontinued operations. This had the effect of increasing the level of challenge in the targets, and reducing the outcome for the EPS metric for 2018-21 from 100% to 62%.
[5]Ranking relative to the constituents of the FTSE-250 excluding Investment Trusts.
[6]Quilter achieved TSR of 27% over the period and was ranked 80th out of 176 companies. Median TSR was 17% and upper quartile TSR was 59% which equates to 42% of maximum for the TSR element.

To ensure that performance could be fairly and consistently assessed against the performance conditions and the outcome appropriately reflective of performance achieved, the Committee, supported by independent expert advice, considered the impact of the sale of Quilter Life Assurance, which completed on 31 December 2019, and the sale of Quilter International, which completed on 30 November 2021. Consistent with the treatment of the 2018 awards, the Committee decided to exclude Quilter Life Assurance and Quilter International profits, adjusted for certain stranded costs, from the base year of the Adjusted Profit-based EPS CAGR calculation to ensure the earnings growth was measured on a like-for-like basis between the end year and the base year. The Committee also fixed the share count in both years to neutralise the benefit of a reduction in share count over the period resulting from the share buyback programme funded by the proceeds from the sale of Quilter Life Assurance. Finally, the Committee reassessed the target CAGR range to reflect an expectation of higher growth excluding discontinued operations and concluded on increasing the EPS CAGR threshold and maximum targets from 5-11% to 6-17%. This had the effect of increasing the level of challenge in the targets, and reducing the outcome for the EPS metric for 2018-21 from 100% to 62%.

Audited

Performance condition	2018 £m	2021 £m	Outcome
Adjusted Profit (before tax)[1]	**233**	**138**	
less Quilter Life Assurance profit	(57)	–	
plus Quilter Life Assurance stranded costs	(13)	–	
less Quilter International profit	(51)	–	
plus Quilter International stranded costs	(10)	–	
Revised Adjusted Profit (before tax)	**102**	**138**	
Revised Adjusted Profit (after tax)	**90**	**125**	
Weighted average number of shares (million)[2]	1,684	1,684	
Adjusted EPS (pence)	5.4	7.4	
Adjusted Profit CAGR (2018-21)			**11.5%**

[1]Pre-dividend excluding amortisation and goodwill.
[2]Share count in the base year of 1,833 million has been adjusted to match the lower share count in the measurement year to neutralise any benefit arising from a reduction in share count on the basis that the earnings of Quilter Life Assurance (the proceeds of which funded the share buyback programme) have been excluded from the calculation.

The Committee also considered whether the performance had been achieved within the Company's agreed risk appetite and the impact of any risk events during the performance period and concluded that no further discretionary adjustment to the outcome was required.

As a result of the 2019 LTI awards vesting at 56.5%, the Executive Director outcomes are as follows:

Audited

Executive Director	Number of shares granted	Share-settled dividend equivalents	% of Awards vesting	Number of shares vesting	Value of shares vesting (£000)[1]
Paul Feeney	953,524	105,477	56.46%	597,912	880.6
Mark Satchel	635,683	70,317	56.46%	398,608	587.0

[1]Deemed value based on the average share price of the final three-month period ended 31 December 2021 of £1.4728, the actual value will be based on the share price when the awards vest on 25 March 2022. The amount of this figure, which includes share dividend equivalents, attributable to share price appreciation is valued at £46,958 for Paul Feeney and £31,306 for Mark Satchel as at 31 December 2021.

LTI awards granted in 2021

Executive Directors are eligible to participate in the PSP, which is an LTI plan. The awards granted in 2021 are subject to the following performance conditions:

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Performance condition	Weighting	Threshold[1] (25% vesting)	Maximum[1] (100% vesting)
Adjusted EPS CAGR (2020-22)[2]	70%	8%	20%
Relative TSR[3]	30%	Median	Upper quartile

[1]Straight-line interpolation between points.
[2]Pre-dividend excluding amortisation and goodwill.
[3]Ranking relative to the constituents of the FTSE-250 excluding Investment Trusts.

At the end of the three-year performance period, the Committee will critically assess whether the formulaic vesting outcome produced by the criteria is justified. To do this, the Committee will look at several factors, including whether the result is reflective of underlying performance and has been achieved within the Company's agreed risk appetite. If such considerations mean that the formulaic outcome of the vesting schedule is not felt to be justified, then the Committee can exercise downward discretion. The following LTI awards were granted in respect of the 2021 performance year:

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Executive Director	Form of award	Date of award	Basis of award (% of salary)	Share price at the date of grant	Nil cost options awarded	Face value of award[1]	% vesting at threshold	Performance
Paul Feeney	Nil cost options	8 April 2021	200%	£1.6780	804,529	£1,350,000	25%	2021–2023
Mark Satchel	Nil cost options	8 April 2021	200%	£1.6780	536,353	£900,000	25%	2021–2023

[1]The face value of the award figure is calculated by multiplying the number of shares awarded by the closing share price on the day before the award was granted, of £1.6780.

LTI awards to be granted in 2022

The Committee intends to grant awards to the Executive Directors in March 2022 over nil cost options under the PSP with a face value at grant of 200% of base salary. The LTI scorecard has been updated for 2022 to align with the Company's strategic priorities over the next performance period.

The EPS growth component of the LTI will be reduced from a 70% weighting to 40% and the methodology changed from CAGR (three-year 'point-to-point' measure) to cumulative EPS, which will better reward sustainable performance over the period as all years will contribute to the result. The TSR component of the LTI will be reduced from a 30% weighting to 25% and will continue to be assessed relative to the FTSE-250 excluding investment trusts.

In addition, an operating margin measure will be introduced in line with the Company's previously stated target to improve its operating margin relative to peers, with a weighting also of 25%. The final 10% of the LTI scorecard will be based on ESG measures to support the Company's strategic priority to become the responsible wealth manager, with 7.5% weighted on responsible investing and 2.5% on reducing the carbon intensity of the Company's own operations. The responsible investing component will be based on the UN-backed Principles for Responsible Investment ("PRI") Framework, the world's leading independent benchmark for responsible investing. Quilter will be scored against the PRI's 5-star rating system across four modules, covering investment and stewardship policy, fund manager selection and monitoring and asset class-specific assessments for listed equity and fixed income. This will provide a quantifiable, independent and externally verifiable measure of relative performance in this strategically important area.

The full scorecard is shown below:

2022 LTIP Performance Metrics		Weighting %	Threshold[1] (25% vesting)	Maximum[1] (100% vesting)
Earnings per share	– Cumulative Adjusted EPS 2022-24 (pre-dividend excluding amortisation and goodwill)	40%	24.6p	37.0p
Operating margin	– 2024 pre-tax Adjusted Profit divided by total net fee revenue	25%	27.5%	32.5%
Total shareholder return	– Ranking relative to the constituents of the FTSE-250 excluding investment trusts	25%	Median of index	Upper quartile of index
ESG[2]	– Carbon intensity of Quilter's operations (tonnes of carbon dioxide (tCO2e) per full-time employee/contractor)	2.5%	2,050	1,650
	– Responsible investing (Principles for Responsible Investment ("PRI") aggregate modules rating)[3]	7.5%	12 stars	20 stars

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

All-employee share plans

In 2021, the Company invited all employees, including Executive Directors, to enter the Save As You Earn ("SAYE") scheme. The scheme allows employees to save up to a maximum of £500 across all savings contracts on a monthly basis for either a three- or five-year term, at the end of the savings period, employees have the option to purchase Company shares at a discounted option price, which was set at the beginning of the scheme. This year's scheme commenced on 1 July 2021 with an option price of 131 pence.

Neither Paul Feeney or Mark Satchel have entered into this year's scheme as they have already utilised their maximum savings capacity by entering into the 2019 savings contract at a monthly savings amount of £500 each. In 2019, Paul Feeney entered into a five-year savings contract, providing an option at maturity over 24,000 Quilter shares and Mark Satchel entered into a three-year savings contract, providing an option at maturity over 14,400 Quilter shares.

Non-executive Director total remuneration

The total remuneration for the Non-executive Directors is set out in the table below. Non-executive Directors are not entitled to any benefits, pension or pension equivalents, or awards under any of the equity plans. All Non-executive Directors have a service contract with a three-months' notice period and an initial three-year term from appointment, subject to annual re-election at the AGM, as detailed in the Policy. For 2021, the regular fees were paid at the following rate:

Annual fees (Quilter Board)	2021 fee
Chair	£375,000
Basic annual fee	£65,000
Additional fees:	
Senior Independent Director	£20,000
Chairs of Board Audit, Risk, Remuneration and Technology and Operations Committee	£25,000
Members of the above Committees	£10,500
Members of the Board Corporate Governance and Nominations Committee	£5,500
Fees (Subsidiary Boards):	
Chair of Subsidiary Boards	£80,000
Board Member of Quilter Financial Planning ("QFP"), Quilter Investors ("QI"), Quilter Cheviot ("QC")	£45,000
Board Member of Quilter International ("International")	£35,000
Members of the Subsidiary Board Committees	£5,000

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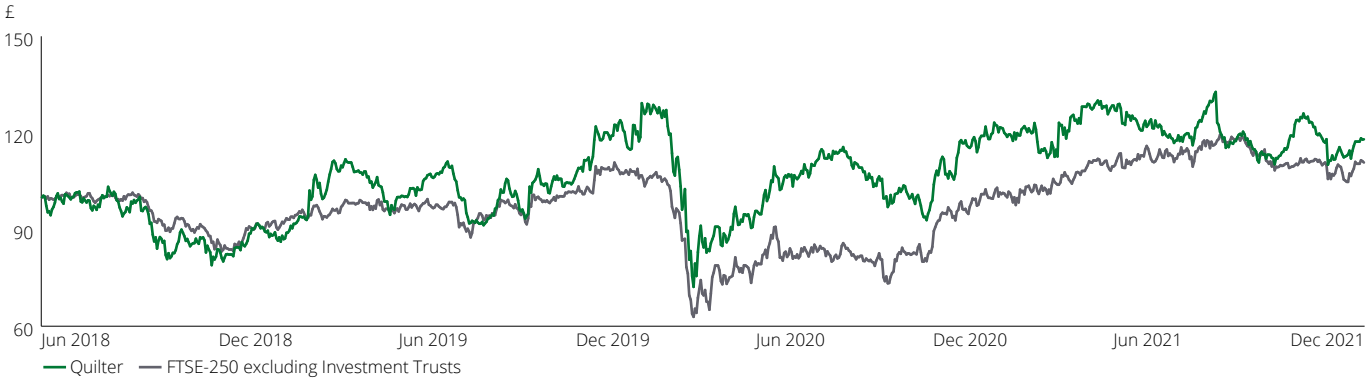
Non-executive Director	Board and Committee membership	Subsidiary Board and Committee membership	Fees for 2021 £'000	Subsidiary Board fees £'000	Total for 2021 £'000	Fees for 2020 £'000	Subsidiary Board fees £'000	Total for 2020 £'000
Glyn Jones	Board (C), CGN (C), R		375.0	–	375.0	375.0	–	375.0
Rosie Harris	BAC, BRC (C), BTOC	QC Board and GARC member	111.0	50.0	161.0	111.0	50.0	161.0
Moira Kilcoyne	BRC, BTOC (C)		100.5	–	100.5	100.5	–	100.5
George Reid	BAC (C), BRC, BTOC	QIP[1] Chair	111.0	80.0	191.0	111.0	81.7	192.7
Ruth Markland[2]	SID, BAC, CGN, R (C)	International Board member	126.0	32.1	158.1	120.7	35.0	155.7
Paul Matthews[3]	BRC, R, WED	QFP Board and GARC member	86.0	71.5	157.5	82.1	50.4	132.5
Tim Breedon	CGN, BRC, R	QI Chair	91.5	80.0	171.5	53.3	23.8	77.1
Tazim Essani[4]	BAC, R		64.8	–	64.8	–	–	–
Chris Samuel[5]	BRC, BTOC	QFP Chair	43.0	136.5	179.5	–	87.5	87.5

Board Committee key:

Board = Board
BAC = Board Audit Committee
R = Board Remuneration Committee
BRC = Board Risk Committee
(C) = Chair
SID = Senior Independent Director
BTOC = Board Technology and Operations Committee
CGN = Board Corporate Governance and Nominations Committee
WED = Workforce Engagement Director
GARC = Governance, Audit and Risk Committee

[1]Quilter Investment Platform ("QIP") business area.
[2]Ruth Markland resigned from the Quilter International Board with effect from 30 November 2021.
[3]Paul Matthews is in receipt of a temporary uplift in his Quilter Financial Planning Limited fees with effect from 1 January 2021, which reflects the additional time commitment currently required in the business area.
[4]Tazim Essani was appointed to the Remuneration Committee with effect from 9 March 2021 and the Audit Committee with effect from 1 September 2021.
[5]Chris Samuel was appointed as Chair of Quilter Financial Planning Limited with effect from 8 April 2020. Chris was appointed to the Board with effect from 1 July 2021. He is in receipt of a temporary uplift in his Quilter Financial Planning Limited fees with effect from 1 January 2021, which reflects the additional time commitment currently required in the business area.

TSR performance graphic over the period since Admission



The graph above shows the Company's TSR performance versus the FTSE-250 excluding Investment Trusts over the period ended 31 December 2021. The FTSE-250 has been chosen as the Company is a member of that index.

Group Chief Executive Officer pay

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

Financial year	Name	Total remuneration £'000	Annual bonus as % of maximum	LTIP vesting as % of maximum
2021	Paul Feeney	2,519.3	66%	56.5%
2020	Paul Feeney	1,487.3	0%	48.7%
2019	Paul Feeney	1,896.3	79%	n/a
2018	Paul Feeney	2,778.9	93%	n/a

Percentage change in Directors' remuneration compared to the average employee

The table below sets out the percentage change in salary or fee and STI between the Executive Directors and average employee from 2020 to 2021. The annual change in salary is based on the salary of permanent UK employees as at 31 December 2020 and 31 December 2021, and the annual change in STI excludes employees that are not eligible for bonus.

The annual increase of the Executive Directors' STI is inflated following their recommendation to waive their 2020 STI outcomes due to the wider impact of COVID-19 on the business and employees. The annual increase in the average employee salary reflects a change to the overall profile of the workforce following the launch of the new UK Platform, with fewer, relatively lower paid operational roles required than in the past. This has led to an increase in average salary per employee in 2021.

As Executive Directors' benefits are aligned to other UK employees, the analysis of movement in average benefits was not considered practical or meaningful and therefore not included in the below comparison. Further detail of Executive Directors' benefits can be found on page 132 of this Report.

		Executive Directors		Independent Non-executive Directors						
Remuneration outcome	Average employee	Chief Executive Officer	Chief Financial Officer	Glyn Jones	Ruth Markland	Rosie Harris	George Reid	Moira Kilcoyne	Paul Matthews	Tim Breedon
2021										
Salary/fees	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%
STI	78%	100%	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2020										
Salary/fees	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%
STI	(49%)	(100%)	(100%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Chief Executive Officer pay ratio

The table below sets out the ratio between the Chief Executive Officer's total remuneration and the median, 25th and 75th percentile of the total remuneration of full-time equivalent UK employees.

Total remuneration

		Pay ratio			All employees £		
Year	Method	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2021	Option A	74:1	49:1	27:1	33,963	51,399	93,358
2020	Option A	55:1	36:1	21:1	29,663	45,349	78,368
2019	Option B	62:1	39:1	27:1	30,478	48,486	69,114

Salary

		Pay ratio			All employees £		
Year	Method	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2021	Option A	27:1	18:1	11:1	25,000	37,600	63,325
2020	Option A	28:1	19:1	11:1	24,000	36,350	61,000
2019	Option B	28:1	18:1	14:1	24,333	37,001	48,667

Total remuneration includes salary, benefits, pension, short-term incentives and any value vested from long-term incentives during the year. As some 2021 STI amounts across the wider workforce are subject to change until after the publication of this report, the total remuneration may not be exact. However, any STI changes are expected to be minimal and it is unlikely the pay ratios will change significantly once the STI amounts are determined. The 2020 total remuneration ratios above have been updated to reflect the actual STI and LTI amounts paid. Our Chief Executive Officer has a higher proportion of variable pay in total remuneration, which is the main factor driving the difference in the ratios between salary and total remuneration.

From the three options disclosed in the regulations regarding the methodology to identify the employees at median, 25th and 75th percentiles for comparison between those and the Chief Executive Officer, we recognise that the most precise method, and therefore often referred to as the preferred method, is Option A, which calculates the single figure for each UK employee. We have adopted Option A from 2020 and intend to continue reporting under this method in future years.

The year-on-year salary variances at each quartile reflect the reduction and change in profile of our workforce following the launch of our new platform in early 2021 and the sale of Quilter Life Assurance at the end of 2019, in addition to the adoption of Option A methodology from 2020. The year-on-year total remuneration variances are largely due to the recommendation of the Chief Executive Officer to receive zero STI for 2020 due to the impact of the COVID-19 pandemic on the business and its employees in 2020.

Gender pay gap

The Company reported a median gender pay gap of 29% and a median bonus gap of 53% for 2021. The results reflect the under-representation of women in senior roles, which we recognise is a systemic issue facing the wealth management industry and will require ongoing, multi-year efforts to resolve. Further details regarding our gender pay gap figures can be found on pages 46 to 47 of the Responsible Business report.

Relative importance of spend on pay

The following table sets out the profit, dividends and overall spend on pay in the years ended 31 December 2021 and 31 December 2020:

	2021	2020	% Change
Adjusted profit before tax[1] (£m)	138	108	28%
Dividends[2] (£m)	90	78	15%
Employee remuneration costs[1,3] (£m)	290	250	16%

[1]On a continuing business basis and therefore excludes Quilter International. Including Quilter International, adjusted profit before tax is £188 million in 2021 and £168 million in 2020, and employee remuneration costs are £329 million in 2021 and £291 million in 2020. Adjusted profit before tax is included in the above table as the Company considers it an important Key Performance Indicator.
[2]In 2020, the Company paid an Interim Dividend of 1.0 pence and a Final Dividend of 3.6 pence. For the 2021 financial year, the Company paid an Interim Dividend of 1.7 pence and recommend a Final Dividend of 3.9 pence.
[3]Employee remuneration costs represent the underlying employee costs within the adjusted profit view for Quilter, excluding the impact of one-off items.

Executive Directors' shareholding and interests in Quilter share plans

The table below shows the Executive Directors' interests in Company share plans which will vest in future years subject to performance and/or continued service at 31 December 2021 together with any additional interests in shares held beneficially by the Executive Directors outside of Group share schemes. The share price at 31 December 2021 was £1.4850.

During the period 31 December 2021 to 9 March 2022, there were no exercises or dealings in the Company's share awards by the Directors.

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	Scheme interests at 31 December 2021				
Performance condition	Legally owned (shares)	Subject to SIP (shares)	Subject to SAYE (options)	Deferred STI and other awards not subject to performance conditions (shares)	Subject to performance conditions under the LTIP (shares)
Paul Feeney	1,170,414	793	24,000	472,282	3,066,186
Mark Satchel	694,718	1,586	14,400	300,137	2,044,124

Executive Directors' shareholding requirements

In line with the Policy, each Executive Director is required to acquire and maintain a shareholding equivalent to 300% of base salary (including shares beneficially held by the individual or his/her spouse), the net of tax value of unvested share interests within Company share plans which are not subject to performance conditions and 25% of the value of beneficially held shares purchased by the individual or his/her spouse since the post-cessation shareholding policy came into effect.

As at 31 December 2021, Mark Satchel does not satisfy the minimum shareholding requirement but has up to five years from the date of his appointment (13 March 2024) to achieve the minimum.

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Name	Value[1] £'000	Multiple of base salary
Paul Feeney	2,093.5	310%
Mark Satchel	1,259.8	280%

[1]Includes the estimated net value of unvested share awards which are not subject to performance conditions. The calculation is based on the average share price of the final three-month period ended 31 December 2021 of £1.4728. The actual value will be based on the share price when the awards vest.

Directors' personal holding and beneficial share interests

As at 31 December 2020 and 31 December 2021, the Executive and Non-executive Directors held the following legal and beneficial interests in ordinary shares:

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Name	31 December 2021	31 December 2020
Paul Feeney	1,171,207	650,340
Mark Satchel	696,304	655,392
Glyn Jones	800,000	800,000
Rosie Harris	17,241	17,241
Moira Kilcoyne	34,482	34,482
George Reid	20,689	20,689
Ruth Markland	20,689	20,689
Paul Matthews	30,000	30,000
Tazim Essani	–	–
Tim Breedon	–	–
Chris Samuel	20,000	–

During the period 31 December 2021 to 9 March 2022, there were no other changes to the interests in shares held by the Directors as set out in the table above.

Payments within the year to past Directors
During 2021, there were no payments made to any past Directors.

Payment for loss of office
During 2021, there were no payments made to any Directors for loss of office.

External directorships
The table below sets out external directorships held by the Executive Directors.

Executive Directors	External directorships held	Fees received and retained
Paul Feeney	None	–
Mark Satchel	None	–

External advisers
On 19 April 2021, Deloitte were appointed as our new independent remuneration advisers following a thorough RFP process.

On 31 March 2021, Alvarez & Marsal ("A&M") were stood down as the Committee's independent remuneration adviser.

During 2021, Deloitte provided advice covering the redesign of the evolved Policy, and both firms provided advice covering annual remuneration report and policy disclosures, market practice and incentive design. Deloitte also support the Group with risk advisory, tax compliance and consulting services, whilst A&M have no other connection with the Company. As part of the procurement and contracting process, appropriate safeguards were put in place to ensure no conflict of interest arises.

The Committee is satisfied that the advice received from both Deloitte and A&M is objective and independent, and the firms are a member of the Remuneration Consultants Group, whose voluntary code of conduct is designed to ensure objective and independent advice is given to Committees. The total fees paid in respect of remuneration advice during 2021 are as follows:

Name	Key areas of advice received	Total fees 2021
Alvarez Marsal	Annual remuneration Report and Policy disclosure, market practice, incentive design	£30,192
Deloitte	Policy review, application, disclosures, governance and market practice	£60,375

Statement of shareholder voting
During the Company's AGM in May 2021, a resolution to approve the Directors' Remuneration Report was moved and the votes from shareholders cast For was 97%, and 3% Against. Total votes Withheld were 31,260,900, which is 1.79% of issued share capital.

A resolution to approve the previous Directors' Remuneration Policy was moved during the Company's first AGM in May 2019; the votes from shareholders cast For was 97%, and 3% Against. Total votes Withheld were 7,803,013, which is 0.41% of issued share capital. The next resolution to approve the new Policy, which is detailed within this Report, will be in May 2022.

The Company did not receive a significant percentage of votes Against the resolutions at the 2021 AGM or prior years.

Directors' Report

The Directors present their report for the financial year ended 31 December 2021

Cautionary statement

This Annual Report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

Corporate governance statement

The information that fulfils the requirements of the corporate governance statement for the purposes of the FCA's Disclosure Guidance and Transparency Rules ("DTRs") can be found in the governance section of the Annual Report on pages 76 to 145 (all of which forms part of this Directors' Report) and in this Directors' Report.

Information included in the Strategic Report

The Company's Strategic Report is on pages 1 to 75 and includes the following information that would otherwise be required to be disclosed in this Directors' Report:

Subject matter	Page reference
Likely future developments in the business	19
Engagement with employees	45 to 47
Engagement with suppliers, customers and others	42 to 53
Employment of disabled persons	46
Greenhouse gas emissions, energy consumption and energy efficiency action	48 and 49
Financial risks	69

Information to be disclosed under Listing Rule 9.8.4R

Subject matter	Page reference
Details of long-term incentive schemes	112 to 145
Director waivers of emoluments	114
Shareholder waivers of dividends	146
Shareholder waivers of future dividends	146

Financial instruments and risk management

The information relating to financial instruments and financial risk management objectives and policies can be found on pages 172 to 174, 200 and 201, and 227 to 234.

Branches

During 2021, in addition to its offices in the UK, the Group has operated branches in Ireland, Jersey, Hong Kong, Singapore and the United Arab Emirates.

Profit and dividends

Statutory profit after tax from continuing operations for 2021 was £23 million (2020: £13 million).

The Directors have recommended a final dividend for the financial year ended 31 December 2021 of 3.9 pence per Ordinary Share which will be paid out of distributable reserves, subject to approval by shareholders at the 2022 Annual General Meeting. Further information regarding the dividend, including key dates, can be found at plc.quilter.com/dividends. On 11 August 2021 the Board declared an interim dividend of 1.7 pence per Ordinary Share. The interim dividend was paid on 20 September 2021 to shareholders on the UK and South African share registers on 3 September 2021.

Shares are held in the Quilter Employee Benefit Trust ("EBT") and the Equiniti Share Plans Trust ("ESPT") in connection with the operation of the Company's share plans. Dividend waivers are in place for those shares that have not been allocated to employees.

Directors

The names of the current Directors of the Company, along with their biographical details, are set out on pages 82 to 84 and are incorporated into this report by reference. Changes to Directors during the year are set out below:

Name	Role	Effective date of appointment
Tazim Essani	Non-executive Director	9 March 2021
Chris Samuel	Non-executive Director	1 July 2021

Details of the Directors' interests in the share capital of the Company are set out in the Annual Report on Remuneration on page 144.

The powers given to the Directors are contained in the Company's Articles of Association and are subject to relevant legislation and, in certain circumstances, including in relation to the issuing or buying back by the Company of its shares, subject to authority being given to the Directors by shareholders in general meeting. The Articles of Association also govern the appointment and replacement of Directors. The Board has the power to appoint additional Directors or to fill a casual vacancy amongst Directors. Any such Director only holds office until the next AGM and may offer themselves for election.

Articles of Association

The Articles of Association may be amended in accordance with the provisions of the Companies Act 2006 by way of a special resolution of the Company's shareholders. The information below sets out the provisions in the Articles of Association in force as at the date of this report.

Share capital and control

The Company has Ordinary Shares in issue, representing 100% of the total issued share capital as at 31 December 2021 and as at 4 March 2022 (the latest practicable date for inclusion in this report). Details regarding changes in the Company's share capital can be found in note 25 of the financial statements on page 211. The rights attaching to the shares are set out in the Articles of Association and are summarised below.

Voting rights of members

On a show of hands, every member or authorised corporate representative present has one vote and every proxy present has one vote except if the proxy has been duly appointed by more than one member and has been instructed by (or exercises his discretion given by) one or more of those members to vote for the resolution and has been instructed by (or exercises his discretion given by) one or more other of those members to vote against it, in which case a proxy has one vote for and one vote against the resolution. On a poll, every member present in person or by proxy has one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

Unless the Board decides otherwise, a member shall not be entitled to vote, either in person or by proxy, at any general meeting of the Company in respect of any share held by him unless all calls and other sums presently payable by him in respect of that share have been paid.

Transfers

Save as described below, the Ordinary Shares are freely transferable.

A member may transfer all or any of his shares in any manner which is permitted by any applicable statutory provision and is from time to time approved by the Board. The Company shall maintain a record of uncertificated shares in accordance with the relevant statutory provisions.

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in such other form as the Board may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register any instrument of transfer of any certificated share which is not fully paid up (but not so as to prevent dealings in listed shares from taking place on an open and proper basis) or on which the Company has a lien. The Board may also refuse to register any instrument of transfer of a certificated share unless it is left at the registered office, or such other place as the Board may decide, for registration, accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove title of the intending transferor or his right to transfer shares; and it is in respect of only one class of shares. If the Board refuses to register a transfer of a certificated share it shall, as soon as practicable and in any event within two months after the date on which the instrument was lodged, give to the transferee notice of the refusal together with its reasons for refusal. The Board must provide the transferee with such further information about the reasons for the refusal as the transferee may reasonably request. Unless otherwise agreed by the Board in any particular case, the maximum number of persons who may be entered on the register as joint holders of a share is four.

Variation of rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class.

Exercisability of rights under an employee share scheme

An EBT operates in connection with certain of the Group's employee share plans ("Plans"). The Trustee of the EBT may exercise all rights attaching to the shares in accordance with their fiduciary duties other than as specifically restricted in the relevant Plan governing documents. The Trustee of the EBT has informed the Company that their normal policy is to abstain from voting in respect of the Quilter shares held in trust. The Trustee of the Quilter Share Incentive Plan ("SIP") will vote as directed by SIP participants in respect of the allocated shares but the Trustee will not otherwise vote in respect of the unallocated shares held in the SIP Trust.

Purchase of own shares

Throughout 2021, Quilter has continued to conduct the £375 million share buyback programme (the "Buyback"), first announced on 11 March 2020 to distribute to shareholders the net surplus proceeds arising from the sale of Quilter Life Assurance. At the AGMs held in May 2020 and May 2021, shareholders passed resolutions to authorise the Company to purchase up to 10% of the Company's issued Ordinary Share capital in the 12-month period following each AGM.

Conduct of the Buyback

Year	Number of Ordinary Shares purchased	Total consideration paid	Average price paid per share	Percentage of the issued share capital[1]
2020	118,282,047	£152,963,992	£1.2932	6.22%
2021	128,141,834	£195,593,129	£1.5264	7.18%
2022	17,704,132	£26,437,862	£1.4933	0.99%

[1]Calculated based on the total number of shares in issue at the beginning of each financial year.

Shares bought back on the JSE were purchased pursuant to contingent purchase contracts with each of (a) J.P. Morgan Equities South Africa Proprietary Limited and (b) Goldman Sachs International, which were approved by shareholders at the 2020 and 2021 AGMs. The contracts enable the Company to buy back its shares on the JSE in similar fashion and subject to the same overall limits as on-market purchases on the LSE. The shares acquired under the Buyback were cancelled upon acquisition.

The Buyback completed on 27 January 2022, with £375 million returned to shareholders. Further information on the Buyback can be found on page 211.

Return of capital relating to the sale of Quilter International

As announced on Wednesday 9 March 2022, Quilter intends to return £328m of the net proceeds of the sale of Quilter International as a return of capital through a B share scheme accompanied by a share consolidation, whilst retaining £90m to fund planned Business Simplification. Full details of the B share scheme and share consolidation will be provided in the Circular and Notice of General Meeting that will be posted to shareholders on or around Wednesday 6 April 2022. The General Meeting to seek shareholder approval for the B share scheme and share consolidation will be held at the conclusion of the AGM on Thursday 12 May 2022.

Significant agreements (change of control)

All the Company's share plans contain provisions relating to a change of control. In the event of a change of control, outstanding awards and options may be lapsed and replaced with equivalent awards over shares in the new company, subject to the Board Remuneration Committee's discretion. Alternatively, outstanding awards and options may vest and become exercisable on a change of control subject, where appropriate, to the assessment of performance at that time and pro-rating of awards.

Short-term incentive ("STI") awards may continue to be paid in respect of the full financial year pre and post change of control, or a pro-rated STI award may be paid in respect of the portion of the year that has elapsed at the point of change of control. Exceptionally, the Board Remuneration Committee may exercise its discretion to waive pro-rating.

On a change of control, including following a takeover bid, the Company is required to enter into negotiations in good faith with the lenders under the Group's Revolving Credit Facility in respect of any changes to its terms. If after such negotiations no agreement has been reached, the Revolving Credit Facility would be cancelled and existing drawdowns would become repayable.

The Group is also party to a number of supplier agreements that may be terminated upon a change of control of the Company, including following a takeover bid. In many cases, whether this may apply depends on the identity or characteristics of the new controller. This may result in the provision of certain services and software licences being terminated early.

Directors' indemnities

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2021 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers and office. In addition, the Company maintains Directors' and Officers' Liability Insurance which gives appropriate cover for legal action brought against its Directors.

Major shareholders

As at 31 December 2021, the Company had been notified, in accordance with Rule 5 of the FCA's DTRs, of the following holdings of voting rights in its Ordinary Share capital:

Name of shareholder	Number of voting rights attaching to Quilter shares	% interest in voting rights attaching to Quilter shares[1]	Nature of holding notified
Coronation Asset Management (Pty) Ltd	249,195,745	15.02%	Direct
Equiniti Trust (Jersey) Limited[2]	69,283,197	3.91%	Direct
Public Investment Corporation of the Republic of South Africa	211,940,550	12.73%	Direct

[1]The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the FCA's DTRs.
[2]These shares are held by Equiniti Trust (Jersey) Limited in its capacity as trustee of the Quilter Employee Benefit Trust.

As at 4 March 2022, the latest practicable date for inclusion in this report, the following voting rights had been notified, in accordance with Rule 5 of the FCA's DTRs:

Name of shareholder	Number of voting rights attaching to Quilter shares	% interest in voting rights attaching to Quilter shares[1]	Nature of holding notified
Coronation Asset Management (Pty) Ltd	245,647,533	14.99%	Direct
Equiniti Trust (Jersey) Limited[2]	69,283,197	3.91%	Direct
Ninety One UK Ltd	82,416,634	5.01%	Indirect
Public Investment Corporation of the Republic of South Africa	216,870,050	13.19%	Direct

[1]The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the FCA's DTRs.
[2]These shares are held by Equiniti Trust (Jersey) Limited in its capacity as trustee of the Quilter Employee Benefit Trust.

Information provided to the Company by major shareholders pursuant to the FCA's DTRs is published via a Regulatory Information Service and is available at plc.quilter.com/investor-relations.

Donations

Quilter does not make monetary donations or gifts in kind to political parties, elected officials or election candidates. Accordingly, no such donations were made in 2021. However, the Directors are seeking to renew the Company's and its subsidiaries' authority to make political donations not exceeding £50,000 in aggregate at the 2022 AGM. This is for the purposes of ensuring that neither the Company nor its subsidiaries inadvertently breach Part 14 of the Companies Act 2006 by virtue of the relevant definitions being widely drafted. Further information is available in the 2022 Notice of AGM.

Directors' responsibility statements

The Directors are responsible for preparing the Annual Report and the Parent Company and consolidated financial statements in accordance with applicable law and regulations.

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's position and performance, business model and strategy.

Each of the Directors in office as at the date of this report, whose names are listed on pages 82 to 84, confirms that, to the best of his or her knowledge:

- the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards as endorsed by the United Kingdom, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

For further information on the comprehensive process followed by the Board in order to reach these conclusions please refer to the Board Audit Committee report on pages 96 to 101.

Disclosure of information to Auditors

Each person who is a Director of the Company as at the date of approval of this report confirms that:

a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
b) the Director has taken all the steps that he or she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Independent Auditors

The Directors are recommending the reappointment of PricewaterhouseCoopers LLP as the Company's statutory auditors at the 2022 AGM.

AGM

The 2022 AGM of Quilter plc will be held at Senator House, 85 Queen Victoria Street, London EC4V 4AB on Thursday 12 May 2022 at 11:00am (UK time). Details of the business to be transacted at the 2022 AGM, along with details of how you can ask questions and join the meeting, are included in the Quilter plc 2022 Notice of AGM which can be found on our GM Hub at plc.quilter.com/gm. In light of the ongoing risk to public health posed by COVID-19, we will continue to do all we can to take responsible precautions to help protect the wellbeing of each other. We will monitor the UK Government guidelines and update our GM Hub if the guidance changes.

By order of the Board

Patrick Gonsalves
Company Secretary
9 March 2022

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Statement of Directors' responsibilities

in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law, the Directors have prepared the Group and Parent Company financial statements in accordance with UK-adopted international accounting standards. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards as adopted by the United Kingdom.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether, for the Group and Company, applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report and financial statements

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board

Paul Feeney
Chief Executive Officer
9 March 2022

Mark Satchel
Chief Financial Officer

Independent auditors' report to the members of Quilter plc

Report on the audit of the financial statements

pwc

Opinion

In our opinion, Quilter plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated statement of financial position and Company statement of financial position as at 31 December 2021; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the Company statement of cash flows and the Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Board Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 10, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

We were appointed as auditors by the Directors on 19 May 2020, therefore this is our second year of involvement. In planning for our audit of the Quilter plc Group ("the Group") for the current year, we met with the Board Audit Committee and members of management across the business, to discuss and understand significant changes during the year, and to understand their perspectives on associated business risks. We used this insight, in addition to our experience from the previous year's audit approach, when forming our views regarding the business updates, as part of developing our audit plan and when scoping and performing our audit procedures. Due to the sale of Quilter International in the current year, we considered the presentation and disclosure of the sale of Quilter International to be a significant risk and therefore this has been included as a key audit matter for the current year.

Overview

Audit scope

- At 31 December 2021, the Group comprised two operating segments together with head office activities, each of which contain several reporting components. We conducted audit testing over eleven components in total, which we selected based on their financial significance to the consolidated results.
- Six components were subject to an audit of their complete financial information (including one component within the disposed of Quilter International business unit).
- Specific audit procedures were also performed on certain balances and transactions in respect of a further five components.
- Taken together, the procedures we performed over the five continuing significant components provided us with coverage of over 79% of total revenue and 93% of adjusted profit.
- We have also considered the potential impact of climate change related factors in our audit, including challenging management on its assessment of how climate change related risks and opportunities impact the financial statements.

Key audit matters

- Sale of Quilter International (Group)
- Compensation provisions (Group)
- Goodwill impairment assessment (Group)
- Impairment assessment of investments in subsidiaries (Parent)

Materiality

- Overall Group materiality: £6,769,500 (2020: £7,918,000) based on 1% of total revenue excluding investment return (2020: based on 5% of adjusted profit before tax from continuing operations).
- Overall Company materiality: £32,490,000 (2020: £31,000,000) based on 1% of total assets.
- Performance materiality: £5,077,000 (2020: £5,938,500) (Group) and £24,367,500 (2020: £23,250,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The sale of Quilter International is a new key audit matter this year. The impact of COVID-19 and the valuation of Level 3 assets, which were key audit matters last year, are no longer included because of the effects and related impact of COVID-19 measures now being considered as part of the business as usual operations of the Group, and the value of Level 3 assets is immaterial in the current year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Sale of Quilter International (Group) Refer to page 98 of the Board Audit Committee Report and note 6 to the Group financial statements.	We have reviewed all relevant disclosures within the financial statements to ensure they are consistent with testing performed and are in line with the requirements of IFRS 5.
The sale of Quilter International is a significant one-off transaction for the business with a number of related disclosure requirements. These disclosures contain judgemental areas, namely:	We have tested the costs of disposal included within the calculation of profit on disposal to confirm that these are directly related to the process of selling the business. We have also reviewed the methodology used to allocate the appropriate amount of goodwill to the disposed business, which is included within the profit on disposal calculation, and found this to be reasonable.
– the presentation of the direct costs relating to the sale;	Separately we have tested the costs recognised within discontinued operations in relation to provisions for future costs associated with the sale. We have confirmed that, whilst these costs remain in the Group, it is correct to recognise them within the result from discontinued operations as they are a direct impact of the disposal. Our testing included agreeing the estimated future costs to supporting documentation (such as contractual agreements) as well as ensuring the Group is committed to these costs at the balance sheet date, in accordance with the requirements of IAS 37.
– the appropriateness of the inclusion of certain provisions related to the sale within the results from discontinued operations; and	We have reviewed managements methodology for calculating the stranded centrally incurred costs in the prior and current years to be included within the continuing operations. We have agreed that any costs that are not being treated as stranded have transferred to the purchaser on sale of the business, and are therefore appropriate to include within discontinued operations.
– the sale of Quilter International results in stranded costs within the Group. There is judgement used in determining the calculation of such costs that are shown within the continuing operations in both the current and prior years.	Finally, we have read the statements made in the annual report in relation to the sale and we have confirmed that these are consistent with the disclosures presented within the financial statements, and our knowledge of the transaction gained throughout the audit.
Although the overall profit on disposal appears within one line of the income statement, we have focussed on confirming the presentation of these judgemental areas within the disclosure notes.	

Key audit matter	How our audit addressed the key audit matter
Compensation provisions (Group) Refer to page 98 of the Board Audit Committee Report and Note 28 of the financial statements.	We have assessed and challenged the Group's methodology and the assumptions applied in arriving at the provisions. The Group's provision is based on calculations and judgements provided by their expert (for the purposes of the Lighthouse provisions, this is also the S.166 skilled person). We assessed the competence and objectivity of management's expert.
The Group held a number of provisions totalling £93 million at 31 December 2021 (2020: £77 million), including £41 million (2020: £42 million) relating to customer redress. The most significant redress provision related to unsuitable advice provided by Lighthouse to British Steel Pension Scheme members who transferred from that scheme to a Defined Contribution scheme.	In demonstrating professional scepticism we obtained information from and had discussions directly with management's expert, utilised our internal experts to review the work performed by management's expert on a sample basis and checked the accuracy of the calculations provided by management with the data obtained directly from their expert.
Additional provisions have also been recognised for other instances of potentially unsuitable advice in relation to Defined Benefit to Defined Contribution pension scheme transfers.	In relation to the provision for Lighthouse British Steel Pension Scheme transfers, we checked the provision recognised to formal offer letters made by the skilled person on a sample basis, as well as testing a sample of payments made by the year end. This reflected the majority of this provision. For the remaining customers, we reviewed management's estimate of provision which was based on the application of redress to transfer value assumptions as evidenced through the formal offer letters made. Where instances of nil redress were noted as customers had opted out or did not respond, we inspected underlying evidence to support this position.
Judgement is required to be applied in considering whether or not a provision should be recognised in the context of IAS 37 as well as determining the estimate of redress as differing levels of customer information may be available at the balance sheet date.	For other provisions, where specific individual calculations of redress were available, we checked that the amount recognised was consistent with that communicated by management's expert and on a sample basis reviewed the application of methodology through our internal expert review. Where individual calculations were not available, we assessed the suitability of the redress to transfer value assumptions applied by management in valuing the provisions in the context of their relative accuracy in previous estimations. We also tested the transfer values to supporting evidence.
Where detailed information is available key assumptions impacting the estimates include the actuarial valuations of defined benefit obligations and an estimation of the current value of assets held by customers. Where such detailed information is not available to perform specific calculations, judgement is required in estimating provisions by developing an expectation of redress through analysis of recent experience.	We read management's disclosure in relation to this provision in the context of the requirements of IAS 37 and considered the suitability of the sensitivities disclosed. In relation to the completeness of defined benefit to defined contribution redress provisions: – We considered management's accounting policy and recognition criteria in the context of the requirements of IAS 37; – Reviewed the listing of complaints as at year end for any evidence of material omissions of similar cases; – Read the output of internal reviews over suitability performed by management; – Read any relevant correspondence with regulators in relation to unsuitable advice for DB to DC transfers; and – Discussed with management where cases of potentially unsuitable advice for DB to DC schemes had been internally identified and considered whether a provision should be recognised in the context of IAS 37 and our materiality. Management's expert will be calculating the actual redress payable to individual customers on a case by case basis. Therefore the final redress payable may be materially different to the amount recognised as at 31 December 2021 as a result of market movements as well as due to accessing more up to date information which may not be available at the balance sheet date. We are satisfied that the methodology applied by management in the context of IAS 37 in estimating redress provisions did not result in a material misstatement.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment (Group) Refer to page 98 of the Board Audit Committee Report and note 14 to the Group financial statements.	We checked that the cash flow forecasts used by management in the assessment of goodwill impairment were consistent with the approved three year business plan. We evaluated the historical accuracy of the cash flow forecasts, including a comparison of the current year actual results with the full year 2021 figures included in the prior year forecast. For certain key assumptions which underpinned the forecast performance, such as growth of assets under management in the business plan period, we corroborated these against external market data where available. We challenged management on the inclusion of certain cash flows where these looked to include future enhancements (such as revenues from new products) or future restructuring activity. We found that the forecasts have been completed on a basis consistent with prior years, except for the insurance entity, and were an appropriate basis upon which management could base their conclusions. For the remaining insurance entity in the Group, following the disposal of Quilter International, the basis of the cash flow forecast was changed from a Solvency II own funds basis to a cash flow model that is consistent with the remaining Group. We have reviewed this change in methodology and confirmed this is in line with the requirements of IAS 36. In addition we have confirmed that this does not result in a materially different result from if the prior year methodology were to be used. Neither method would result in a potential impairment and therefore we concluded that there was no management bias associated with this change.
The goodwill balance of £306 million (2020: £356 million) is subject to an annual impairment review. No impairment charge has been recorded by management against the goodwill balance in the current year. The £50 million reduction in goodwill from prior year relates to the sale of Quilter International.	We considered the appropriateness of performing the impairment assessment at the operating segment level. This included consideration of how the financial information of the business is presented to the Chief Operating Decision Maker. This was re-assessed in 2021 due to the introduction of the new operating segments. We determined that the performance of the impairment review on an operating segment level remains appropriate.
Judgement is used to determine the appropriate level at which to perform the impairment assessment. Management analyses discounted cash flows at the operating segment level to calculate the value in use for each operating segment as opposed to an individual cash generating unit ("CGU"). In addition, the operating segments have changed during the year and there is an element of judgement involved in determining the allocation of the existing goodwill between the new segments.	We engaged our internal valuation specialists to independently calculate a reasonable range for both the discount rate and long term growth rate assumptions used within the value in use calculations. We found the discount rate assumption to be more conservative than our expected range, while the long term growth rate was slightly above our expected amount. However, sensitivity analyses and reperformance of the calculation using our independent assumptions confirms that no impairment would be required.
In the prior year the value in use for unit-linked insurance components of the Group was determined by reference to the Solvency II regulatory own funds position. Given the reduced number of life insurance undertakings in the Group following the sale of Quilter International, management has used consistent value in use methodology across all components within the Group in the current year impairment assessment. All value in use calculations are now performed by reference to the cash flows from the Board approved business plan. This has not been determined to be a significant audit risk due to the large amount of headroom available in the model. However, this has been an area of audit focus due to the inherent subjectivity in the assumptions used within the model, as well as the changes that have occurred within the calculation compared to the prior year.	We obtained and understood management's sensitivity calculations over the impairment assessment, as well as performing further sensitivity scenarios ourselves. We determined that the impairment assessment was not highly sensitive to any of the key assumptions, being the discount rate and the forecast growth (including the long term growth rate) of cash flows. For each operating segment we calculated the degree to which these assumptions would need to move before an impairment was triggered. We discussed the likelihood of such a movement with management and agreed with their conclusion that there was no reasonable possible change that would give rise to an impairment.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in subsidiaries (Parent) Refer to note 4 to the Parent Company financial statements.	The impairment assessment leveraged management's calculations for the Group goodwill impairment assessment referred to above. The key judgement used by management in their impairment assessment is the underlying assumption that the Company's investments in Quilter Holdings Limited and Quilter Investors represents the lowest level at which largely independent cash inflows are generated. This assumption allows headroom to be transferred between subsidiary entities.
The Company holds investments in subsidiaries of £2,130 million (2020: £2,254 million). Whilst these eliminate on consolidation in the Group financial statements, they are recorded in the Company financial statements.	We challenged management over this assumption on the basis that the business plan is prepared at a more disaggregated level and requested management to provide us with further analyses to demonstrate the significant degree of integration between the businesses included in their defined cash generating unit. Given the changes in the operating segments to High Net Worth and Affluent we have reassessed this judgement in the current year and found that the cash flows between the subsidiary groups remain interrelated. We have corroborated the explanations we received through discussion with the relevant component audit teams and review of historic relevant correspondence with the regulator identifying some of the interdependencies.
Management performed an impairment assessment, utilising consistent methodology to that described in the impairment of goodwill key audit matter above, and concluded that an impairment of £124 million was required.	For non-trading subsidiaries the fair value less costs to sell is deemed by management to be represented by their net asset position. Due to the net asset position of one such component decreasing within the year an impairment charge has been recognised accordingly. We have agreed the accuracy of this calculation and corroborated the net asset position to the year-end trial balance.
We have determined the impairment assessment over the investments in subsidiaries to be a significant risk in light of the identified impairment as well as the Group market capitalisation being lower than the Company equity value at the balance sheet date.	Overall, we are satisfied that there is sufficient evidence to support the basis of management's impairment assessment and therefore agree with the level of impairment that has been recognised.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Quilter plc has two operating segments which have changed from the prior year. The Group now consists of High Net Worth and Affluent operating segments together with head office activities. Within these segments there are several reporting units, of which six are considered financially significant due to their contribution to Group revenues, and were subject to an audit of their complete financial information. In addition, a further five reporting entities were in scope for specific audit procedures, as these components contributed either towards a significant risk area, or a significant proportion of certain financial statement line items. Together with the procedures performed at the Group level, including auditing the consolidation and financial statement disclosures, taxation, and goodwill impairment assessment, this gave us the evidence we needed for our opinion on the financial statements as a whole.

A significant proportion of the Group's trading is based in the UK resulting in the majority of the audit procedures being performed locally by the UK audit team. Of the eleven components we have performed audit procedures over, one of these components was based outside the UK, in the Isle of Man, and therefore we receive inter-firm reporting over the financial information of this component from PwC Isle of Man. Due to the sale of Quilter International during the current year (which accounts for the majority of the Group's non-UK trading) this reporting covers the 11 month period prior to sale, as well as the closing balance sheet as at the end of November 2021.

We applied materiality of £404,465,000 to the classification of unit-linked assets and liabilities in the consolidated statement of financial position, the related line items in the consolidated income statement and related notes, determined with reference to a benchmark of total assets, of which it represents 1%. This included the unit-linked financial statement line items within the Quilter International reporting component's income statement and closing balance sheet as at 30 November 2021. This materiality was applied solely for our work on matters for which a misstatement is likely only to lead to a reclassification between line items, in accordance with FRC Practice Note 20 The audit of Insurers in the United Kingdom.

The Group contains several regulated trading entities and is a regulated insurance Group itself. Some activities are outsourced to third party providers across the Group, such as investment and platform administration. In respect of the outsourced service providers we were able to gain appropriate audit evidence through a combination of evaluating the providers' published assurance reports on internal control and performing substantive procedures.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£6,769,500 (2020: £7,918,000).	£32,490,000 (2020: £31,000,000).
How we determined it	1% of total revenue excluding investment return (2020: based on 5% of adjusted profit before tax from continuing operations).	1% of total assets.
Rationale for benchmark applied	Based on the performance metrics used in the Annual Report, total revenue is considered to be one of the primary measures used by shareholders in assessing performance of the Group and is a generally accepted auditing benchmark. Using a revenue based materiality is a development from the 2020 audit where adjusted profit was used. This is due to a number of significant restructuring activities happening across the Group within the current year, such as the sale of Quilter International and the continued cost transformation programme. This has led to volatility in both adjusted profit and continuing profit before tax. In response to this volatility, we consider it appropriate to base our materiality on a benchmark referenced to continuing operations which constitutes a reflective measure of the size and scale of the Group.	A benchmark of total assets has been used as the Company's primary purpose is to act as a holding Company with investments in the Group's subsidiaries, not to generate operating profits and therefore a profit based measure was not considered appropriate.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £1,900,000 to £6,329,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £5,077,000 (2020: £5,938,500) for the Group financial statements and £24,367,500 (2020: £23,250,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £500,000 (Group audit) (2020: £500,000) and £1,624,500 (Company audit) (2020: £1,550,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained the Directors' updated going concern assessment and challenged the rationale for assumptions on growth of assets under management/administration and asset returns using our knowledge of Quilter's business performance and corroborating to external market evidence where available. Our assessment included reviewing management's stress testing and scenario analyses;
- Obtained management's estimated Solvency capital position and evaluated these for consistency of available information and against management's own target capital ratios. We found that the Group maintained internal targets for its Group Solvency Capital Requirement (SCR) ratio, and is forecast to remain compliant with all external regulatory capital requirements for the period covered by the going concern assessment; and
- Confirmed compliance with the debt covenants of the Groups' borrowings, and the forecast continued compliance for the duration of the period covered by the going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' remuneration

In our opinion, the part of the Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Board Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibility statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), and unsuitable or prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and Listing Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to either inflate revenue or reduce expenditure of the Group and the Company, and management bias in accounting estimates and judgemental areas of the financial statements, such as provisions. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with the Board, management, internal audit, management involved in the risk and compliance functions and the Group and Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Reviewing correspondence between the Group and the PRA and FCA in relation to compliance with laws and regulations.
- Assessment of matters reported on the Group's whistleblowing register including the quality and results of management's investigation of such matters.
- Reviewing Board minutes as well as relevant meeting minutes, including those of the Board Audit Committee, Board Remuneration Committee, the Board Technology and Operations Committee and the Board Risk Committee.
- Reviewing data regarding customer and policyholder complaints, the Group's and Company's register of litigation and claims, internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud.
- Challenging assumptions made by management in accounting estimates and judgements, in particular in relation to the impairment assessments of goodwill and investments in subsidiaries, and the valuation of the DB to DC compensation provisions described in the related key audit matters.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, such as a credit to revenue and a debit to the statement of financial position (other than to expected accounts), which may be indicative of the overstatement or manipulation of revenue.
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.
- Detailed testing over the classification of costs allocated to business transformation costs, which are considered as one-off and added back to calculate the adjusted profit measure, in order to identify any inappropriate classification which could be indicative of a material manipulation of the adjusted profit measure.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Annual Report on Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Board Audit Committee, we were appointed by the Directors on 19 May 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2020 to 31 December 2021.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Mark Pugh
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 March 2022

Consolidated income statement

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Income			
Fee income and other income from service activities[1]	9(a)	666	585
Investment return[1]	9(b)	4,002	2,856
Other income		18	20
Total income		**4,686**	**3,461**
Expenses			
Change in investment contract liabilities	27	(3,293)	(2,272)
Fee and commission expenses, and other acquisition costs[1]	10(a)	(61)	(52)
Change in third-party interest in consolidated funds[1]		(599)	(461)
Other operating and administrative expenses	10(b)	(636)	(651)
Finance costs	10(e)	(14)	(16)
Total expenses		**(4,603)**	**(3,452)**
Profit on sale of subsidiary	6(a)	2	–
Profit before tax from continuing operations		**85**	**9**
Tax expense attributable to policyholder returns	11(a)	(73)	(36)
Profit/(loss) before tax attributable to equity holders from continuing operations		**12**	**(27)**
Income tax (expense)/credit	11(a)	(62)	4
Less: tax expense attributable to policyholder returns		73	36
Tax credit attributable to equity holders		11	40
Profit after tax from continuing operations		**23**	**13**
Profit after tax from discontinued operations	6(b)	131	75
Profit after tax		**154**	**88**
Attributable to:			
Equity holders of Quilter plc		**154**	**88**
Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc			
Basic			
From continuing operations (pence)	12(b)	1.4	0.8
From discontinued operations (pence)	6(b)	8.0	4.2
Basic earnings per Ordinary Share (pence)	12(b)	**9.4**	**5.0**
Diluted			
From continuing operations (pence)	12(b)	1.4	0.8
From discontinued operations (pence)	6(b)	7.8	4.1
Diluted earnings per Ordinary Share (pence)	12(b)	**9.2**	**4.9**

[1]See notes 5(d) and 5(e) for details of changes to comparative amounts.

The notes on pages 166 to 239 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Profit after tax		154	88
Exchange losses on translation of foreign operations		(1)	–
Items that may be reclassified subsequently to income statement		(1)	–
Total other comprehensive income, net of tax		(1)	–
Total comprehensive income		**153**	**88**
Attributable to:			
Continuing operations		22	12
Discontinued operations	6(b)	131	76
Equity holders of Quilter plc		**153**	**88**

The notes on pages 166 to 239 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2021

31 December 2021	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Share-based payments reserve £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2021		**125**	**58**	**8**	**149**	**42**	**1**	**1,495**	**1,878**
Profit for the year		–	–	–	–	–	–	154	154
Other comprehensive income		–	–	–	–	–	(1)	–	(1)
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**(1)**	**154**	**153**
Dividends	13	–	–	–	–	–	–	(89)	(89)
Shares repurchased in the buyback programme[1]	25	(9)	–	9	–	–	–	(204)	(204)
Release of merger reserve	25(b)	–	–	–	(124)	–	–	124	–
Movement in own shares		–	–	–	–	–	–	(20)	(20)
Equity share-based payment transactions	26(e)	–	–	–	–	(1)	–	21	20
Aggregate tax effects of items recognised directly in equity		–	–	–	–	1	–	–	1
Total transactions with the owners of the Company		**(9)**	**–**	**9**	**(124)**	**–**	**–**	**(168)**	**(292)**
Transfer to retained earnings		–	–	–	–	–	(1)	1	–
Balance at 31 December 2021		**116**	**58**	**17**	**25**	**42**	**(1)**	**1,482**	**1,739**

31 December 2020	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Share-based payments reserve £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2020		**133**	**58**	**–**	**149**	**45**	**1**	**1,685**	**2,071**
Profit for the year		–	–	–	–	–	–	88	88
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**88**	**88**
Dividends	13	–	–	–	–	–	–	(81)	(81)
Shares repurchased in the buyback programme[1]	25	(8)	–	8	–	–	–	(179)	(179)
Movement in own shares		–	–	–	–	–	–	(44)	(44)
Equity share-based payment transactions	26(e)	–	–	–	–	(3)	–	28	25
Dividend equivalents paid on vested shares		–	–	–	–	–	–	(2)	(2)
Total transactions with the owners of the Company		**(8)**	**–**	**8**	**–**	**(3)**	**–**	**(278)**	**(281)**
Balance at 31 December 2020		**125**	**58**	**8**	**149**	**42**	**1**	**1,495**	**1,878**

[1]On 11 March 2020, the Company announced a share buyback programme to purchase shares up to a maximum value of £375 million, in order to return the net surplus proceeds to shareholders arising from the sale of Quilter Life Assurance which had the impact of reducing the share capital of the Company. During the year ended 31 December 2021, the Company acquired 128.1 million shares (31 December 2020: 118.3 million) for a total consideration of £197 million (December 2020: £153 million) and incurred additional costs of £3 million (31 December 2020: £4 million). The shares, which have a nominal value of £9 million (31 December 2020: £8 million), have subsequently been cancelled, giving rise to a capital redemption reserve by the same value as required by the Companies Act 2006. At 31 December 2021, the committed remaining share buyback for which a legally binding instruction had been provided by the Board, of £26 million (31 December 2020: £22 million, 31 December 2019: £nil), was accrued as a liability. The increase in the liability in the year of £4 million (31 December 2020: £22 million) was recognised in retained earnings.

The notes on pages 166 to 239 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2021

	Notes	31 December 2021 £m	31 December 2020 £m
Assets			
Goodwill and intangible assets	14	457	556
Property, plant and equipment	15	131	142
Investments in associated undertakings		2	1
Contract costs	23	9	413
Loans and advances	16	29	219
Financial investments	17	47,565	63,274
Deferred tax assets	29(a)	88	78
Current tax receivable	29(c)	–	24
Trade, other receivables and other assets	22	381	701
Derivative assets	18	14	43
Cash and cash equivalents	24	2,064	1,921
Total assets		**50,740**	**67,372**
Equity and liabilities			
Equity			
Ordinary Share capital	25(a)	116	125
Ordinary Share premium reserve	25(a)	58	58
Capital redemption reserve	25(a)	17	8
Merger reserve	25(b)	25	149
Share-based payments reserve	26	42	42
Other reserves		(1)	1
Retained earnings		1,482	1,495
Total equity		**1,739**	**1,878**
Liabilities			
Investment contract liabilities	27	41,071	57,407
Third-party interests in consolidated funds		6,898	6,513
Provisions	28	93	77
Deferred tax liabilities	29(b)	139	106
Current tax payable	29(c)	2	1
Borrowings and lease liabilities	30	299	319
Trade, other payables and other liabilities	31	484	672
Contract liabilities	32	–	379
Derivative liabilities	18	15	20
Total liabilities		**49,001**	**65,494**
Total equity and liabilities		**50,740**	**67,372**

The financial statements on pages 161 to 239 were approved by the Board of Directors on 9 March 2022 and signed on its behalf by

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

The notes on pages 166 to 239 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

The cash flows presented in this statement cover all the Group's activities (continuing and discontinued operations) and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for use by the Group except for cash and cash equivalents in consolidated funds (as shown in note 24). Cash flows for discontinued operations are shown separately in note 6(d).

	Notes	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Cash flows from operating activities			
Cash flows from operating activities		3,103	1,473
Taxation paid		(10)	(28)
Total net cash from operating activities	24(b)	**3,093**	**1,445**
Cash flows from investing activities			
Net acquisitions of financial investments		(2,839)	(1,419)
Acquisition of property, plant and equipment	15	(13)	(28)
Acquisition of intangible assets	14(a)	–	(4)
Acquisition of interests in subsidiaries[1]	6(e)	(7)	(20)
Net proceeds/(payments) from the disposal of interests in subsidiaries		218	(3)
Total net cash used in investing activities		**(2,641)**	**(1,474)**
Cash flows from financing activities			
Dividends paid to ordinary equity holders of the Company	13	(89)	(81)
Finance costs on external borrowings	10(e)	(9)	(10)
Payment of interest on lease liabilities		(2)	(2)
Payment of principal of lease liabilities	30(b)	(10)	(14)
Repurchase of shares		–	(41)
Repurchase and cancellation of shares[2]		(197)	(157)
Total net cash used in financing activities		**(307)**	**(305)**
Net increase/(decrease) in cash and cash equivalents		145	(334)
Cash and cash equivalents at the beginning of the year		1,921	2,253
Effect of exchange rate changes on cash and cash equivalents		(2)	2
Cash and cash equivalents at end of the year	24	**2,064**	**1,921**

[1]The acquisition of interests in subsidiaries balance of £7 million results from contingent consideration payments relating to historical acquisitions (31 December 2020: £20 million).
[2]Repurchase and cancellation of shares are in respect of cash movements associated with the share buyback programme. Further details are included within the consolidated statement of changes in equity.

The notes on pages 166 to 239 form an integral part of these consolidated financial statements.

Basis of preparation and significant accounting policies

For the year ended 31 December 2021

General information

Quilter plc (the "Company"), a public limited company incorporated in England and Wales and domiciled in the United Kingdom ("UK"), together with its subsidiaries (collectively, the "Group") offers investment and wealth management services, long-term savings and financial advice through its subsidiaries and associates primarily in the UK.

The address of the registered office is Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

1: Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Quilter plc transitioned to UK-adopted International Accounting Standards in its company and Group financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The financial statements of Quilter plc for the year ended 31 December 2021 have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS") and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

These consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

The separate financial statements of the Company are on pages 240 to 249. The Company financial statements are prepared in accordance with the Group's accounting policies, other than for investments in subsidiaries, which are stated at cost less impairments in accordance with IAS 27 *Separate Financial Statements.*

Going concern

The Directors have considered the resilience of the Group, its current financial position, the principal risks facing the business and the effectiveness of any mitigating strategies which are or could be applied. This included an assessment of capital and liquidity over a three-year planning period concluding that the Group can withstand a severe but plausible downside scenario for at least the next 12 months after the date of signing the 2021 financial statements. This assessment incorporated a number of stress tests covering 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. The Group took into consideration risks related to climate change as part of the assessment. 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 financial statements and continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The Group's consolidated financial statements incorporate the assets, liabilities and the results of the Company and its subsidiaries. Subsidiaries are those entities, including investment funds, controlled by the Group. More information on how the Group assesses whether it has control over an entity is provided in accounting policy 5(a). Subsidiaries are consolidated from the date the Group obtains control and are excluded from consolidation from the date the Group loses control.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with Group policies. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated on consolidation.

Liquidity analysis of the statement of financial position

The Group's statement of financial position is in order of liquidity as is permitted by IAS 1 *Presentation of Financial Statements.* For each asset and liability line item, those amounts expected to be recovered or settled after more than 12 months after the reporting date are disclosed separately in the notes to the consolidated financial statements.

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying the Group's significant accounting policies and make estimates and assumptions that affect the reported amounts of net assets and liabilities at the date of the financial statements. The Board Audit Committee reviews these areas of judgement and estimates and the appropriateness of significant accounting policies adopted in the preparation of these financial statements.

Critical accounting judgements

The Group's critical accounting judgements are detailed below and are those that management make when applying the significant accounting policies and that have the most effect on the net profit and net assets recognised in the Group's financial statements.

Discontinued operations

Management judgement was applied in the classification of Quilter International (disposed in November 2021) as a discontinued operation. Management concluded that Quilter International represented a separate major line of business, being the Group's only major cross-border business and, as such, met the discontinued operations criteria. Accordingly, the Group restated prior year comparatives. Judgement was also applied in the recognition of specific ongoing costs to the Group's continuing operations that will remain in the business after the disposal of Quilter International. See note 6 for further details.

1: Basis of preparation continued
Critical accounting judgements continued

Recognition of provisions following the sale of Quilter International
Management exercised significant judgement in determining the accounting treatment for a number of provisions in respect of the sale of Quilter International. The sale requires a series of business activities to be performed over the period of two to three years subsequent to the sale, resulting in costs to separate the business from the Group. This includes separation from a significant number of IT systems and the migration of data. Provisions have been established where costs are either contractual obligations resulting from the sale agreement or represent a constructive liability in respect of ancillary work to separate the businesses. Significant judgement was required to assess whether the costs were directly attributable and incremental to the sale and whether a legal or constructive obligation existed in order to recognise the provisions. See note 28 for further details.

Recognition of insurance recovery asset in respect of Lighthouse defined benefit pension advice
For Lighthouse DB to DC pension transfer advice provided, management has applied judgement in order to determine whether an asset can be reasonably estimated, and the measurement of such asset, in relation to an insurance recovery under Lighthouse's professional indemnity policies ("PI Policies"). Under the PI Policies, Lighthouse is entitled, subject to the policy terms and limits, to be indemnified for claims and defence costs in respect of legal liabilities arising in connection with Lighthouse's DB pension transfer advice activities; however, at the current time the insurers have not confirmed coverage for legal liabilities. See note 28 for further details.

Critical accounting estimates
The Group's critical accounting estimates are shown below and involve the most complex or subjective assessments and assumptions, which have a significant risk of resulting in material adjustments to the net carrying amounts of assets and liabilities within the next financial year. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting standards and guidance to make predictions about future actions and events. Actual results may differ from those estimates.

Provision for cost of defined benefit pension advice
A significant portion of the provision required for British Steel DB pension transfer redress was determined based upon calculations performed as part of the skilled person review for cases upheld, and subsequent formal offers of redress payments made. An estimation of the remainder of the provision required for cases where a formal offer has yet to be made was based upon those calculations and the suitability assessments of all cases performed by the skilled person, which are nearing completion. The calculations per case where an offer has been made are based upon FCA guidelines and modelling performed, and factors including pension transfer value, date of retirement, discount rate and inflation rate assumptions. An estimation was determined on a similar basis for unsuitable pension advice related to schemes other than the British Steel Pension Scheme, using a methodology which takes account of recent experience and applying a proportion of transfer value to determine redress payable as an indicative provision. See note 28 for further details.

Measurement of deferred tax
The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of AuMA, which are subject to a large number of factors including global stock market movements, related movements in foreign exchange rates and net client cash flow, together with estimates of expenses and other charges. The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general, the Group assesses recoverability based on estimated taxable profits over a three-year planning horizon. Management has reassessed the sensitivity on the recoverability of deferred tax assets based on the latest forecast cash flows. See note 29 for further details.

Other principal estimates
The Group's assessment of goodwill and intangible assets for impairment uses the latest cash flow forecasts from the Group's three-year business plan. These forecasts include estimates relating to equity market levels and growth in AuMA in future periods, together with levels of new business growth, net client cash flow, revenue margins, and future expenses and discount rates (see note 14). Management does not believe that the use of these estimates has a significant risk of causing a material adjustment to the carrying amount of the assets within the next financial year.

2: New standards, amendments to standards, and interpretations adopted by the Group
There were no new standards or interpretations which became effective from 1 January 2021.

The following amendments to accounting standards became applicable for the current reporting period, with no material impact on the Group's consolidated results, financial position or disclosures:

Adopted by the Group from	Amendments to standards
1 January 2021	Amendments to IFRS 9 *Financial Instruments,* IAS 39 *Financial Instruments: Recognition and Measurement,* IFRS 7 *Financial Instruments: Disclosures,* IFRS 4 *Insurance Contracts and* IFRS 16 *Leases – Interest Rate Benchmark Reform – Phase 2*
1 April 2021	Amendments to IFRS 16 *Leases – COVID-19-Related Rent Concessions beyond 30 June 2021*

3: Future standards, amendments to standards, and interpretations not early-adopted in these financial statements

Certain new standards, interpretations and amendments to existing standards have been published by the International Accounting Standards Board ("IASB") that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2022. The Group has not early adopted these standards, interpretations and amendments, nor does the Group expect these to have a material impact on the Group's consolidated financial statements.

– **IFRS 17 Insurance contracts**
The IASB issued IFRS 17 *Insurance Contracts in May 2017 and Amendments to IFRS 17* in June 2020. IFRS 17 will replace its interim predecessor, IFRS 4 *Insurance Contracts*. IFRS 17 is a comprehensive standard which provides a single accounting model for all insurance contracts. IFRS 17 will replace a wide range of different accounting practices previously permitted, improving transparency and enabling investors and regulators to understand and compare the financial position and performance of an insurer, irrespective of where they are based geographically. The standard, including the June 2020 amendments, is yet to be endorsed by the UK Endorsement Board. The effective date of IFRS 17 is 1 January 2023.

The Group completed the sale of QLA to ReAssure on 31 December 2019 and Quilter International to Utmost Group on 30 November 2021. Following these disposals, the impact of IFRS 17 is significantly reduced for the Group and therefore the impact of IFRS 17 is not expected to be material.

4: Significant changes in the year

Disposal of Quilter International

On 30 November 2021, the Group completed the sale of Quilter International to Utmost Group for consideration of £481 million. Quilter International has been classified as a discontinued operation and the comparative amounts in the Group's financial statements have been restated accordingly. Further details of the Group's discontinued operations and assets and liabilities disposed of are included in note 6.

New segmentation

The Group determines and presents operating segments based on the information that is provided internally to the Group's Chief Operating Decision Maker ("CODM"). In assessing the Group's operating segments, the CODM considered the nature of the services provided, product offerings, customer bases, operating and distribution channels amongst other factors.

As part of the Group's strategic ambitions to drive growth, and following the disposal of Quilter International, the CODM agreed to reorganise the Group into two new client-focused segments: Affluent and High Net Worth. Affluent encompasses the financial planning businesses, Quilter Financial Planning, the Quilter Investment Platform and Quilter Investors, the multi-asset investment solutions business. High Net Worth includes the discretionary fund management business, Quilter Cheviot, together with Quilter Private Client Advisers. The new segments replace the segments reported in the 2020 Annual Report: Advice and Wealth Management and Wealth Platforms. Comparatives have been restated as appropriate to reflect the new segmentation.

5: Significant accounting policies

The Group's significant accounting policies are described below. There have been no changes to the Group's significant accounting policies as a result of changes in accounting standards during the year. The accounting policies disclosed in these notes have been consistently applied throughout the current and prior financial year.

5(a): Group accounting

Subsidiaries

Subsidiary undertakings are those entities (investees) controlled by the Group. The Group controls an investee if, and only if, the Group has all of the following three elements of control:
- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to affect those returns through its power over the investee.

For operating entities, this usually arises with a shareholding in the entity of 50% or more. The Group also consolidates certain of its interests in open-ended investment companies ("OEICs"), unit trusts, mutual funds and similar investment vehicles (collectively "investment funds"). Where, as is often the case with investment funds, voting or similar rights are not the dominant factor in deciding who controls the investee, other factors are considered in the control assessment. These are described in more detail below.

The Group continually assesses any changes to facts and circumstances to determine, in the context of the three elements of control listed above, whether it still controls investees and is required to consolidate them.

Associates

Associates are entities in which the Group holds an interest and over which it has significant influence but not control and are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

The Group has classified one entity, 360 Dot Net Limited, as an associate company in the prior and current year.

Investment funds

The Group invests in a wide range of investment funds such as OEICs and unit trusts generally in respect of its unit-linked investment contracts where investments are made to match the investment choices of its clients. For some of these funds, it also acts as fund manager. These funds invest predominantly in equities, bonds, cash and cash equivalents. The Group holds interests in these investment funds mainly through the receipt of fund management fees, in the case where the Group acts as fund manager, which provide a variable return based on the value of the funds under management and other criteria, and in the case of third-party funds where fund performance has an impact on fund-based fees within unit-linked investment contracts and other similar client investment products. Where the Group acts as fund manager it may also hold investments in the underlying funds, through acquiring units or shares. Where these investments are held in unit-linked funds, the Group has a secondary exposure to variable returns through the management fees that it deducts from unit-linked policyholders' account balances. The Group's percentage ownership can fluctuate from day to day according to the Group's participation in them as clients' underlying investment choices change.

When assessing control of investment funds, the Group considers the purpose and design of the fund, the scope of its decision-making authority, including its ability to direct relevant activities and to govern the operations of a fund so as to obtain variable returns from that fund and its ability to use its power to affect these returns, both from the perspective of an investor and an asset manager. In addition, the Group assesses rights held by other parties including substantive removal ("kick-out") rights that may affect the Group's ability to direct relevant activities.

On consolidation, the interests of parties other than the Group are classified as a liability in the Group's statement of financial position and are described as "Third-party interests in consolidated funds". Such interests are not recorded as non-controlling interests ("NCIs") as they meet the liability classification requirement set out in IAS 32 *Financial Instruments: Presentation*. These liabilities are regarded as current, as they are repayable on demand, although it is not expected that they will be settled in a short time period.

Business combinations

The Group is required to use the acquisition method of accounting for business combinations. Business combinations are accounted for at the date that control is achieved (the acquisition date). The cost of a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Deferred and contingent consideration relating to acquisitions is recognised as a liability on the date of acquisition.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts. Where provisional amounts are reported these are adjusted during the measurement period which extends up to a maximum of 12 months from the acquisition date. Additional assets or liabilities may also be recognised during this period, to reflect any new information obtained about the facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired entity at the date of acquisition. Acquisition-related costs are expensed as incurred.

Upon disposal, the Group derecognises a subsidiary or disposal group on the date on which control passes. The consolidated income statement includes the results of a subsidiary or disposal group up to the date of disposal. The difference between the proceeds from the disposal of a subsidiary undertaking and its carrying amount as at the date of disposal, including the cumulative amount of any related exchange differences that are recognised in the foreign currency translation reserve, is recognised in the consolidated income statement as the gain or loss on disposal of the subsidiary undertaking.

Common control combinations

Merger accounting is used by the Group for common control combinations, which are transactions between entities that are ultimately controlled by the same party or parties. This method treats the merged entities as if they had been combined throughout the current and comparative accounting periods. Merger accounting principles for these combinations result in the recognition of a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of any new shares issued by the Parent Company for the acquisition of the shares of the subsidiary and the subsidiary's Net Asset Value ("NAV"). Such transactions attract merger relief under section 612 of the Companies Act 2006.

5(b): Fair value measurement

The Group uses fair value to measure the majority of its assets and liabilities. Fair value is a market-based measure and is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For a financial instrument, the best evidence of fair value at initial recognition is normally the transaction price, which represents the fair value of the consideration given or received.

Where observable market prices in an active market, such as bid or offer (ask) prices are unavailable, fair value is measured using valuation techniques based on the assumptions that market participants would use when pricing the asset or liability. If an asset or a liability measured at fair value has a bid or an offer price, the price within the bid-offer spread that is most representative of fair value is used as the basis of the fair value measurement.

5: Significant accounting policies continued
5(b): Fair value measurement continued

The quality of the fair value measurement for financial instruments is disclosed by way of the fair value hierarchy, whereby Level 1 represents a quoted market price for identical financial assets and liabilities, Level 2 financial assets and liabilities are valued using inputs other than quoted prices in active markets included in Level 1, either directly or indirectly and Level 3 whereby financial assets and liabilities are valued using valuation techniques where one or more significant inputs are unobservable.

Classifying financial instruments into the three levels outlined above provides an indication about the reliability of inputs used in determining fair value. More information is provided in note 20.

5(c): Product classification
The Group's life assurance contracts included in the Affluent segment are categorised as investment contracts, in accordance with the classification criteria set out in the paragraph below.

Investment contracts
Investment contracts do not meet the IFRS definition of an insurance contract as they do not transfer significant insurance risk from the policyholder to the insurer. Unit-linked investment contracts are separated into two components, being an investment management services component and a financial liability. The financial liability component is designated at fair value through profit or loss ("FVTPL") as it is managed on a fair value basis, and its value is directly linked to the market value of the underlying portfolio of assets. The Group does not directly benefit economically from returns from the assets held to match policyholder liabilities, apart from secondary exposure to future annual management fees that the Group expects to receive over the life of the policy.

5(d): Fee income and other income from service activities
Fee income and other income from service activities represent the fair value of services provided, net of value added tax. Revenue is only recognised to the extent that management is satisfied that it is highly probable that no significant reversal of the revenue recognised will be required when uncertainties are resolved. In circumstances where refunds are expected on a portion of the income, including indemnity commission on policies sold, an estimate of the reduction of revenue is made and charged to the income statement at the point of sale, based upon assumptions determined from historical experience.

Premium-based fees
This relates to non-refundable fees taken on receipt of clients' investments and recognised on receipt over the life of the contract, in line with the performance obligation associated with the contract in respect of the administration of the underlying client records and client benefits. Where fees are received, either at inception or over an initial period for services not yet provided, the income is deferred and recognised as contract liabilities on the statement of financial position and released to the income statement as services are provided over the lifetime of the contract (see note 32 for further information).

In addition, this also includes fees in respect of advice provided to clients when the advice has been provided to the client and the financial adviser's performance obligation has been fully delivered. Accordingly, fee income is recognised at the inception of the financial product sold.

Fund-based fees
This is periodic fee income based on the market valuation of the Group's investment contracts. It is calculated and recognised on a daily basis in line with the provision of investment management services.

For the year ended 31 December 2020, to correct a misclassification of fee rebates, the Group has reduced Fee and commission expenses, and other acquisition costs by £9 million with a corresponding £9 million reduction in Fee income and other income from service activities. The comparative figures for 2020 have been restated accordingly in the income statement and related notes in order to satisfy the presentational requirements of IFRS with respect to revenue and expenditure. There is no impact on the Group's profitability or net assets.

Fixed fees
This is periodic fee income which is fixed in value according to underlying contract terms and relates to the provision of services and transactional dealing fees. It is recognised on provision of the transaction or service.

Surrender fees
Surrender fee income relates to client charges received on the surrender of an investment contract or insurance contract, which is based on the value of the policy and recognised on surrender of the policy.

Other fee and commission income
This includes charges taken from unit-linked funds to meet future policyholder tax liabilities. Depending on the nature of the tax liability, the charges are either recognised at the point a transaction occurs on the unit-linked fund, or annually. This also includes fee and commission income within consolidated funds' income statements.

5(e): Investment return

Investment return comprises two elements (a) investment income and (b) realised and unrealised gains and losses on investments held at FVTPL.

Investment income

Investment income includes dividends on equity securities which are recorded as revenue on the ex-dividend date and interest income which is recognised using the effective interest rate method which allocates interest and other finance costs at a constant rate over the expected life of the financial instrument.

Realised and unrealised gains and losses

A gain or loss on a financial investment is only realised on disposal or transfer and represents the difference between the proceeds received, net of transaction costs, and its original cost (or amortised cost). Unrealised gains or losses, arising on investments which have not been disposed or transferred, represent the difference between carrying value at the year end and the carrying value at the previous year end or purchase value (if this occurs during the year), less the reversal of previously recognised unrealised gains or losses in respect of disposals made during the year.

Gains and losses resulting from changes in both market value and foreign exchange on investments classified at FVTPL are recognised in the consolidated income statement in the period in which they occur.

For the year ended 31 December 2020, to correct an understatement of revenue and expenditure in respect of third-party interests in consolidated funds, the Group has increased investment return from consolidated funds by £21 million with a corresponding £21 million increase in the change in third-party interests in consolidated funds expense. The understatement arose due to an omission in information provided by an external party. The comparative figures for 2020 have been restated accordingly in the income statement and related notes in order to satisfy the presentational requirements of IFRS with respect to revenue and expenditure. There is no impact on the Group's profitability or net assets.

5(f): Premiums

Premiums receivable under insurance contracts are shown in the income statement gross of commission and exclude sales-based taxes and levies. For regular (and recurring) premium contracts, receivables are recognised when payments are due. Premiums in respect of other insurance contracts are recognised in the income statement when receivable, apart from premiums received in respect of unit-linked insurance contracts (see below). Where policies lapse due to non-receipt of premiums, then all the related premium income accrued but not received from the date they are deemed to have lapsed is offset against premiums.

Premiums received in respect of unit-linked insurance contracts are recognised when the corresponding liability to the policyholder is established. For single premium business, this is the date from which the policy is effective.

5(g): Deferred acquisition costs and contract costs

Investment contracts

Incremental costs, including fee and commission expenses, that are directly attributable to securing either unit-linked investment contracts or other asset management services are deferred and recognised as contract costs. Contract costs are linked to the contractual right to benefit from providing investment management services; they are therefore amortised through the income statement consistent with the transfer to the customer of the services to which the contract relates.

Insurance contracts

Incremental costs directly attributable to securing an insurance contract, such as initial commission and the costs of obtaining and processing such business are deferred and a deferred acquisition cost ("DAC") asset recognised, to the extent that they are expected to be recovered out of future margins.

Insurance DAC is amortised as an expense on a straight-line basis, adjusted for expected persistency, over the expected life of the contract, as the services are provided (equal service provision assumed) but subject to a restriction whereby it is no longer than the period in which such costs are expected to be recoverable out of future margins.

At the end of each reporting period, contract costs and DAC are reviewed for recoverability, by category of business, against future margins from the related contracts. They are impaired in the income statement when they are no longer considered to be recoverable.

5(h): Investment contract liabilities

The majority of the Group's investment contracts are unit-linked contracts. At inception, investment contract liabilities for unit-linked business are classified as financial liabilities and measured at FVTPL. For these contracts, the fair value liability is equal to the total value of units allocated to the policyholders, based on the bid price of the underlying assets in the fund. The FVTPL classification reflects the fact that the matching investment portfolio that backs the unit-linked liabilities is managed, and its performance evaluated, on a fair value basis.

Contributions received on investment contracts are treated as policyholder deposits and credited directly to investment contract liabilities on the statement of financial position, as opposed to being reported as revenue in the consolidated income statement. Withdrawals paid out to policyholders on investment contracts are treated as a reduction to policyholder deposits, reducing the investment contract liabilities on the statement of financial position, as opposed to being recognised as expenses in the consolidated income statement. This practice is known as deposit accounting.

5: Significant accounting policies continued

5(i): Financial instruments (other than derivatives)

Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents and certain financial liabilities, including investment contract liabilities, trade payables, and borrowings. Derivatives, which are also financial instruments, are covered by accounting policy 5(k). Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Group. A financial liability is derecognised when the liability is extinguished.

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed and information is reported to management. The assessment considers the stated portfolio policies and objectives. The Group determines its strategy in holding the financial asset, particularly considering whether the Group earns contractual interest revenue, for example to match the duration of financial assets to the duration of liabilities that are funding those assets or to realise cash flows through the sale of the assets. The frequency, volume and timing of sales in prior periods may be reviewed, along with the reasons for such sales and expectations about future sales activity. These factors enable management to determine which financial assets should be measured at FVTPL.

Initial measurement

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement

The classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which the financial asset is managed, and (iii) its contractual cash flow characteristics. Two categories are applicable to the Group's financial assets: FVTPL and amortised cost. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

Measurement basis	Accounting policies
FVTPL	These financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and unless recognised as FVTPL on initial recognition applying the Fair Value Option (see below):

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

All other financial assets that are not measured at amortised cost are classified and measured at FVTPL.

Financial investments

Derivative financial assets (the majority of which are as a result of the consolidation of funds, as described in note 5(a)) are classified and measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset at FVTPL that otherwise meets the requirements to be measured at amortised cost, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (the Fair Value Option).

The Group's interests in pooled investment funds, equity securities and debt securities are mandatorily at FVTPL, as they are part of groups of financial assets which are managed and whose performance is evaluated on a fair value basis. These investments are recognised at fair value initially and subsequently, with changes in fair value recognised in investment return in the consolidated income statement.

Fixed-term deposits with a maturity profile exceeding three months are categorised as financial investments and are measured at amortised cost.

The Group recognises purchases and sales of financial investments on trade date, which is the date that the Group commits to purchase or sell the assets. The costs associated with investment transactions are included within expenses in the consolidated income statement.

Loans and advances

Loans with fixed maturities, including policyholder loans, are recognised when cash is advanced to borrowers or policyholders. Policyholder loans are interest free and are mandatorily at FVTPL since they are taken from the policyholder's unit-linked account and thereby matched to underlying unit-linked liabilities held at FVTPL, which are unaffected by the transaction. Other loans and advances are carried at amortised cost using the effective interest rate method. These assets are subject to the impairment requirements outlined below.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, call deposits, money market collective investment funds and other short-term deposits with an original maturity of three months or less.

Cash and cash equivalents held within money market collective investment funds are classified as FVTPL. All other cash and cash equivalents are classified as amortised cost which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method and are subject to the impairment requirements outlined below. The carrying amount of cash and cash equivalents, other than money market collective investment funds which are measured at fair value, approximates to their fair value.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. At inception, investment contract liabilities for unit-linked business are recognised as financial liabilities and measured at FVTPL. Other financial liabilities, including the Group's borrowings and trade payables, are measured at amortised cost using the effective interest method.

Trade payables and receivables
Trade payables and receivables are classified at amortised cost. Due to their short-term nature, their carrying amount is considered to be the same as their fair value.

Investments in subsidiaries
Parent Company investments in subsidiary undertakings are initially stated at cost. Subsequently, investments in subsidiary undertakings are stated at cost less any provision for impairment. An investment in a subsidiary is deemed to be impaired when its carrying amount is greater than its estimated recoverable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements. All impairments are recognised in the Parent Company income statement as they occur.

Impairment of financial assets
The expected loss accounting model for credit losses applies to financial assets measured at amortised cost, but not to financial assets at FVTPL. Financial assets at amortised cost include trade receivables, cash and cash equivalents (excluding money market collective investment funds which are measured at fair value), fixed-term deposits and loans and advances.

Credit loss allowances are measured on each reporting date according to a three-stage expected credit loss ("ECL") impairment model:

Performing financial assets:
Stage 1
From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date ("12-month ECL").

Stage 2
Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset ("Lifetime ECL").

The assessment of whether there has been a significant increase in credit risk requires considerable judgement, based on the lifetime probability of default ("PD"). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

Impaired financial assets:
Stage 3
When a financial asset is considered to be credit-impaired, the allowance for credit losses ("ACL") continues to represent lifetime expected credit losses. However, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

Application of the impairment model
The Group applies the ECL model to all financial assets that are measured at amortised cost:
- Trade receivables, to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.
- Loans, cash and cash equivalents, and fixed-term deposits at amortised cost, to which the general three-stage model (described above) is applied, whereby a 12-month ECL is recognised initially and the balance is monitored for significant increases in credit risk which would trigger the recognition of a Lifetime ECL allowance.

5: Significant accounting policies continued
5(i): Financial instruments (other than derivatives) continued

ECLs are a probability-weighted estimate of credit losses. ECLs for financial assets that are not credit-impaired at the reporting date are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due in accordance with the contract and the cash flows that the Group expects to receive). ECLs for financial assets that are credit-impaired at the reporting date are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions. The Group has implemented its impairment methodology for estimating the ACL, taking into account forward-looking information in determining the appropriate level of allowance. In addition, it has identified indicators and set up procedures for monitoring for significant increases in credit risk.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes events such as significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event or the restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider. The assumption that the credit risk for balances over 30 days significantly increases has been rebutted on the basis that some balances will exceed 30 days in the normal course of the settlement cycle, and therefore, there is no increase in the credit risk.

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-offs
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of the amount being recovered. This is generally the case when the Group concludes that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

5(j): Contract assets
Contract assets are classified as non-financial. Due to their short-term nature, their carrying amount is considered to be the same as their fair value.

The expected loss accounting model for credit losses applies to contract assets. The Group applies the ECL model to contract assets, which are measured at amortised cost. The simplified approach prescribed by IFRS 9 is applied to contract assets. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.

5(k): Derivatives
The only derivatives recognised in the Group's statement of financial position are as a result of the consolidation of funds (described in note 5(a)). Management determines the classification of derivatives at initial recognition and classifies derivatives as mandatorily at FVTPL. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

5(l): Employee benefits
Pension obligations
The Group operates two types of pension plans which have been established for eligible employees of the Group:
- Defined contribution schemes where the Group makes contributions to members' pension plans but has no further payment obligations once the contributions have been paid.
- Defined benefit plans which provide pension payments upon retirement to members as defined by the plan rules. The Group has funded these liabilities by ring-fencing assets in trustee-administered funds.

Defined contribution pension obligation
Under a defined contribution plan, the Group's legal or constructive obligation is limited to the amount it agrees to contribute to a pension fund and there is no obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions in respect of defined contribution schemes for current service are expensed in the income statement as staff costs and other employee-related costs when incurred.

Defined benefit pension obligation
A defined benefit pension plan typically defines the amount of pension benefit that an employee will receive on retirement. For these plans, the Group's defined benefit obligation is calculated by independent actuaries using the projected unit credit method, which measures the pension obligation as the present value of estimated future cash outflows. The discount rate used is determined based on the yields for investment grade corporate bonds that have maturity dates approximating to the terms of the Group's obligations. Plan assets are measured at their fair value at the reporting date. The net surplus or deficit of the defined benefit plan is recognised as an asset or liability in the statement of financial position and represents the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets.

An asset is recognised only where there is an unconditional right to future benefits. The current and past service cost curtailments and settlements are charged to other expenses in the income statement.

Remeasurements which comprise gains and losses as a result of experience adjustments and changes in actuarial assumptions, the actual return on plan assets (excluding interest) and the effect of the asset ceiling are recognised immediately in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods. Administration costs (other than the costs of managing plan assets) are recognised in the income statement when the service is provided.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the income statement when the plan amendment or curtailment occurs.

Employee share-based payments

The Group operates a number of share incentive plans for its employees. These involve an award of shares or options in the Group (equity-settled share-based payments). The Group has not granted awards under cash-settled plans in the current or prior year.

The Group's incentive plans have conditions attached before the employee becomes entitled to the award. These can be performance and/or service conditions (vesting conditions) or conditions that are often wholly within the control of the employee, for example where the employee has to provide funding during the vesting period, which is then used to exercise share options (non-vesting condition).

Performance conditions may be market-based or non-market-based. Market-based performance conditions are those related to an entity's equity, such as achieving a specified share price or target based on a comparison of the entity's share price with an index of share prices. Non-market performance conditions are those related to an entity's profit or revenue targets, an example of which would be Earnings per Share ("EPS"). Market-based performance conditions and non-vesting conditions are taken into account when estimating the fair value of the share or option awards at the measurement date. The fair value of the share awards or options is not adjusted to take into account non-market performance features. These are taken into consideration by adjusting the number of equity instruments in the share-based payment measurement and this adjustment is made each period until the equity instruments vest.

The fair value of share-based payment awards granted is recognised as an expense in the income statement over the vesting period which accords with the period for which related services are provided by the employee. A corresponding increase in equity is recognised for equity-settled plans.

For equity-settled plans, the fair value is determined at grant date and not subsequently re-measured.

At each period end, the Group reassesses the number of equity instruments expected to vest and recognises any difference between the revised and original estimate in the income statement with a corresponding adjustment to the share-based payments reserve in equity.

At the time the equity instruments vest, the amount recognised in the share-based payments reserve in respect of those equity instruments is transferred to retained earnings.

5(m): Tax

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. Current tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income.

Deferred tax

Deferred taxes are calculated according to the statement of financial position method, based on temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income. In certain circumstances, as permitted by accounting standards and guidance, deferred tax balances are not recognised. In particular, where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profit. Note 29 includes further detail of circumstances in which the Group does not recognise temporary differences.

Policyholder tax

Certain products are subject to tax on the policyholder investment returns. This 'policyholder tax' is an element of the Group's total tax expense. To make the tax expense more meaningful, tax attributable to policyholder returns and tax attributable to equity holders' profits is shown separately.

The tax attributable to policyholder returns is the amount payable in the year plus the movement of amounts expected to be payable in future years. The remainder of the tax expense is attributed to shareholders as tax attributable to equity holders' profits.

5: Significant accounting policies continued

5(n): Goodwill and intangible assets

The recognition of goodwill arises on the acquisition of a business and represents the premium paid over the fair value of the Group's share of the identifiable assets and liabilities acquired at the date of acquisition. Intangible assets include intangible assets initially recognised as part of a business combination, purchased assets and internally generated assets, such as software development costs related to amounts recognised for in-house systems development.

Goodwill and goodwill impairment

Goodwill arising on the Group's investments in subsidiaries is shown as a separate asset, while that on associates, where it arises, is included within the carrying value of those investments. Goodwill is recognised as an asset at cost at the date when control is achieved (the acquisition date) and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to annual impairment reviews.

Goodwill is allocated to one or more cash-generating units ("CGUs") expected to benefit from the synergies of the combination, where the CGU represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is reviewed for impairment at least annually, as a matter of course even if there is no indication of impairment, and whenever an event or change in circumstances occurs which indicates a potential impairment. For impairment testing, the carrying value of goodwill is compared to the recoverable amount. The recoverable amount is the higher of value-in-use and the fair value less costs of disposal. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of an operation within a group of CGUs to which goodwill has been allocated, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal. It is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Intangible assets acquired as part of a business combination

Intangible assets acquired as part of a business combination are recognised where they are separately identifiable and can be measured reliably. Acquired intangible assets consist primarily of contractual relationships such as customer relationships and distribution channels. Such items are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships acquired at the date of acquisition. Brands and similar items acquired as part of a business combination are capitalised at their fair value based on a 'relief from royalty' valuation methodology.

Subsequent to initial recognition, acquired intangible assets are measured at cost less amortisation and any recognised impairment losses. Amortisation is recognised at rates calculated to write off the cost or valuation less estimated residual value, using a straight-line method over their estimated useful lives as set out below:

- Distribution channels 8 years
- Customer relationships 8-10 years
- Brands 5 years

The economic lives are determined by considering relevant factors such as usage of the asset, product life cycles, potential obsolescence, competitive position and stability of the industry. The amortisation period is re-evaluated at the end of each financial year.

Internally developed software

There are a number of factors taken into account when considering whether internally developed software meets the recognition criteria in IAS 38 *Intangible Assets*. Where, for example, a third-party provider retains ownership of the software, this will not meet the control criterion in the standard (i.e. the power to obtain benefits from the asset) and the costs will be expensed as incurred.

Where it is capitalised, internally developed software is held at cost less accumulated amortisation and impairment losses. Such software is recognised in the statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the Group and its cost can be measured reliably.

Costs incurred in the research phase are expensed, whereas costs incurred in the development phase are capitalised, subject to meeting specific criteria, as set out in the relevant accounting standards and guidance, the main one being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the relevant software, which range between three and five years, depending on the nature and use of the software.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Impairment testing for intangible assets

For intangible assets with finite lives, impairment charges are recognised where evidence of impairment is observed. Indicators of impairment can be based on external factors, such as significant adverse changes to the asset as part of the overall business environment and internal factors, such as worse than expected performance reflected in the Group's three-year Business Plan. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is calculated as the higher of fair value less costs to sell and value in use. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an intangible asset is not yet available for use, it is subject to an annual impairment test by comparing the carrying value with the recoverable amount. The recoverable amount is estimated by considering the ability of the asset to generate sufficient future economic benefits to recover the carrying value.

5(o): Assets and liabilities held for sale and discontinued operations

Assets (and disposal groups) are classified as held for sale if their carrying amount is expected to be recovered through a sales transaction rather than through continuing use. This condition is regarded as having been met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year of the date of classification. Assets and liabilities held for sale are presented separately in the consolidated statement of financial position.

Assets and liabilities (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. No depreciation or amortisation is charged on a non-current asset while classified as held for sale or while part of a disposal group classified as held for sale.

The Group classifies areas of the business as discontinued operations where they have been disposed of or are classified as held for sale at the year end, which either represent a separate major line of business or geographical area or are part of a plan to dispose of one or are subsidiaries acquired exclusively with a view to resale.

When an asset (or disposal group) ceases to be classified as held for sale, the individual assets and liabilities cease to be shown separately in the statement of financial position at the end of the year in which the classification changes. Comparatives are not restated. If the line of business was previously presented as a discontinued operation and subsequently ceases to be classified as held for sale, profit and loss and cash flows of the comparative period are restated to show that line of business as a continuing operation.

5(p): Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, provisions are discounted and represent the present value of the expected expenditure. Provisions are not recognised for future operating costs or losses.

The Group recognises specific provisions where they arise for the situations outlined below:

- Client compensation and related costs, when the Group compensates clients in the context of providing fair customer outcomes.
- Onerous contracts, when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.
- Corporate restructuring, only if the Group has approved a detailed formal plan and raised a valid expectation among those parties directly affected, that the plan will be carried out either by having commenced implementation or by publicly announcing the plan's main features. Such provisions include the direct expenditure arising from the restructuring, such as employee termination payments but not those costs associated with the ongoing activities of the Group.
- Legal uncertainties and the settlement of other claims.
- Property provisions, where the Group has an obligation to restore a property to its original condition at the end of the lease.

Contingent liabilities are possible obligations of the Group of which the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised in the consolidated statement of financial position, unless they are assumed by the Group as part of a business combination. They are, however, disclosed, unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured it is no longer treated as contingent and it is recognised as a liability.

Contingent assets, which are possible benefits to the Group, are only disclosed if it is probable that the Group will receive the benefit. If such a benefit becomes virtually certain, it is no longer considered contingent and is recognised on the consolidated statement of financial position as an asset.

6: Business combinations

6(a): Business disposals

On 30 November 2021, the Group completed the sale of Quilter International to Utmost Group for consideration of £481 million. The Group has recognised a profit on disposal of £89 million. Provisions established in respect of this disposal are shown in note 28. Separation, migration and decommissioning expenses incurred as a result of the disposal of £19 million are included within Other operating and administrative expenses in the discontinued operations income statement.

Profit/(loss) on sale of operations

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
	Quilter International and Single Strategy business	Quilter Life Assurance and Single Strategy business
Quilter International		
Consideration received	481	–
Less: transaction costs	(17)	–
Net proceeds from sale	464	–
Carrying value of net assets disposed of	(324)	–
Goodwill allocated and disposed of	(50)	–
Recycling of foreign currency translation reserve	(1)	–
Profit on sale of Quilter International	89	
Change in accrued expenses in relation to the Single Strategy business (sold in 2018) and QLA (sold in 2019)	1	(1)
Profit/(loss) on sale of operations before tax	**90**	**(1)**
Separation, migration and decommissioning costs	(19)	–
Profit/(loss) on disposal after separation, migration and decommissioning costs	**71**	**(1)**

6: Business combinations continued
6(a): Business disposals continued

In 2021, the Group also sold LighthouseCarrwood Limited generating a profit of £2 million which is not reflected in the table above as the former subsidiary's activities did not represent a major line of business and therefore is regarded as being part of the Group's continuing operations.

Carrying value of net assets disposed of

	At 30 November 2021 £m
	Quilter International
Assets	
Intangible assets	2
Property, plant and equipment	11
Contract costs	383
Loans and advances	175
Financial investments	23,836
Trade, other receivables and other assets	228
Cash and cash equivalents	253
Total assets	**24,888**
Liabilities	
Investment contract liabilities	24,058
Provisions	2
Deferred tax liabilities	2
Current tax payable	1
Borrowings and lease liabilities	11
Trade, other payables and other liabilities	114
Contract liabilities	376
Total liabilities	**24,564**
Carrying value of net assets disposed	**324**

6: Business combinations continued

6(b): Discontinued operations – income statement

The Group's discontinued operations principally relate to Quilter International, the sale of which completed on 30 November 2021.

	Notes	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Income			
Gross earned premiums		1	1
Premiums ceded to reinsurers		(1)	(1)
Net earned premiums		–	–
Fee income and other income from service activities	9(a)	169	206
Investment return	9(b)	1,816	1,061
Other income		1	–
Total income		**1,986**	**1,267**
Expenses			
Change in investment contract liabilities	27	(1,818)	(1,056)
Fee and commission expenses, and other acquisition costs		(72)	(91)
Other operating and administrative expenses		(55)	(42)
Finance costs		–	(1)
Total expenses		**(1,945)**	**(1,190)**
Profit/(loss) on sale of operations before tax[1]	6(a)	90	(1)
Profit before tax attributable to equity holders from discontinued operations		**131**	**76**
Tax expense attributable to equity holders	11(a)	–	(1)
Profit after tax from discontinued operations		**131**	**75**
Attributable to:			
Equity holders of Quilter plc		**131**	**75**
Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc			
Basic – from discontinued operations (pence)	12(b)	**8.0**	**4.2**
Diluted – from discontinued operations (pence)	12(b)	**7.8**	**4.1**

[1]Loss on sale of operations before tax in the prior year relates to transaction and separation costs associated with the historical sales of the QLA and Single Strategy businesses.

£10 million of Other operating and administrative expenses (31 December 2020: £17 million) previously reported in Quilter International are now presented within continuing operations, as costs of this nature did not transfer to Utmost Group (the acquirer) on disposal.

6(c): Discontinued operations – statement of comprehensive income

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Profit after tax	131	75
Items that may be reclassified subsequently to profit or loss:		
Exchange gain on translation of foreign operations	–	1
Total comprehensive income from discontinued operations	**131**	**76**

6(d): Discontinued operations – net cash flows

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Total net cash flows from operating activities	276	126
Total net cash used in investing activities	(411)	(87)
Total net cash used in financing activities	(2)	(24)
Net (decrease)/increase in cash and cash equivalents	**(137)**	**15**

6: Business combinations continued

6(e): Business acquisitions

There have been no material acquisitions during the year ended 31 December 2021 or the year ended 31 December 2020.

Contingent consideration arising from historical business acquisitions:

The table below details the movements in the contingent consideration balance during the current and prior year arising from the business acquisitions in previous years.

	31 December 2021 £m	31 December 2020 £m
Opening balance	16	39
Payments	(7)	(20)
Financing interest charge	1	2
Unused amounts reversed and other movements	(5)	(5)
Closing balance	**5**	**16**

Contingent consideration represents the Group's best estimate of the amount payable in relation to each acquisition discounted to net present value. The basis used for each acquisition varies but includes payments based on a percentage of the level of assets under administration, funds under management and levels of ongoing fee income at future dates.

7: Alternative performance measures ("APMs")

7(a): Adjusted profit before tax and reconciliation to profit after tax

Basis of preparation of adjusted profit before tax

Adjusted profit before tax is one of the Group's alternative performance measures and represents the Group's IFRS profit, adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature, as detailed in note 7(b). Adjusted profit before tax does not provide a complete picture of the Group's financial performance, which is disclosed in the IFRS income statement, but is instead intended to provide additional comparability and understanding of the financial results.

		Year ended 31 December 2021			Year ended 31 December 2020		
	Notes	Continuing operations £m	Discontinued operations[1] £m	Total £m	Continuing operations £m	Discontinued operations[1] £m	Total £m
Affluent		111	50	161	105	60	165
High Net Worth		56	–	56	39	–	39
Head Office		(29)	–	(29)	(36)	–	(36)
Adjusted profit before tax		**138**	**50**	**188**	**108**	**60**	**168**
Reallocation of Quilter International costs	6(b)	(10)	10	–	(17)	17	–
Adjusted profit before tax after reallocation	8(b)	**128**	**60**	**188**	**91**	**77**	**168**
Adjusting items:							
Impact of acquisition and disposal related accounting	7(b)(i)	(41)	–	(41)	(42)	–	(42)
Profit/(loss) on business disposals	6(a)	2	90	92	–	(1)	(1)
Business transformation costs	7(b)(ii)	(51)	(19)	(70)	(70)	–	(70)
Managed separation costs	7(b)(iii)	(2)	–	(2)	–	–	–
Finance costs	7(b)(iv)	(10)	–	(10)	(10)	–	(10)
Policyholder tax adjustments	7(b)(v)	(7)	–	(7)	9	–	9
Customer remediation	7(b)(vi)	(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	11(a)	73	–	73	36	–	36
Income tax (expense)/credit	11(a,b)	(62)	–	(62)	4	(1)	3
Profit after tax[2]		**23**	**131**	**154**	**13**	**75**	**88**

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

7: Alternative performance measures ("APMs") continued

7(b): Adjusting items

In determining adjusted profit before tax, the Group's IFRS profit before tax is adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature. These are detailed below.

7(b)(i): Impact of acquisition and disposal related accounting

The recognition of goodwill and other acquired intangibles is created on the acquisition of a business and represents the premium paid over the fair value of the Group's share of the identifiable assets and liabilities acquired at the date of acquisition (as recognised under IFRS 3 *Business Combinations).* The Group excludes any impairment of goodwill from adjusted profit as well as the amortisation and impairment of acquired intangible assets, any acquisition costs, finance costs related to the discounting of contingent consideration and incidental items relating to past disposals.

The effect of these adjustments to determine adjusted profit are summarised below. All adjustments are in respect of continuing operations.

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Amortisation of other acquired intangible assets	14	45	45
Fair value gains on revaluation of contingent consideration		(5)	(4)
Acquisition and disposal related income[1]		–	(1)
Unwinding of discount on contingent consideration		1	2
Total impact of acquisition and disposal related accounting		**41**	**42**

[1]Acquisition and disposal related income in the year ended 31 December 2020 includes a £1 million credit for the acceleration of the discounting unwind following settlement of a loan receivable from TA Associates that related to deferred consideration arising from the sale of the Single Strategy Asset Management business.

7(b)(ii): Business transformation costs

Business transformation costs include three key items: costs associated with the UK Platform Transformation Programme; Optimisation Programme costs and business separation costs following disposal of Quilter International. For the year ended 31 December 2021, these costs totalled £70 million (31 December 2020: £70 million) in aggregate, the principal components of which are described below:

UK Platform Transformation Programme – 31 December 2021: £28 million, 31 December 2020: £38 million

The Platform Transformation Programme commenced in 2017 to replace our UK Platform, significantly upgrading its functionality as well as ensuring its underlying technology was brought up to modern standards, making it highly resilient and scalable to support business growth for the foreseeable future. The last of three phased migrations completed successfully in February 2021 with all Quilter Investment Platform assets now live on the new platform. The total lifetime costs of the programme are £202 million to 31 December 2021, and no further costs are expected.

Optimisation Programme costs – 31 December 2021: £22 million, 31 December 2020: £33 million

The Optimisation programme commenced in 2018 to provide closer business integration, creating central support, rationalising technology and reducing third-party spend. It is due to be largely complete by mid-2022. Since inception, the programme has delivered £61 million of run-rate cost savings with associated implementation costs of £81 million during this time, with the overall target of £65 million of run-rate benefits and associated delivery cost of up to £91 million.

During 2021, the Group successfully deployed the new finance, HR and procurement modules as part of our general ledger consolidation and modernisation activity. The Group continues to consolidate its technology estate and in particular the data centre, telephony and data reporting solutions. In Quilter Financial Planning the streamlining and improvement in productivity of the business has delivered cost savings during the year.

Business separation costs following disposal of Quilter International – 31 December 2021: £19 million, 31 December 2020: £nil

The costs of business separation arise from the process to separate Quilter International's infrastructure, which is complex and covers a wide range of areas including people, IT systems, data and contracts facilities. A programme team has been established to ensure the transformation of these areas to the acquirer. These provisions have been based on external quotations and estimations, together with estimates of the time required for incremental resource costs to achieve the separation. The costs are predominantly expected to occur over a three-year period.

The most significant element of the provision is the cost of migration of IT systems and data to the acquirer. Work has taken place during 2021 in preparation for migration. Calculation of the provision is based on management's best estimate of the work required, the time it is expected to take, the number and skills of the staff required and their cost, and the cost of related external IT services to support the work. In reaching these judgements and estimates, management has made use of its past experience of previous IT migrations following business disposals, including the recent migration of QLA.

Quilter Investors' build out costs – 31 December 2021: £nil, 31 December 2020: £(1) million

The Group incurred build out costs to develop Quilter Investors as a separate business distinct from the Single Strategy business, which was sold on 29 June 2018. The build was substantially completed in 2019, resulting in the release of the remaining £1 million of the provision during 2020 which was established to complete the build.

Restructuring costs following disposal of Quilter Life Assurance – 31 December 2021: £1 million, 31 December 2020: £nil
Following the disposal of Quilter Life Assurance on 31 December 2019, the Group recognised £1 million for the cost of decommissioning IT systems as the Transitional Service Agreement with ReAssure runs off.

7(b)(iii): Managed separation costs
For the year ended 31 December 2021, these costs were £2 million (31 December 2020: £nil) and relate to further rebranding of the Quilter business. These one-off costs relating to the Group's separation from Old Mutual have been excluded from adjusted profit on the basis that they relate to a fundamental restructuring of the Group and are not representative of the operating activity of the Group.

7(b)(iv): Finance costs
The nature of much of the Group's operations means that, for management's decision-making and internal performance management, the effects of interest costs on external borrowings are removed when calculating adjusted profit. For the year ended 31 December 2021, finance costs were £10 million (31 December 2020: £10 million).

7(b)(v): Policyholder tax adjustments
For the year ended 31 December 2021, the total policyholder tax adjustments to adjusted profit is £(7) million (31 December 2020: £9 million). Adjustments to policyholder tax are made to remove distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's income) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS profit/(loss) before tax attributable to equity holders. For a further explanation of the impact of markets on the policyholder tax charge see note 11(a). Adjustments are also made to remove policyholder tax distortions from other non-operating adjusting items.

7(b)(vi): Customer remediation
Lighthouse pension transfer advice provision – 31 December 2021: £7 million, 31 December 2020: £5 million
The provision for the potential redress of British Steel Pension Scheme cases and other DB to DC pension transfer cases has been increased by £7 million in the year, which has been recognised in the income statement (31 December 2020: £5 million). This increase reflects the impact of post-acquisition market and discount rate movements, together with further consideration of the cases where redress is potentially payable, as part of the ongoing skilled person review. This has been excluded from adjusted profit on the basis that the advice activities to which the charge relates was provided prior to the Group's acquisition of the business. Further details of the provision are provided in note 28.

7(c): IFRS profit before tax from continuing operations (excluding amortisation, policyholder tax adjustments and other one-off items)
For remuneration purposes, the Group uses IFRS profit before tax from continuing operations adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature, as shown below. For further details refer to the Remuneration report (page 132) and KPIs (page 28).

	Notes	Year ended 31 December 2021 £m	Year ended 31 December 2020 Continuing operations £m	Discontinued operations £m	Total £m
IFRS profit before tax (excluding amortisation, policyholder tax adjustments and other one-off items)		68	23	59	82
Adjusted for the following:					
Reallocation of Quilter International costs	6(b)	(10)	(17)	17	–
Profit/(loss) on business disposals	6(a)	2	–	(1)	(1)
Impact of acquisition and disposal related accounting	7(b)(i)	(41)	(42)	–	(42)
Policyholder tax adjustments	7(b)(v)	(7)	9	–	9
Quilter Investors' build out costs	7(b)(ii)	–	–	1	1
Profit before tax		**12**	**(27)**	**76**	**49**

7: Alternative performance measures ("APMs") continued

7(d): Reconciliation of IFRS income and expenses to "Total net fee revenue" and "Operating expenses" within adjusted profit

This reconciliation shows how each line of the Group's consolidated IFRS income statement is allocated to the Group's APMs: Net management fees, Total net fee revenue and Operating expenses, which are all defined on page 257 and form the Group's adjusted profit before tax for continuing operations. The IFRS income statement column in the table below, down to "Profit/(loss) before tax attributable to equity holders from continuing operations", reconciles to each line of the Group's consolidated income statement. Allocations are determined by management and aim to show the Group's sources of profit (net of relevant directly attributable expenses). These allocations remain consistent from year to year to ensure comparability, unless otherwise stated.

Year ended 31 December 2021	Net mgmt. fees[1] £m	Other revenue[1] £m	Total net fee revenue[1] £m	Operating expenses[1] £m	Adjusted profit before tax £m	Consol. of funds[2] £m	Consolidated income statement £m
Income							
Fee income and other income from service activities	633	111	744	–	744	(78)	666
Investment return	–	3,294	3,294	–	3,294	708	4,002
Other income	–	1	1	15	16	2	18
Total income	**633**	**3,406**	**4,039**	**15**	**4,054**	**632**	**4,686**
Expenses							
Change in investment contract liabilities	–	(3,293)	(3,293)	–	(3,293)	–	(3,293)
Fee and commission expenses, and other acquisition costs	(52)	4	(48)	–	(48)	(13)	(61)
Change in third-party interest in consolidated funds	–	–	–	–	–	(599)	(599)
Other operating and administrative expenses	(15)	1	(14)	(602)	(616)	(20)	(636)
Finance costs	–	–	–	(14)	(14)	–	(14)
Total expenses	**(67)**	**(3,288)**	**(3,355)**	**(616)**	**(3,971)**	**(632)**	**(4,603)**
Profit on business disposal	–	2	2	–	2	–	2
Tax expense attributable to policyholder returns	(73)	–	(73)	–	(73)	–	(73)
Profit/(loss) before tax attributable to equity holders from continuing operations	**493**	**120**	**613**	**(601)**	**12**	**–**	**12**
Adjusting items:							
Impact of acquisition and disposal related accounting	–	–	–	41	41		
Profit on business disposal	–	(2)	(2)	–	(2)		
Business transformation costs	–	–	–	51	51		
Managed separation costs	–	–	–	2	2		
Finance costs	–	–	–	10	10		
Customer remediation	–	–	–	7	7		
Policyholder tax adjustments	7	–	7	–	7		
Adjusting items	**7**	**(2)**	**5**	**111**	**116**		
Adjusted profit before tax after reallocation	500	118	618	(490)	128		
Reallocation of Quilter International costs[3]	–	–	–	10	10		
Adjusted profit before tax – continuing operations	**500**	**118**	**618**	**(480)**	**138**		

[1]The APMs "Net Management Fees", "Other revenue", "Total net fee revenue" and "Operating expenses" are commented on within the Financial review.
[2]Consolidation of funds shows the grossing up impact to the Group's consolidated income statement as a result of the consolidation of funds requirements, as described within note 5(a) of the Group's 2021 Annual Report. This grossing up is excluded from the Group's adjusted profit.
[3]See note 6(b) for details of cost reallocations.

7: Alternative performance measures ("APMs") continued

7(d): Reconciliation of IFRS income and expenses to 'Total net fee revenue' and 'Operating expenses' within adjusted profit continued

Year ended 31 December 2020	Net mgmt. fees[1] £m	Other revenue[1] £m	Total net fee revenue[1] £m	Operating expenses[1] £m	Adjusted profit before tax £m	Consol. of funds[2] £m	Consolidated income statement £m
Income							
Fee income and other income from service activities[3]	552	113	665	–	665	(80)	585
Investment return[3]	–	2,279	2,279	–	2,279	577	2,856
Other income	–	2	2	14	16	4	20
Total income	**552**	**2,394**	**2,946**	**14**	**2,960**	**501**	**3,461**
Expenses							
Change in investment contract liabilities	–	(2,272)	(2,272)	–	(2,272)	–	(2,272)
Fee and commission expenses, and other acquisition costs[3]	(48)	(1)	(49)	–	(49)	(3)	(52)
Change in third-party interest in consolidated funds[3]	–	–	–	–	–	(461)	(461)
Other operating and administrative expenses	(13)	(3)	(16)	(598)	(614)	(37)	(651)
Finance costs	–	–	–	(16)	(16)	–	(16)
Total expenses	**(61)**	**(2,276)**	**(2,337)**	**(614)**	**(2,951)**	**(501)**	**(3,452)**
Tax expense attributable to policyholder returns	(36)	–	(36)	–	(36)	–	(36)
Profit/(loss) before tax attributable to equity holders from continuing operations	**455**	**118**	**573**	**(600)**	**(27)**	**–**	**(27)**
Adjusting items:							
Impact of acquisition and disposal related accounting	–	–	–	42	42		
Business transformation costs	–	–	–	70	70		
Finance costs	–	–	–	10	10		
Policyholder tax adjustments	(9)	–	(9)	–	(9)		
Customer remediation	–	–	–	5	5		
Adjusting items	**(9)**	**–**	**(9)**	**127**	**118**		
Adjusted profit before tax after reallocation	446	118	564	(473)	91		
Reallocation of Quilter International costs[4]	–	–	–	17	17		
Adjusted profit before tax – continuing operations	**446**	**118**	**564**	**(456)**	**108**		

[1]The APMs "Net Management Fees", "Other revenue", "Total net fee revenue" and "Operating expenses" are commented on within the Financial review.
[2]Consolidation of funds shows the grossing up impact to the Group's consolidated income statement as a result of the consolidation of funds requirements, as described within note 5(a). This grossing up is excluded from the Group's adjusted profit.
[3]See notes 5(d) and 5(e) for details of changes to comparative amounts.
[4]See note 6(b) for details of cost reallocations.

8: Segmental information

8(a): Segmental presentation

The Group's operating segments comprise High Net Worth and Affluent, which is consistent with the manner in which the Group is now structured and managed. For all reporting periods, these segments have been classified as continuing operations in the income statement. Head Office includes certain revenues and central costs that are not allocated to the segments.

Adjusted profit before tax is an alternative performance measure ("APM") reported to the Group's management and Board. Management and the Board use additional APMs to assess the performance of each of the segments, including net client cash flows, assets under management and administration, total net fee revenue and operating margin.

Consistent with internal reporting, income and expenses that are not directly attributable to a particular segment are allocated between segments where appropriate. The Group accounts for inter-segment income and transfers as if the transactions were with third parties at current market prices. Intra-group recharges in respect of operating and administration expenses within businesses disclosed as discontinued operations are not adjusted for potential future changes to the level of remaining costs following the disposal of those businesses.

The segmental information in this note reflects the adjusted and IFRS profit measures for each operating segment as provided to management and the Board. Income is analysed in further detail for each operating segment in note 9(a).

Continuing operations:

High Net Worth

This segment comprises Quilter Cheviot and Quilter Private Client Advisers.

Quilter Cheviot provides discretionary investment management predominantly in the United Kingdom with bespoke investment portfolios tailored to the individual needs of high net worth customers, charities, companies and institutions through a network of branches in London and the regions. Investment management services are also provided by operations in the Channel Islands and the Republic of Ireland.

Quilter Private Client Advisers provide financial advice for protection, mortgages, savings, investments and pensions.

Affluent

This segment is comprised of Quilter Investment Platform, Quilter Investors and Quilter Financial Planning.

Quilter Investment Platform is a leading investment platform provider of advice-based wealth management products and services in the UK, which serves a largely affluent customer base through advised multi-channel distribution.

Quilter Investors is a leading provider of investment solutions in the UK multi-asset market. It develops and manages investment solutions in the form of funds for the Group and third-party clients. It has several fund ranges which vary in breadth of underlying asset class.

Quilter Financial Planning is a restricted and independent financial adviser network including Quilter Financial Advisers and Lighthouse, providing mortgage and financial planning advice and financial solutions for both individuals and businesses through a network of intermediaries. It operates across all markets, from wealth management and retirement planning advice through to dealing with property wealth and personal and business protection needs.

Head Office

In addition to the Group's two operating segments, Head Office comprises the investment return on centrally held assets, central support function expenses, central core structural borrowings and certain tax balances.

Discontinued operations:

Quilter International, which would have formed part of the Affluent operating segment, has been classified as a discontinued operation following the Group's announcement on 1 April 2021 of the disposal of the business and subsequent disposal on 30 November 2021. See note 6 for full details. Comparative amounts for the year ended 31 December 2020 have been restated accordingly.

Quilter International is a cross-border business, focusing on high net worth and affluent local customers and expatriates in the UK, Asia, the Middle East, Europe and Latin America.

8(b)(i): Adjusted profit statement – segmental information for the year ended 31 December 2021

The table below presents the Group's continuing operations split by operating segment, reconciling the segmented IFRS income statement (to "Profit/(loss) before tax attributable to equity holders from continuing operations") to adjusted profit before tax.

	Notes	Operating segments					
		Affluent £m	High Net Worth £m	Head Office £m	Reallocation of Quilter International costs[1] £m	Consolidation adjustments[2] £m	Consolidated income statement £m
Income							
Fee income and other income from service activities		532	213	–	–	(79)	666
Investment return		3,293	–	1	–	708	4,002
Other income		110	–	–	–	(92)	18
Segmental income		**3,935**	**213**	**1**	**–**	**537**	**4,686**
Expenses							
Change in investment contract liabilities		(3,293)	–	–	–	–	(3,293)
Fee and commission expenses, and other acquisition costs		(48)	–	–	–	(13)	(61)
Change in third-party interest in consolidated funds		–	–	–	–	(599)	(599)
Other operating and administrative expenses		(463)	(187)	(51)	(10)	75	(636)
Finance costs		(4)	–	(10)	–	–	(14)
Segmental expenses		**(3,808)**	**(187)**	**(61)**	**(10)**	**(537)**	**(4,603)**
Profit on sale of subsidiary		2	–	–	–	–	2
Profit/(loss) before tax from continuing operations		**129**	**26**	**(60)**	**(10)**	**–**	**85**
Tax expense attributable to policyholder returns		(73)	–	–	–	–	(73)
Profit/(loss) before tax attributable to equity holders from continuing operations		**56**	**26**	**(60)**	**(10)**	**–**	**12**
Adjusted for non-operating items:							
Impact of acquisition and disposal related accounting	7(b)(i)	11	30	–	–	–	41
Profit on business disposals		(2)	–	–	–	–	(2)
Business transformation costs	7(b)(ii)	32	–	19	–	–	51
Managed separation costs	7(b)(iii)	–	–	2	–	–	2
Finance costs	7(b)(iv)	–	–	10	–	–	10
Policyholder tax adjustments	7(b)(v)	7	–	–	–	–	7
Customer remediation	7(b)(vi)	7	–	–	–	–	7
Adjusting items before tax		55	30	31	–	–	116
Adjusted profit/(loss) before tax after reallocation		**111**	**56**	**(29)**	**(10)**	**–**	**128**
Reallocation of Quilter International costs	6(b)				10	–	10
Adjusted profit/(loss) before tax – continuing operations		**111**	**56**	**(29)**	**–**	**–**	**138**

[1]See note 6(b) for details of cost reallocations.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.

8: Segmental information continued

8(b)(ii): Adjusted profit statement – segmental information for the year ended 31 December 2020

	Notes	Operating segments					
		Affluent £m	High Net Worth £m	Head Office £m	Reallocation of Quilter International costs[1] £m	Consolidation adjustments[2] £m	Consolidated income statement £m
Income							
Fee income and other income from service activities[3]		476	190	–	–	(81)	585
Investment return[3]		2,275	3	1	–	577	2,856
Other income		118	4	5	–	(107)	20
Segmental income		**2,869**	**197**	**6**	**–**	**389**	**3,461**
Expenses							
Change in investment contract liabilities		(2,272)	–	–	–	–	(2,272)
Fee and commission expenses, and other acquisition costs[3]		(50)	–	–	–	(2)	(52)
Change in third-party interest in consolidated funds[3]		–	–	–	–	(461)	(461)
Other operating and administrative expenses		(446)	(191)	(71)	(17)	74	(651)
Finance costs		(5)	(1)	(10)	–	–	(16)
Segmental expenses		**(2,773)**	**(192)**	**(81)**	**(17)**	**(389)**	**(3,452)**
Profit/(loss) before tax from continuing operations		**96**	**5**	**(75)**	**(17)**	**–**	**9**
Tax expense attributable to policyholder returns		(36)	–	–	–	–	(36)
Profit/(loss) before tax attributable to equity holders from continuing operations		**60**	**5**	**(75)**	**(17)**	**–**	**(27)**
Adjusted for non-operating items:							
Impact of acquisition and disposal related accounting	7(b)(i)	10	34	(2)	–	–	42
Business transformation costs	7(b)(ii)	39	–	31	–	–	70
Finance costs	7(b)(iv)	–	–	10	–	–	10
Policyholder tax adjustments	7(b)(v)	(9)	–	–	–	–	(9)
Customer remediation	7(b)(vi)	5	–	–	–	–	5
Adjusting items before tax		45	34	39	–	–	118
Adjusted profit/(loss) before tax after reallocation		**105**	**39**	**(36)**	**(17)**	**–**	**91**
Reallocation of Quilter International costs	6(b)	–	–	–	17	–	17
Adjusted profit/(loss) before tax – continuing operations		**105**	**39**	**(36)**	**–**	**–**	**108**

[1]See note 6(b) for details of cost reallocations.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.
[3]See notes 5(d) and 5(e) for details of changes to comparative amounts.

9: Details of revenue

This note gives further detail on the items appearing in the revenue section of the consolidated income statement.

9(a): Breakdown of income

This note analyses the Group's income into further detail based on the types of fees earned and split by operating segment, which is aligned to the Group's customer base.

Year ended 31 December 2021	Affluent £m	High Net Worth £m	Head Office £m	Consolidation adjustments £m	Total continuing operations £m	Discontinued operations £m
Premium-based fees	87	24	–	–	111	45
Fund-based fees[1]	376	189	–	(79)	486	81
Retrocessions received, intra-group	–	–	–	–	–	6
Fixed fees	2	–	–	–	2	26
Exit fees	–	–	–	–	–	11
Other fee and commission income	67	–	–	–	67	–
Fee income and other income from service activities	**532**	**213**	**–**	**(79)**	**666**	**169**
Investment return	3,293	–	1	708	4,002	1,816
Other income	110	–	–	(92)	18	1
Total income	**3,935**	**213**	**1**	**537**	**4,686**	**1,986**

Year ended 31 December 2020	Affluent £m	High Net Worth £m	Head Office £m	Consolidation adjustments £m	Total continuing operations £m	Discontinued operations £m
Premium-based fees	90	22	–	–	112	70
Fund-based fees[1,2]	334	168	–	(94)	408	88
Retrocessions received, intra-group	–	–	–	–	–	6
Fixed fees	2	–	–	–	2	29
Exit fees	–	–	–	–	–	13
Other fee and commission income	50	–	–	13	63	–
Fee income and other income from service activities	**476**	**190**	**–**	**(81)**	**585**	**206**
Investment return[2]	2,275	3	1	577	2,856	1,061
Other income	118	4	5	(107)	20	–
Total income	**2,869**	**197**	**6**	**389**	**3,461**	**1,267**

[1]Income from fiduciary activities is included within fund-based fees.
[2]See notes 5(d) and 5(e) for details of changes to comparative amounts.

9(b): Investment return

This note analyses the investment return from the Group's investing activities.

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m[2]
Interest and similar income		
Loans and advances	1	1
Investments and securities	69	27
Cash and cash equivalents[1]	–	5
Total interest and similar income	**70**	**33**
Dividend income	225	135
Foreign currency gains and losses	1	–
Total gains on financial instruments mandatorily recognised at fair value through profit or loss	3,706	2,688
Net investment income – continuing operations	**4,002**	**2,856**
Net investment income – discontinued operations	**1,816**	**1,061**
Total net investment income	**5,818**	**3,917**

[1]Included within cash and cash equivalents is £nil interest arising from assets held at amortised cost (31 December 2020: £1 million). The remainder is from assets at FVTPL.
[2]See note 5(e) for details of changes to comparative amounts.

10: Details of expenses

This note provides further details in respect of the items appearing in the expenses section of the consolidated income statement.

10(a): Fee and commission expenses, and other acquisition costs

This note analyses the fee and commission expenses and other acquisition costs.

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Fee and commission expense		13	3
Renewal commission – investment contracts		30	28
Retrocessions paid[1]		21	20
Changes in contract costs	23	(3)	1
Fee and commission expenses, and other acquisition costs – continuing operations		**61**	**52**
Fee and commission expenses, and other acquisition costs – discontinued operations		**72**	**91**
Total fee and commission expenses, and other acquisition costs		**133**	**143**

[1]See note 5(d) for details of changes to comparative amounts.

10(b): Other operating and administrative expenses

This note provides further details in respect of the items included within other operating and administrative expenses section of the consolidated income statement.

	Notes	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Staff costs	10(c)(i)	341	344
Depreciation charge on right-of-use assets	15	10	11
Depreciation charge on other plant and equipment	15	6	5
Impairment of right-of-use assets	15	–	3
Amortisation of software	14(a)	2	2
Amortisation of other acquired intangibles	14(a)	45	45
Administration and other expenses		232	241
Other operating and administrative expenses – continuing operations		**636**	**651**
Other operating and administrative expenses – discontinued operations		**55**	**42**
Total other operating and administrative expenses		**691**	**693**

Administration and other expenses include business transformation costs for the year ended 31 December 2021 of £28 million (2020: £38 million) in relation to the UK Platform Transformation Programme and £22 million (2020: £33 million) in relation to Optimisation Programme costs as well as general operating expenses such as IT-related costs, premises and marketing.

10(c): Staff costs and other employee-related costs
10(c)(i): Staff costs

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Salaries		207	238
Bonus and incentive remuneration		61	33
Social security costs		27	23
Retirement obligations – Defined contribution plans		17	15
Share-based payments – Equity-settled	26(e)	19	24
Other		10	11
Staff costs – continuing operations		**341**	**344**
Staff costs – discontinued operations		**19**	**17**
Total staff costs		**360**	**361**

10(c)(ii): Employee numbers

	Year ended 31 December 2021 Number	Year ended 31 December 2020 Number
The average number of persons employed by the Group was:		
Affluent	2,207	2,586
High Net Worth	917	962
Head Office	80	85
Continuing operations	**3,204**	**3,633**
Discontinued operations	**645**	**692**
Total average number of employees during the year	**3,849**	**4,325**

The monthly average number of persons employed by the Group is based on permanent employees and fixed-term contractors. The revised segmentation did not apply during 2020. The Group has prepared the staff numbers disclosure for 2020 based on the new segmentation and making appropriate assumptions where required.

10(d): Auditors' remuneration

Included in other operating and administrative expenses are fees paid to the Group's auditors. These can be categorised as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Fees payable for audit services		
Group and Parent Company	1.5	1.5
Subsidiaries	2.2	2.0
Additional fees payable to KPMG LLP related to the prior year audit of the Group	–	0.6
Total fees for audit services	3.7	4.1
Fees for audit-related assurance services	0.8	1.0
Fees for non-audit services	0.5	–
Total Group auditors' remuneration – continuing operations	**5.0**	**5.1**
Total Group auditors' remuneration – discontinued operations	**0.3**	**0.8**
Total Group auditors' remuneration	**5.3**	**5.9**

All fees are presented net of VAT. The 2020 fees have been re-presented to exclude VAT.

10(e): Finance costs

This note analyses the interest costs on our borrowings and similar charges, all of which are valued at amortised cost. Finance costs comprise:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Term loans and other external debt	1	1
Subordinated debt securities (Tier 2 bond)	9	9
Interest payable on borrowed funds	10	10
Interest expense on lease liabilities	3	4
Other	1	2
Total finance costs – continuing operations	**14**	**16**
Total finance costs – discontinued operations	**–**	**1**
Total finance costs	**14**	**17**

Finance costs represent the cost of interest and finance charges on the Group's borrowings from a number of relationship banks. More details regarding borrowed funds, including the interest rates payable, are shown in note 30. These costs are excluded from adjusted profit within the "Finance costs" adjusting item.

Within other finance costs above is £1 million (2020: £2 million) relating to the impact of unwinding the discount rate on contingent consideration payable as a result of various acquisitions. These costs are excluded from adjusted profit within the "Impact of acquisition and disposal-related accounting" adjusting item as shown in note 7(b)(i).

11: Tax

11(a): Tax charged to the income statement

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Current tax			
United Kingdom		36	18
Overseas tax		1	3
Adjustments to current tax in respect of prior periods		–	(7)
Total current tax charge		**37**	**14**
Deferred tax			
Origination and reversal of temporary differences		36	(22)
Effect on deferred tax of changes in tax rates		(12)	–
Adjustments to deferred tax in respect of prior periods		1	4
Total deferred tax charge/(credit)		**25**	**(18)**
Total tax charged/(credited) to income statement – continuing operations		**62**	**(4)**
Total tax charged to income statement – discontinued operations	6(b)	**–**	**1**
Total tax charged/(credited) to income statement		**62**	**(3)**
Attributable to policyholder returns – continuing operations		73	36
Attributable to equity holders – continuing operations		(11)	(40)
Total tax charged/(credited) to income statement – continuing operations		**62**	**(4)**
Attributable to equity holders – discontinued operations		–	1
Total tax charged to income statement – discontinued operations		**–**	**1**
Total tax charged/(credited) to income statement		**62**	**(3)**

Policyholder tax

Certain products are subject to tax on policyholders' investment returns. This "policyholder tax" is an element of total tax expense. To make the tax expense more meaningful, tax attributable to policyholder returns and tax attributable to equity holders' profits are shown separately in the income statement.

The tax attributable to policyholder returns is the amount payable in the period plus the movement of amounts expected to be payable in future years. The remainder of the tax expense is attributed to shareholders as tax attributable to equity holders.

The Group's income tax charge on continuing operations was £62 million for the year ended 31 December 2021, compared to a credit of £4 million for the prior year. This income tax expense/credit can vary significantly period on period as a result of market volatility and the impact this has on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's income) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility in the Group's IFRS profit before tax attributable to equity holders. An adjustment is made to adjusted profit to remove these distortions, as explained further in note 7(b)(v).

Market movements during the year ended 31 December 2021 resulted in investment gains of £343 million on products subject to policyholder tax. The gain is a component of the total "investment return" gain of £4,002 million shown in the income statement. The impact of the £343 million investment return gain is the primary reason for the £73 million tax expense attributable to policyholder returns in respect of the continuing operations for the year ended 31 December 2021 (31 December 2020: £36 million expense in respect of continuing operations and £nil expense in respect of discontinued operations).

Impact of changes in UK corporation tax rate

On 3 March 2021, the Chancellor of the Exchequer announced in the Budget a future increase in the Corporation Tax rate from 19% to 25%, effective from 1 April 2023. This change has been substantially enacted by 31 December 2021 resulting in rebasing of deferred tax assets and liabilities.

The £11 million tax credit attributable to equity holders (continuing operations) includes a tax credit of £12 million relating to the change in the UK corporation tax rate and a tax credit of £4 million in relation to first time recognition of trade losses (31 December 2020: £38 million credit in relation to first time recognition of accrued interest expense).

11(b): Reconciliation of total income tax expense

The income tax charged to profit or loss differs from the amount that would apply if all of the Group's profits from the different tax jurisdictions had been taxed at the UK standard corporation tax rate. The difference in the effective rate is explained below:

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Profit before tax from continuing operations		**85**	**9**
Tax at UK standard rate of 19% (2020: 19%)		16	2
Different tax rate or basis on overseas operations		1	4
Untaxed and low taxed income		–	(1)
Expenses not deductible for tax		–	2
Adjustments to current tax in respect of prior years		–	(7)
Net movements on unrecognised deferred tax assets		(4)	(38)
Effect on deferred tax of changes in tax rates		(12)	–
Adjustments to deferred tax in respect of prior years		1	4
Income tax attributable to policyholder returns (net of tax relief)		60	30
Total tax charged/(credited) to income statement – continuing operations		**62**	**(4)**
Total tax charged to income statement – discontinued operations	6(b)	**–**	**1**
Total tax charged/(credited) to income statement		**62**	**(3)**

11(c): Reconciliation of income tax expense in the income statement to income tax on adjusted profit

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Income tax expense/(credit) on continuing operations[1]		**62**	**(4)**
Tax on adjusting items			
Impact of acquisition and disposal related accounting		4	3
Business transformation costs		10	13
Finance costs		2	2
Customer remediation		1	1
Tax adjusting items			
Policyholder tax adjustments	7(b)(v)	(7)	9
Other shareholder tax adjustments[2]		7	36
Tax on adjusting items – continuing operations		**17**	**64**
Less: tax attributable to policyholder returns within adjusted profit – continuing operations[3]		(66)	(45)
Tax credited on adjusted profit – continuing operations		**13**	**15**
Tax charged on adjusted profit – discontinued operations		**–**	**1**
Tax charged on total adjusted profit		**13**	**16**

[1]Includes both tax attributable to policyholders and equity holders, in compliance with IFRS reporting.
[2]Other shareholder tax adjustments comprise the reallocation of adjustments from policyholder tax as explained in note 7(b)(v) and shareholder tax adjustments for one-off items in line with the Group's adjusted profit policy.
[3]Adjusted profit treats policyholder tax as a pre-tax expense (this includes policyholder tax under IFRS and the policyholder tax adjustments) and is therefore removed from tax charge on adjusted profit.

12: Earnings per share

The Group calculates earnings per share ("EPS") on a number of different bases. IFRS requires the calculation of basic and diluted EPS. Adjusted EPS reflects earnings that are consistent with the Group's adjusted profit measure and Headline earnings per share ("HEPS") is a requirement of the Johannesburg Stock Exchange. The Group's EPS (in aggregate, including both continuing and discontinued operations) on these different bases are summarised below.

Basic EPS is calculated by dividing profit after tax attributable to ordinary equity shareholders of the Parent by the weighted average number of Ordinary Shares in issue during the year. The weighted average number of shares excludes Quilter plc shares held within Employee Benefit Trusts ("EBTs") to satisfy the Group's obligations under employee share awards, and Quilter plc shares held in consolidated funds ("Own shares"). Own shares are deducted for the purpose of calculating both basic and diluted EPS.

Diluted EPS recognises the dilutive impact of shares awarded and options granted to employees under share-based payment arrangements, to the extent they have value, in the calculation of the weighted average number of shares, as if the relevant shares were in issue for the full year.

The Group is also required to calculate HEPS in accordance with the Johannesburg Stock Exchange ("JSE") Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 1/2021 *Headline Earnings*. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa.

	Source of guidance	Notes	Year ended 31 December 2021 Pence	Year ended 31 December 2020 Pence
Basic earnings per share	IFRS	12(b)	9.4	5.0
Diluted basic earnings per share	IFRS	12(b)	9.2	4.9
Adjusted basic earnings per share	Group policy	12(b)	10.7	8.6
Adjusted diluted earnings per share	Group policy	12(b)	10.4	8.5
Headline basic earnings per share (net of tax)	JSE Listing Requirements	12(c)	3.9	5.2
Headline diluted earnings per share (net of tax)	JSE Listing Requirements	12(c)	3.8	5.1

12(a): Weighted average number of Ordinary Shares

The table below summarises the calculation of the weighted average number of Ordinary Shares for the purposes of calculating basic and diluted earnings per share for each profit measure (IFRS, adjusted and headline profit). Details of the impact on the number of shares from the Quilter share buyback scheme are detailed in note 25.

	Year ended 31 December 2021 Millions	Year ended 31 December 2020 Millions
Weighted average number of Ordinary Shares	1,721	1,842
Own shares including those held in EBTs	(77)	(82)
Basic weighted average number of Ordinary Shares	**1,644**	**1,760**
Adjustment for dilutive share awards and options	39	37
Diluted weighted average number of Ordinary Shares	**1,683**	**1,797**

12(b): Basic and diluted EPS (IFRS and adjusted profit)

		Year ended 31 December 2021			Year ended 31 December 2020		
	Notes	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Profit after tax		23	131	154	13	75	88
Total adjusting items before tax	7(a)	116	(71)	45	118	1	119
Tax on adjusting items	11(c)	(17)	–	(17)	(64)	–	(64)
Less: Policyholder tax adjustments	11(c)	(7)	–	(7)	9	–	9
Adjusted profit after tax after reallocation		**115**	**60**	**175**	**76**	**76**	**152**
Reversal of:							
Reallocation of Quilter International costs[1]		10	(10)	–	17	(17)	–
Adjusted profit after tax		**125**	**50**	**175**	**93**	**59**	**152**

[1]Reallocation of Quilter International costs includes £10 million of costs (31 December 2020: £17 million) previously reported as part of Quilter International which are presented within continuing operations as these costs did not transfer to Utmost Group (the acquirer) on disposal. Adjusted profit is presented both before and after the reallocation of these costs. See note 6(b) for additional details.

12: Earnings per share continued

12(b): Basic and diluted EPS (IFRS and adjusted profit) continued

	Post-tax profit measure used	Year ended 31 December 2021 Continuing operations Pence	Discontinued operations Pence	Total Pence	Year ended 31 December 2020 Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic EPS	IFRS profit	1.4	8.0	9.4	0.8	4.2	5.0
Diluted EPS	IFRS profit	1.4	7.8	9.2	0.8	4.1	4.9
Adjusted basic EPS	Adjusted profit	7.6	3.1	10.7	5.3	3.3	8.6
Adjusted diluted EPS	Adjusted profit	7.4	3.0	10.4	5.2	3.3	8.5

12(c): Headline earnings per share

	Note	Year ended 31 December 2021 Gross £m	Net of tax £m	Year ended 31 December 2020 Gross £m	Net of tax £m
Profit attributable to ordinary equity holders			**154**		**88**
Adjusted for:					
(Profit)/loss on sale of operations	6(a)	(90)	(90)	1	1
Impairment loss on right-of-use assets		–	–	3	2
Headline earnings			**64**		**91**
Headline basic EPS (pence)			**3.9**		**5.2**
Headline diluted EPS (pence)			**3.8**		**5.1**

13: Dividends

	Payment date	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
2019 Final dividend paid – 3.5p per Ordinary Share	18 May 2020	–	64
2020 Interim dividend paid – 1.0p per Ordinary Share	21 September 2020	–	17
2020 Final dividend paid – 3.6p per Ordinary Share	17 May 2021	61	–
2021 Interim dividend paid – 1.7p per Ordinary Share	20 September 2021	28	–
Dividends paid to Ordinary Shareholders		**89**	**81**

Subsequent to the year ended 31 December 2021, the Directors proposed a final dividend for 2021 of 3.9 pence per Ordinary Share amounting to £62 million in total. Subject to approval by shareholders at the AGM, the dividend will be paid on 16 May 2022. In compliance with the rules issued by the Prudential Regulation Authority ("PRA") in relation to the implementation of the Solvency II regime and other regulatory requirements to which the Group is subject, the dividend is required to remain cancellable at any point prior to it becoming due and payable on 16 May 2022 and to be cancelled if, prior to payment, the Group ceases to hold capital resources equal to or in excess of its Solvency Capital Requirement, or if that would be the case if the dividend was paid. The Directors have no intention of exercising this cancellation right, other than where required to do so by the PRA or for regulatory capital purposes.

Final and interim dividends paid to Ordinary Shareholders are calculated using the number of shares in issue at the record date less own shares held in Employee Benefit Trusts.

14: Goodwill and intangible assets

14(a): Analysis of goodwill and intangible assets

The table below shows the movements in cost and amortisation of goodwill and intangible assets.

	Goodwill £m	Software development costs £m	Other intangible assets £m	Total £m
Gross amount				
1 January 2020	350	101	428	879
Acquisitions through business combinations	6	–	1	7
Additions	–	4	–	4
31 December 2020	356	105	429	890
Disposal of interests in subsidiaries	(50)	–	(4)	(54)
Disposals[1]	–	(65)	–	(65)
31 December 2021	**306**	**40**	**425**	**771**
Amortisation and impairment losses				
1 January 2020	–	(93)	(194)	(287)
Amortisation charge for the year	–	(2)	(45)	(47)
31 December 2020	–	(95)	(239)	(334)
Amortisation charge for the year	–	(2)	(45)	(47)
Disposal of interests in subsidiaries	–	–	2	2
Disposals[1]	–	65	–	65
31 December 2021	**–**	**(32)**	**(282)**	**(314)**
Carrying amount				
31 December 2020	356	10	190	556
31 December 2021	**306**	**8**	**143**	**457**

[1]Disposals of £65 million in the year ended 31 December 2021 relate to the write-off of fully amortised software in respect of the UK Platform Transformation Programme and following the final migration of client assets in February 2021, with all Quilter Investment Platform assets now live on the new platform.

14(b): Analysis of other intangible assets

	31 December 2021 £m	31 December 2020 £m	Average estimated useful life	Average period remaining
Net carrying value				
Distribution channels – Quilter Financial Planning	9	15	8 years	2 years
Customer relationships				
Quilter Cheviot	86	114	10 years	3 years
Quilter Financial Planning	27	31	8 years	5 years
Quilter Private Client Advisers	18	23	8 years	5 years
Other	3	7	8 years	2 years
Total other intangible assets	**143**	**190**		

14(c): Allocation of goodwill to cash-generating units ("CGUs") and impairment testing

Goodwill is monitored by management at the level of the Group's two operating segments: Affluent and High Net Worth, as disclosed in note 8(a). Both operating segments represent a group of CGUs. The allocation of goodwill to these segments was based on their individual value-in-use calculations relative to the combined total.

	31 December 2021[1] £m
Goodwill (net carrying amount)	
Affluent	225
High Net Worth	81
Total goodwill	**306**

[1]At 31 December 2020, the goodwill was allocated to the Group's previous segments Advice and Wealth Management and Wealth Platforms.

14: Goodwill and intangible assets continued

14(c): Allocation of goodwill to cash-generating units ("CGUs") and impairment testing continued

Goodwill of £50 million was included in the Quilter International disposal group and disposed of as part of the sale of Quilter International. The goodwill allocated to the Quilter International disposal group was determined by reference to the value-in-use of Quilter International as a proportion of the value-in-use of the Wealth Platforms operating segment to which it belonged at the point that held-for-sale accounting was first applied to the disposal group. The Group subsequently changed its operating segments as disclosed in note 4.

Impairment review

In accordance with the requirements of IAS 36 *Impairment of Assets*, goodwill in both the Affluent and High Net Worth CGU groups is tested for impairment annually, or earlier if an indicator of impairment exists, by comparing the carrying value of the CGU group to which the goodwill relates to the recoverable value of that CGU group, being the higher of that CGU group's value-in-use or fair value less costs to sell. If applicable, an impairment charge is recognised when the recoverable amount is less than the carrying value. Goodwill impairment indicators include sudden stock market falls, the absence of positive Net Client Cash Flows ("NCCF"), significant falls in profits and an increase in the discount rate.

During the year ended 31 December 2021, management considers there to be no indicators of impairment for continuing operations across the Affluent and High Net Worth CGU groups. The impairment assessment was performed, using the latest cash flow forecasts from the Group's three-year business plan, approved by the Board. The Group's business plan takes into account the increase in equity markets experienced in 2021, which has resulted in an increase in the Group's AuMA and revenue.

The following table details the separate percentage change required in each key assumption before the carrying value would exceed the recoverable amount, assuming all other variables remain the same. The table continues to demonstrate that further adverse movements to the key assumptions used in the CGU value-in-use calculation would be required before impairment is indicated.

	Affluent	High Net Worth
Reduction in forecast cash flows	72%	73%
Increase in discount rate required	53%	34%

Forecast cash flows are impacted by movements in underlying assumptions, including equity market levels, revenue margins and NCCF. The Group considers that forecast cash flows are most sensitive to movements in equity markets because they have a direct impact on the level of the Group's fee income.

The principal sensitivity within equity market level assumptions relates to the estimated growth in equity market indices included in the three-year revenue forecasts. Management forecasts equity market growth for each business using estimated asset specific growth rates that are supported by internal research, historical performance, Bank of England forecasts and other external estimates.

Value-in-use methodology

The value-in-use calculations are determined as the sum of net tangible assets and the expected cash flows from existing and expected future new business derived from the business plans. Future cash flow elements allow for the cost of capital needed to support the business.

The cash flows that have been used to determine the value-in-use of the CGUs are based on the most recent management approved three-year profit forecasts, which incorporate anticipated equity market growth on the Group's future cash flows, and costs associated with incorporating climate-related risks within the Enterprise Risk Management Framework and climate-related financial disclosures. These cash flows change at different rates because of the different strategies of the CGUs. In cases where the CGUs have made significant acquisitions in the recent past, the cash flows are forecast to grow faster than the more mature businesses. Post the three-year forecasts, the growth rate used to determine the terminal value of the CGUs in the annual assessment approximates to the UK long-term growth rate of 2% (2020: 0.6%). Market share and market growth information are also used to inform the expected volumes of future new business.

IAS 36 does not permit any cost savings linked to future restructuring activity to be included within the value-in-use calculation unless an associated restructuring provision has also been recognised. Consequently, for the purpose of the value-in-use calculation, a number of planned cost savings (and the related implementation costs), primarily in relation to the Business Simplification programme, have been removed from the future cash flows.

The Group uses a single cost of capital of 9.5% (2020: 9.0%) to discount future expected business plan cash flows across its two groups of CGUs because they are perceived to present a similar level of risk. Capital is provided to the Group predominantly by shareholders with a small amount of debt. The cost of capital is the weighted average of the cost of equity (return required by shareholders) and the cost of debt (return required by bond and property lease holders). When assessing the systematic risk (i.e. beta value) within the calculation of the cost of equity, a triangulation approach is used that combines beta values obtained from historical data, a forward-looking view on the progression of beta values and the external views of investors.

15: Property, plant and equipment

	Right-of-use assets £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Gross amount				
1 January 2020	204	11	88	303
Additions[1]	6	–	28	34
Disposals	(44)	(3)	(4)	(51)
31 December 2020	166	8	112	286
Additions[2]	14	–	13	27
Disposal of interests in subsidiaries	(32)	–	(16)	(48)
Disposals	(16)	–	(2)	(18)
31 December 2021	**132**	**8**	**107**	**247**
Accumulated depreciation and impairment losses				
1 January 2020	(80)	(7)	(73)	(160)
Depreciation charge for the year	(15)	(1)	(4)	(20)
Impairment loss	(3)	–	–	(3)
Disposals	33	3	3	39
31 December 2020	(65)	(5)	(74)	(144)
Depreciation charge for the year	(10)	–	(6)	(16)
Disposal of interests in subsidiaries	21	–	16	37
Disposals	5	–	2	7
31 December 2021	**(49)**	**(5)**	**(62)**	**(116)**
Carrying value				
31 December 2020	101	3	38	142
31 December 2021	**83**	**3**	**45**	**131**

[1]The majority of additions in the year ended 31 December 2020 relate to the lease for Senator House, the Group's Head Office in London.
[2]The majority of additions in the year ended 31 December 2021 relate to the lease for Quilter House, the Group's main Southampton property, and the recognition of revised dilapidations provisions on properties in the lease portfolio.

The carrying value of right-of-use assets at 31 December 2021 relate to £83 million of property leases (31 December 2020: £101 million).

16: Loans and advances

This note analyses the loans and advances the Group has made. The carrying amounts of loans and advances were as follows:

	31 December 2021 £m	31 December 2020 £m
Loans to policyholders	–	186
Loans to advisers and brokers	29	33
Total net loans and advances	**29**	**219**
To be recovered within 12 months	7	195
To be recovered after 12 months	22	24
Total net loans and advances	**29**	**219**

Policyholder loans are amounts taken from an individual policyholder's unit-linked accounts and loaned to the same policyholder. Policyholder loans are non-interest bearing and are considered to be risk free from a shareholder perspective as the policyholder retains all associated risks. Policyholder loans are considered to be recoverable within 12 months as they have no repayment schedule. Policyholder loans are measured at fair value.

Loans to policyholders reduced to £nil at 2021 (2020: £186 million) due to the sale of Quilter International.

Loans to advisers are made on individual commercial terms. The loan agreement with the adviser details the dates on which the repayments of the loan are to be made. Where an adviser is due commission payments from Quilter, these commission payments are offset against the loan repayments due from the adviser. In certain circumstances, the loan agreement period may be extended where agreed by both Quilter and the adviser. Should the adviser terminate their terms of business agreement with Quilter, the loan balance becomes immediately repayable in full. Loans to advisers are measured at amortised cost. The carrying amount of loans to advisers approximates to their fair value which is measured as the principal amount receivable under the loan agreements.

17: Financial investments

The table below analyses the investments and securities that the Group invests in, either on its own proprietary behalf (shareholder funds) or on behalf of third parties (policyholder funds).

	31 December 2021 £m	31 December 2020 £m
Government and government-guaranteed securities	649	632
Other debt securities, preference shares and debentures	1,662	1,952
Equity securities	7,251	14,163
Pooled investments	38,002	46,518
Short-term funds and securities treated as investments	1	9
Total financial investments	**47,565**	63,274
Recoverable within 12 months	47,565	63,274
Recoverable after 12 months	–	–
Total financial investments	**47,565**	63,274

The financial investments recoverability profile is based on the intention with which the financial assets are held. These assets are held to cover the liabilities for linked investment contracts, all of which can be withdrawn by policyholders on demand.

18: Derivative financial instruments – assets and liabilities

The Group has limited involvement with derivative instruments and does not use them for speculation purposes. In past periods, derivative instruments have been used to manage well-defined foreign exchange risks arising out of the normal course of business. The Group does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by counterparties. The Group only deals with highly rated counterparties.

The derivatives included within the statement of financial position at 31 December 2021 and 31 December 2020 relate to instruments included as a consequence of the consolidation of investment funds.

19: Categories of financial instruments

The analysis of financial assets and liabilities into their categories as defined in IFRS 9 *Financial Instruments* is set out in the following tables. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category.

For information about the methods and assumptions used in determining fair value, refer to note 20. The Group's exposure to various risks associated with financial instruments is discussed in note 37.

31 December 2021

	Fair value				
Measurement basis	Mandatorily at FVTPL £m	Designated at FVTPL £m	Amortised cost £m	Non-financial assets and liabilities £m	Total £m
Assets					
Investments in associated undertakings[1]	–	–	–	2	2
Loans and advances	–	–	29	–	29
Financial investments	47,564	–	–	1	47,565
Trade, other receivables and other assets	–	–	325	56	381
Derivative assets	14	–	–	–	14
Cash and cash equivalents	1,216	–	848	–	2,064
Total assets that include financial instruments	48,794	–	1,202	59	50,055
Total other non-financial assets	–	–	–	685	685
Total assets	**48,794**	**–**	**1,202**	**744**	**50,740**
Liabilities					
Investment contract liabilities	–	41,071	–	–	41,071
Third-party interests in consolidation of funds	6,898	–	–	–	6,898
Borrowings and lease liabilities	–	–	299	–	299
Trade, other payables and other liabilities	–	–	370	114	484
Derivative liabilities	15	–	–	–	15
Total liabilities that include financial instruments	6,913	41,071	669	114	48,767
Total other non-financial liabilities	–	–	–	234	234
Total liabilities	**6,913**	**41,071**	**669**	**348**	**49,001**

[1]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.

19: Categories of financial instruments continued

31 December 2020

Measurement basis	Fair value: Mandatorily at FVTPL £m	Fair value: Designated at FVTPL £m	Amortised cost £m	Non-financial assets and liabilities £m	Total £m
Assets					
Investments in associated undertakings[1]	–	–	–	1	1
Loans and advances	186	–	33	–	219
Financial investments	63,248	1	25	–	63,274
Trade, other receivables and other assets	–	–	444	257	701
Derivative assets	43	–	–	–	43
Cash and cash equivalents	1,064	–	857	–	1,921
Total assets that include financial instruments	64,541	1	1,359	258	66,159
Total other non-financial assets	–	–	–	1,213	1,213
Total assets	**64,541**	**1**	**1,359**	**1,471**	**67,372**
Liabilities					
Investment contract liabilities	–	57,407	–	–	57,407
Third-party interests in consolidation of funds	6,513	–	–	–	6,513
Borrowings and lease liabilities	–	–	319	–	319
Trade, other payables and other liabilities	–	–	590	82	672
Derivative liabilities	20	–	–	–	20
Total liabilities that include financial instruments	6,533	57,407	909	82	64,931
Total other non-financial liabilities	–	–	–	563	563
Total liabilities	**6,533**	**57,407**	**909**	**645**	**65,494**

[1]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.

20: Fair value methodology

This section explains the judgements and estimates made in determining the fair values of financial instruments that are recognised and measured at fair value in the financial statements. Classifying financial instruments into the three levels of fair value hierarchy (see note 20(b)), prescribed under IFRS, provides an indication about the reliability of inputs used in determining fair value.

20(a): Determination of fair value

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market exit prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs:

- for units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published quoted prices representing exit values in an active market;
- for equity and debt securities not actively traded in organised markets and where the price cannot be retrieved, the fair value is determined by reference to similar instruments for which market observable prices exist;
- for assets that have been suspended from trading on an active market, the last published price is used. Many suspended assets are still regularly priced. At the reporting date all suspended assets are assessed for impairment; and
- where the assets are private company shares or within consolidated investment funds, the valuation is based on the latest available set of audited financial statements where available, or if more recent, financial statements for the fund or a statement of valuation provided by the management of the private company or fund.

There have been no significant changes in the valuation techniques applied when valuing financial instruments. Where assets are valued by the Group, the general principles applied to those instruments measured at fair value are outlined below:

Loans and advances

Loans and advances include loans to policyholders, loans to brokers, and other secured and unsecured loans. Loans and advances to policyholders of investment-linked contracts are measured at fair value. All other loans are stated at their amortised cost.

Financial investments

Financial investments include government and government-guaranteed securities, listed and unlisted debt securities, preference shares and debentures, listed and unlisted equity securities, listed and unlisted pooled investments (see below), short-term funds and securities treated as investments and certain other securities.

Pooled investments represent the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles. Pooled investments are recognised at fair value. The fair values of pooled investments are based on widely published prices that are regularly updated.

20: Fair value methodology continued
20(a): Determination of fair value continued

Other financial investments that are measured at fair value use observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising various approaches including discounted cash flows, the application of an earnings before interest, tax, depreciation and amortisation multiple or any other relevant technique.

Derivatives
The fair value of derivatives is determined with reference to the exchange traded prices of the specific instruments. The fair value of over-the-counter forward foreign exchange contracts is determined by the underlying foreign currency exchange rates.

Investment contract liabilities
The fair value of the investment contract liabilities is determined with reference to the underlying funds that are held by the Group.

Third-party interest in consolidated funds
Third-party interests in consolidated funds are measured at the attributable net asset value of each fund.

Borrowings and lease liabilities
Borrowings and lease liabilities are stated at amortised cost.

20(b): Fair value hierarchy
Fair values are determined according to the following hierarchy:

Description of hierarchy	Types of instruments classified in the respective levels
Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.	Listed equity securities, government securities and other listed debt securities and similar instruments that are actively traded, actively traded pooled investments, certain quoted derivative assets and liabilities, policyholder loans (where they form part of a policyholder's unit-linked policy) and investment contract liabilities directly linked to other Level 1 financial assets.
Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data. Over-the-counter ("OTC") derivatives, certain privately placed debt instruments and third-party interests in consolidated funds which meet the definition of Level 2 financial instruments.
Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.	Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

20(c): Transfer between fair value hierarchies
The Group deems a transfer to have occurred between Level 1 and Level 2 or Level 3 when an active, traded primary market ceases to exist for that financial instrument. A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine fair value of the instrument become unobservable. Transfers from Levels 3 or 2 to Level 1 are also possible when assets become actively priced.

There were transfers of financial investments of £16 million from Level 1 to Level 2 during the year (31 December 2020: £9 million). There were transfers of financial investments of £85 million from Level 2 to Level 1 during the year (31 December 2020: £3 million). These movements are matched closely by transfers of investment contract liabilities. See note 20(e) for the reconciliation of Level 3 financial instruments.

20(d): Financial assets and liabilities measured at fair value, classified according to fair value hierarchy

The majority of the Group's financial assets are measured using quoted market prices for identical instruments in active markets (Level 1) and there have been no significant changes during the year.

The linked assets are held to cover the liabilities for linked investment contracts (net of reinsurance). The difference between linked assets and linked liabilities is principally due to short-term timing differences between policyholder premiums being received and invested in advance of policies being issued, and tax liabilities within funds which are reflected within the Group's tax liabilities.

Differences between assets and liabilities within the respective levels of the fair value hierarchy also arise due to the mix of underlying assets and liabilities within consolidated funds. In addition, third-party interests in consolidated funds are classified as Level 2.

The table below presents a summary of the Group's financial assets and liabilities that are measured at fair value in the consolidated statement of financial position according to their IFRS 9 classification (see note 19 for full details).

	31 December 2021		31 December 2020	
	£m	%	£m	%
Financial assets measured at fair value				
Level 1	41,996	86.0%	56,927	88.2%
Level 2	6,771	13.9%	5,793	9.0%
Level 3	27	0.1%	1,822	2.8%
Total	**48,794**	**100.0%**	**64,542**	**100.0%**
Financial liabilities measured at fair value				
Level 1	41,047	85.5%	55,135	86.3%
Level 2	6,913	14.4%	6,985	10.9%
Level 3	24	0.1%	1,820	2.8%
Total	**47,984**	**100.0%**	**63,940**	**100.0%**

The tables below further analyse the Group's financial assets and liabilities measured at fair value by the fair value hierarchy described in note 20(b):

31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	41,996	6,771	27	48,794
Financial investments	40,780	6.757	27	47,564
Cash and cash equivalents	1,216	–	–	1,216
Derivative assets	–	14	–	14
Total assets measured at fair value	**41,996**	**6,771**	**27**	**48,794**
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	–	6,913	–	6,913
Third-party interests in consolidated funds	–	6,898	–	6,898
Derivative liabilities	–	15	–	15
Designated (fair value through profit or loss)	41,047	–	24	41,071
Investment contract liabilities	41,047	–	24	41,071
Total liabilities measured at fair value	**41,047**	**6,913**	**24**	**47,984**

20: Fair value methodology continued

20(d): Financial assets and liabilities measured at fair value, classified according to fair value hierarchy continued

31 December 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	56,926	5,793	1,822	64,541
Loans and advances[1]	186	–	–	186
Financial investments	55,676	5,750	1,822	63,248
Cash and cash equivalents	1,064	–	–	1,064
Derivative assets	–	43	–	43
Designated (fair value through profit or loss)	1	–	–	1
Financial investments	1	–	–	1
Total assets measured at fair value	**56,927**	**5,793**	**1,822**	**64,542**
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	–	6,533	–	6,533
Third-party interests in consolidated funds	–	6,513	–	6,513
Derivative liabilities	–	20	–	20
Designated (fair value through profit or loss)	55,135	452	1,820	57,407
Investment contract liabilities	55,135	452	1,820	57,407
Total liabilities measured at fair value	**55,135**	**6,985**	**1,820**	**63,940**

[1]Loans and advances mandatorily at fair value through profit or loss, included within fair value Level 1, solely relate to policyholder loans in Quilter International.

20(e): Level 3 fair value hierarchy disclosure

The majority of the assets classified as Level 3 are held within linked policyholder funds. Where this is the case, all of the investment risk associated with these assets is borne by policyholders and the value of these assets is exactly matched by a corresponding liability due to policyholders. The Group bears no risk from a change in the market value of these assets except to the extent that it has an impact on management fees earned.

During the year ended 31 December 2021, Level 3 assets also include investments within consolidated funds to the value of £1 million (31 December 2020: £2 million) relating to private equity investments. The Group bears no risk from a change in the market value of these assets and any changes in market value are matched by a corresponding Level 2 liability within Third-party interests in consolidated funds.

The table below reconciles the opening balance of Level 3 financial assets to the closing balance at each year end:

	31 December 2021 £m	31 December 2020[1] £m
At beginning of the year	1,822	1,717
Fair value losses charged to income statement	(3)	(121)
Purchases	–	16
Sales	–	(8)
Transfers in	8	930
Transfers out	(393)	(714)
Disposal of subsidiaries[2]	(1,406)	–
Foreign exchange and other movements	(1)	2
Total Level 3 financial assets	**27**	**1,822**
Unrealised fair value losses charged to income statement relating to assets held at the year end	(4)	(110)

[1]During the year ended 31 December 2020, Level 3 assets also included a shareholder investment in suspended funds of £2 million; this was not matched by a corresponding liability and therefore the changes in market value were recognised in the Group's consolidated income statement.
[2]During the year ended 31 December 2021, Level 3 assets decreased by £1,406 million following the sale of Quilter International to Utmost Group.

20: Fair value methodology continued

20(e): Level 3 fair value hierarchy disclosure continued

Transfers into Level 3 assets in the current year total £8 million (31 December 2020: £930 million). This is mainly due to suspended funds previously shown within Level 1. Suspended funds are valued based on external valuation reports received from fund managers. Transfers out of Level 3 assets in the current year of £393 million (31 December 2020: £714 million) result from a transfer to Level 1 assets relating to assets that are now being actively repriced (that were previously stale) and where fund suspensions have been lifted.

The table below analyses the type of Level 3 financial assets held:

	31 December 2021 £m	31 December 2020 £m
Pooled investments	26	522
Unlisted and stale price pooled investments	1	87
Suspended funds	25	435
Private equity investments	1	1,300
Total Level 3 financial assets	**27**	**1,822**

All of the liabilities that are classified as Level 3 are investment contract liabilities which exactly match against the Level 3 assets held in linked policyholder funds.

The table below reconciles the opening balance of Level 3 financial liabilities to the closing balance at each year end:

	31 December 2021 £m	31 December 2020 £m
At beginning of the year	1,820	1,717
Fair value losses charged to the income statement	(3)	(120)
Purchases	–	16
Sales	–	(8)
Transfers in	5	927
Transfers out	(391)	(714)
Disposal of subsidiaries	(1,406)	–
Foreign exchange and other movements	(1)	2
Total Level 3 financial liabilities	**24**	**1,820**
Unrealised fair value losses charged to the income statement relating to liabilities held at the year end	(4)	(110)

20: Fair value methodology continued

20(f): Effect of changes in significant unobservable assumptions to reasonable possible alternatives

Details of the valuation techniques applied to the different categories of financial instruments can be found in note 20(a) above, including the valuation techniques applied when significant unobservable assumptions are used to value Level 3 assets.

The majority of the Group's Level 3 assets at 31 December 2020 were held within private equity investments, where the valuation of these assets was performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. Private equity investments are valued at the value disclosed in the latest available set of audited financial statements or, if more recent information is available, from investment managers or professional valuation experts at the value of the underlying assets of the private equity investment. For this reason, no reasonable alternative assumptions are applicable and the Group therefore performs a sensitivity test of an aggregate 10% change in the value of the financial asset or liability (31 December 2020: 10%), representing a reasonable possible alternative judgement in the context of the current macro-economic environment in which the Group operates. It is therefore considered that the impact of this sensitivity will be in the range of £2 million to the reported fair value of Level 3 assets, both favourable and unfavourable (31 December 2020: £182 million). As described in note 20(e), changes in the value of Level 3 assets held within linked policyholder funds are exactly matched by corresponding changes in the value of liabilities due to policyholders and therefore have no impact on the Group's net asset value or profit or loss, except to the extent that it has an impact on management fees earned.

20(g): Fair value hierarchy for assets and liabilities not measured at fair value

Certain financial instruments of the Group are not carried at fair value. The carrying values of these are considered reasonable approximations of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals. Their classification within the fair value hierarchy would be as follows:

Trade, other receivables, and other assets	Level 3
Trade, other payables, and other liabilities	Level 3

Cash and cash equivalents (excluding money market funds) are held at amortised cost and therefore not carried at fair value. The cash and cash equivalents that are held at amortised cost would be classified as Level 1 in the fair value hierarchy.

Fixed-term deposits, which are included within Financial investments, are held at amortised cost and therefore not carried at fair value. The fixed-term deposits that are held at amortised cost would be classified as Level 1 in the fair value hierarchy.

Loans and advances are financial assets held at amortised cost and therefore not carried at fair value, with the exception of policyholder loans which are categorised as FVTPL. The loans and advances that are held at amortised cost would be classified as Level 3 in the fair value hierarchy.

Borrowed funds are financial liabilities held at amortised cost and therefore not carried at fair value. Borrowed funds relate to subordinated liabilities and would be classified as Level 2 in the fair value hierarchy.

Lease liabilities valued under IFRS 16 are held at amortised cost and therefore not carried at fair value. They would be classified as Level 3 in the fair value hierarchy.

21: Structured entities

Structured entities are defined as entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Group has interests in both consolidated and unconsolidated structured entities.

21(a): Group's involvement in structured entities

The Group invests in collective investment vehicles, including open-ended investment companies ("OEICs") and unit trusts, in order to match unit-linked investment contract liabilities. This means that all of the investment risk associated with these assets is borne by policyholders and any change in the value of these assets is closely matched by a corresponding change in liability due to policyholders. As the Group earns management fees based on the market value of unit-linked assets, any change in asset values will increase or decrease the Group's revenues. The Group has not provided any non-contractual support to any consolidated or unconsolidated structured entities during 2020 and 2021.

As at 31 December 2020 and 31 December 2021, the Group has no obligation or intention to provide financial support to structured entities that could expose the Group to a loss.

In addition, shareholder funds are also invested in collective investment vehicles, principally in respect of money market funds as an alternative to bank deposits.

The Group's holdings in collective investment vehicles are subject to the terms and conditions of the respective investment vehicles' offering documentation and are susceptible to market price risk arising from uncertainties about the future values of those investment vehicles. All of the investment vehicles in the investment portfolios are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee and is reflected in the valuation of the investment vehicles.

These structured entities are not consolidated where the Group determines that it does not have control.

21(b): Interests in unconsolidated structured entities

The Group invests in unconsolidated structured entities as part of its normal investment and trading activities. The Group's total interest in unconsolidated structured entities is classified as financial investments held mandatorily at fair value through profit or loss. The table below provides a summary of the carrying value of the Group's interests in unconsolidated structured entities:

	31 December 2021 £m	31 December 2020 £m
Financial investments	34,928	43,737
Cash and cash equivalents	1,216	1,064
Total Group interest in unconsolidated structured entities	**36,144**	**44,801**

The Group's maximum exposure to loss with regard to the Group's interests in unconsolidated structured entities presented above, before consideration of the reduction in unit-linked liabilities, is the carrying amount of the Group's investments (31 December 2021: £36,144 million; 31 December 2020: £44,801 million). The majority of the exposure relates to unit-linked products and therefore any movement in the Group's investment will be offset by a corresponding movement in investment contract liabilities. Once the Group has disposed of its shares or units in a fund, it ceases to be exposed to any risk from that fund. The Group's holdings in the above unconsolidated structured entities are less than 50% and as such the net asset value of these structured entities is significantly higher than the carrying value of the Group's interest.

21(c): Consolidation considerations for structured entities managed by the Group

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of decision-making rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the Group in the fund in the form of interest held and exposure to variable returns.

In most instances, the Group's decision-making authority, in its capacity as fund manager, with regard to these funds is regarded to be well-defined. Discretion is exercised when decisions regarding the relevant activities of these funds are being made. For funds managed by the Group where the investors have the right to remove the Group as fund manager without cause, the fees earned by the Group are considered to be market related. These agreements include only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's length basis. The Group has concluded that it acts as agent on behalf of the investors in all instances.

The Group is considered to be acting as principal where the Group is the fund manager and is able to make the investment decisions on behalf of the unit holders and earn a variable fee, and there are no kick out rights that would remove the Group as fund manager.

There have been no changes in facts or circumstances which have changed the Group's conclusion on the consolidation of funds.

21(d): Other interests in unconsolidated structured entities

At the current and prior reporting date, the Group held units in each of the investment funds it managed.

22: Trade, other receivables and other assets

This note analyses total trade, other receivables and other assets.

	31 December 2021 £m	31 December 2020 £m
Outstanding settlements	181	277
Other receivables	103	120
Accrued interest	1	4
Accrued income	40	31
Fee income receivable	–	192
Other accruals and prepayments	36	49
Contract assets	11	12
Management fees	9	16
Total trade, other receivables and other assets	**381**	**701**
To be settled within 12 months	381	555
To be settled after 12 months	–	146
Total trade, other receivables and other assets	**381**	**701**

Other receivables mainly relate to trade debtors, tax debtors and other debtors.

Fee income receivable reduced to £nil at 2021 (2020: £192 million) due to the sale of Quilter International.

There have been no non-performing receivables or material impairments in the financial year that require disclosure. Information about the Group's expected credit losses on trade receivables is included in note 37(b). None of the receivables reflected above have been subject to the renegotiation of terms.

23: Contract costs

Contract costs (on investment contracts and asset management contracts) relate to costs that the Group incurs to obtain new business. These acquisition costs are capitalised in the statement of financial position and are amortised in profit or loss over the life of the contracts. The table below analyses the movements in these balances relating to investment and asset management contracts.

	Investment contracts £m	Asset management £m	Total £m
1 January 2020	452	3	455
New business	1	–	1
Amortisation	(1)	(1)	(2)
Continuing operations movement	–	(1)	(1)
New business	29	–	29
Amortisation	(72)	–	(72)
Discontinued operations movement	(43)	–	(43)
Foreign exchange	2	–	2
31 December 2020	411	2	413
New business	2	1	3
Amortisation	–	–	–
Continuing operations movement	2	1	3
New business	24	–	24
Amortisation	(45)	–	(45)
Discontinued operations movement	(21)	–	(21)
Disposal of subsidiaries	(383)	–	(383)
Foreign exchange	(3)	–	(3)
31 December 2021	**6**	**3**	**9**

24: Cash and cash equivalents

24(a): Analysis of cash and cash equivalents

	31 December 2021 £m	31 December 2020 £m
Cash at bank	559	550
Money market funds	1,216	1,064
Cash and cash equivalents in consolidated funds	289	307
Total cash and cash equivalents per statement of financial position	**2,064**	**1,921**

The Group's management does not consider that the cash and cash equivalents balance arising due to consolidation of funds £289 million (2020: £307 million) is available for use in the Group's day-to-day operations. The remainder of the Group's cash and cash equivalents balance of £1,775 million (2020: £1,614 million) is considered to be available for use by the Group.

24(b): Analysis of net cash flows from operating activities:

	Notes	31 December 2021 £m	31 December 2020 £m
Cash flows from operating activities			
Profit before tax from continuing operations		85	9
Profit before tax from discontinued operations	6(c)	131	76
		216	85
Adjustments for			
Depreciation and impairment of property, plant and equipment	15	16	23
Movement on contract costs	23	18	44
Movement on contract liabilities and fee income receivable	32	10	(7)
Amortisation and impairment of intangibles	14	47	47
Fair value and other movements in financial assets		(5,102)	(3,319)
Fair value movements in investment contract liabilities	27	4,467	2,632
Other change in investment contract liabilities		3,454	2,187
(Profit)/loss on sale of subsidiaries	6(a)	(91)	1
Other movements		32	40
		2,851	1,648
Net changes in working capital			
Decrease/(increase) in derivatives		24	(11)
Decrease/(increase) in loans and advances	16	15	(5)
Increase in provisions	28	17	1
Movement in other assets/liabilities[1]		(20)	(245)
		36	(260)
Taxation paid		(10)	(28)
Net cash flows from operating activities		**3,093**	**1,445**

[1]Working capital changes in respect of other assets and liabilities primarily relate to consolidated funds.

24: Cash and cash equivalents continued

24(c): Cash flows from financing activities is further analysed below:

31 December 2021	Liabilities		Equity[1]	
	Borrowings and lease liabilities £m	Deposits from reinsurers £m	Changes in equity £m	Total £m
	Note 30			
Opening balance at 1 January 2021	**319**	**–**	**1,878**	**2,197**
Cash flows from financing activities				
Liability related:				
Finance costs on external borrowings	(9)	–	–	(9)
Equity related:				
Dividends paid to ordinary equity holders of the Company	–	–	(89)	(89)
Repurchase of own shares	–	–	(197)	(197)
Payment of lease liabilities	(12)	–	–	(12)
Cash flows from financing activities	**(21)**	**–**	**(286)**	**(307)**
Other changes				
External debt interest accrual	9		–	9
Changes in lease liabilities	(8)			(8)
Other changes in liabilities	–	–	–	–
Liability related	1	–	–	1
Equity related	–	–	147	147
31 December 2021	**299**	**–**	**1,739**	**2,038**

31 December 2020	Liabilities		Equity[1]	
	Borrowings and lease liabilities £m	Deposits from reinsurers £m	Changes in equity £m	Total £m
	Note 30			
Opening balance at 1 January 2020	335	16	2,071	2,422
Cash flows from financing activities				
Liability related:				
Finance costs on external borrowings	(9)	(1)	–	(10)
Equity related:				
Dividends paid to ordinary equity holders of the Company			(81)	(81)
Repurchase of own shares		–	(198)	(198)
Payment of lease liabilities	(16)	–	–	(16)
Cash flows from financing activities	**(25)**	**(1)**	**(279)**	**(305)**
Other changes				
External debt interest accrual	9		–	9
Changes in lease liabilities	(1)	–	–	(1)
Other changes in liabilities	1	(15)	–	(14)
Liability related	9	(15)	–	(6)
Equity related	–	–	86	86
31 December 2020	319	–	1,878	2,197

[1]Full details of changes in equity are shown in the consolidated statement of changes in equity.

25: Share capital, capital redemption reserve and merger reserve

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. At 31 December 2021, the Parent Company's equity capital comprises 1,655,827,217 Ordinary Shares of 7 pence each with an aggregated nominal value of £115,907,905 (31 December 2020: 1,783,969,051 Ordinary Shares of 7 pence each with an aggregated nominal value of £124,877,834).

This note gives details of the Company's Ordinary Share capital, shows the movements during the year and gives details of the release of £124 million of the merger reserve:

	Number of shares	Nominal value £m	Share premium £m
At 1 January 2020	1,902,251,098	133	58
Shares cancelled through share buyback programme	(118,282,047)	(8)	
At 31 December 2020	1,783,969,051	125	58
Shares cancelled through share buyback programme	(128,141,834)	(9)	
At 31 December 2021	**1,655,827,217**	**116**	**58**

25(a): Share capital

On 11 March 2020, the Company announced a share buyback programme to purchase shares up to a maximum value of £375 million, in order to return the net surplus proceeds to shareholders arising from the sale of Quilter Life Assurance which had the impact of reducing the share capital of the Company.

During the year ended 31 December 2021, the Company acquired the committed remainder from 2020 and, as part of tranches 3 and 4 of the share buyback, a further 128.1 million shares (31 December 2020: 118.3 million) for a total consideration of £197 million (31 December 2020: £153 million) and incurred additional costs of £3 million (31 December 2020: £4 million). The shares, which had a nominal value of £9 million (31 December 2020: £8 million), have subsequently been cancelled, increasing the capital redemption reserve of the same value as required by the Companies Act 2006. At 31 December 2021, the committed remaining share buyback for which a legally binding instruction had been provided by the Board, of £26 million (31 December 2020: £22 million) was accrued as a liability against retained earnings.

There is one class of Ordinary Share of 7 pence each. All share issued carry equal voting rights. The holders of the Company's Ordinary Shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings of the Company.

25(b): Merger reserve

During the year ended 31 December 2021, there was a dividend paid by Quilter Perimeter Holdings Limited up to its Parent Quilter plc. The resulting decrease in Quilter Perimeter Holdings Limited's net asset value gave rise to a £124 million impairment of Quilter plc's investment in Quilter Perimeter Holdings Limited and an associated release of the merger reserve reducing it to £25 million.

26: Share-based payments

During the year ended 31 December 2021, the Group participated in a number of share-based payment arrangements. This note describes the nature of the plans and how the share options and awards are valued.

26(a): Description of share-based payment arrangements

The Group operates the following share-based payment schemes with awards over Quilter plc shares: the Quilter plc Performance Share Plan, the Quilter plc Share Reward Plan, the Quilter plc Share Incentive Plan, the Quilter plc Sharesave Plan, the Old Mutual Wealth Phantom Share Reward Plan, and the Charles Derby Group Performance Share Plan.

26: Share-based payments continued

26(a): Description of share-based payment arrangements continued

	Description of award						Vesting conditions	
Scheme	Restricted shares	Conditional shares	Options	Other	Dividend entitlement[1]	Contractual life (years)	Typical service (years)	Performance (measure)
Quilter plc Performance Share Plan	–	–	✓	–	✓	Up to 10	3	AP EPS CAGR[2] and Relative Total Shareholder Return
Quilter plc Performance Share Plan	–	✓	–	–	✓	Not less than 3	3	Conduct, Risk & Compliance Underpins
Quilter plc Share Reward Plan	–	✓	–	–	✓	Typically, 3	3	–
Quilter plc Share Incentive Plan	✓	–	–	–	✓	Not less than 3	2	–
Quilter plc Sharesave Plan[3]	–	–	✓	✓	–	3½ – 5½	3 & 5	–
Old Mutual Wealth Phantom Share Reward Plan[4]	–	✓	–	–	✓	Typically, 3	3	–
Charles Derby Group Performance Share Plan	–	–	✓	–	✓	Up to 10	5	AP EPS CAGR

[1]Participants are entitled to actual dividends for the Share Incentive Plan. For all other schemes, participants are entitled to dividend equivalents.
[2]Adjusted Profit compound annual growth rate ("CAGR").
[3]The Quilter plc Sharesave Plan is linked to a savings plan.
[4]Awards granted under the Phantom Share Reward Plan prior to the demerger of Quilter plc were made over notional Ordinary Shares in Old Mutual plc that were settled in cash on the vesting date. Upon the demerger and listing of Quilter plc, all unvested notional share awards were converted to conditional awards over Ordinary Shares in Quilter plc, which will be settled in Quilter plc shares on the normal vesting dates.

26(b): Reconciliation of movements in options

The movement in options outstanding under the Performance Share Plans and Sharesave Plan arrangements during the year is detailed below:

	Year ended 31 December 2021		Year ended 31 December 2020	
Options over Ordinary Shares (London Stock Exchange)	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of the year	24,898,095	£0.54	24,707,734	£0.65
Granted during the year	6,315,110	£0.86	3,016,429	£0.00
Forfeited during the year	(1,544,730)	£0.38	(976,874)	£0.85
Exercised during the year	(1,609,808)	£0.27	(620,349)	£0.51
Expired during the year	(220,391)	£1.25	(287,816)	£1.25
Cancelled during the year	(649,710)	£1.27	(941,029)	£1.25
Outstanding at end of the year	**27,188,566**	**£0.62**	**24,898,095**	**£0.54**
Exercisable at end of the year	**–**	**–**	**–**	**–**

The weighted average fair value of options at the measurement date for options granted during the year ended 31 December 2021 is £0.68, and for the year ended 31 December 2020 was £0.95. The weighted average share price at the dates of exercise for options exercised during the year was £1.62.

The options outstanding at 31 December 2021 have exercise prices of £nil for both the Quilter plc Performance Share Plan and the Charles Derby Group Performance Share Plan, and between £1.25 and £1.31 for the Quilter plc Sharesave Plan, with a weighted average remaining contractual life of 1.3 years. At 31 December 2020, the exercise price was £nil for both the Quilter plc Performance Share Plan and Charles Derby Group Performance Share Plan, and £1.25 for the Quilter plc Sharesave Plan, with a weighted average remaining contractual life of 1.8 years.

26(c): Measurements and assumptions

In determining the fair value of equity-settled share-based awards and the related charge to the income statement, the Group makes assumptions about future events and market conditions. Specifically, management makes estimates of the likely number of shares that will vest and the fair value of each award granted which is valued and 'locked in' at the grant date.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of fair value of share options granted is measured using either a Black-Scholes option pricing model or a Monte Carlo simulation.

26: Share-based payments continued

26(c): Measurements and assumptions continued

The inputs used in the measurement of fair values at the grant date for awards granted during 2021 were as follows:

Scheme	Weighted average share price £	Weighted average exercise price £	Weighted average expected volatility	Weighted average expected life (years)	Weighted average risk-free interest rate	Weighted average expected dividend yield	Expected forfeitures per annum
Quilter plc Performance Share Plan – Share Options (Nil cost options)	1.64	0.00	33%	3.0	0.2%	0.0%	0%
Quilter plc Performance Share Plan – Conditional Shares	1.62	0.00	33%	3.0	0.2%	0.0%	4%
Quilter plc Share Reward Plan – Conditional Shares	1.64	0.00	32%	1.9	0.1%	0.0%	4%
Quilter plc Sharesave Plan	1.59	1.31	29%	3.5	0.2%	3.1%	5%

The expected volatility used was based on the historical volatility of the share price over the period for which trading history is available. The risk-free interest rate was based on the yields available on UK Government bonds as at the date of grant. The bonds chosen were those with a similar remaining term to the expected life of the share awards.

26(d): Share grants

The following summarises the fair value of Conditional Shares granted by the Group during the year:

	Year ended 31 December 2021		Year ended 31 December 2020	
Instruments granted during the year	Number granted	Weighted average fair value	Number granted	Weighted average fair value
Quilter plc Performance Share Plan – Conditional Shares	3,854,809	£1.64	4,911,597	£1.17
Quilter plc Share Reward Plan – Conditional Shares	4,243,273	£1.64	13,471,153	£1.17

26(e): Financial impact

The share-based payment reserve of £42 million (31 December 2020: £42 million) represents the cumulative expense of the Group for the unsettled portion of equity awarded schemes.

The total expense recognised in the year arising from equity compensation plans was as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Expense arising from equity-settled share and share option plans – continuing operations	19	24
Expense arising from equity-settled share and share option plans – discontinued operations	1	1
Total expense arising from share and share option plans	**20**	**25**

27: Investment contract liabilities

The following table provides a summary of the Group's investment contract liabilities:

	2021 £m	2020 £m
Carrying amount at 1 January	**57,407**	**52,455**
From continuing operations		
Fair value movements	2,821	1,760
Investment income	472	512
Movements arising from investment return	3,293	2,272
From discontinued operations		
Fair value movements	1,646	872
Investment income	172	184
Movements arising from investment return	1,818	1,056
Contributions received	6,837	4,871
Maturities	(406)	(97)
Withdrawals and surrenders	(3,460)	(3,226)
Claims and benefits	(162)	(59)
Other movements	1	2
Change in liability	**7,921**	**4,819**
Currency translation (gain)/loss	(199)	133
Disposal of subsidiaries	(24,058)	–
Investment contract liabilities at 31 December	**41,071**	**57,407**

For unit-linked investment contracts, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit.

The benefits offered under the unit-linked investment contracts are based on the risk appetite of policyholders and the return on their selected investments and collective fund investments, whose underlying investments include equities, debt securities, property and derivatives. This investment mix is unique to individual policyholders.

The maturity value of these financial liabilities is determined by the fair value of the linked assets at maturity date. There will be no difference between the carrying amount and the maturity amount at maturity date.

For unit-linked business, the unit liabilities are determined as the value of units credited to policyholders. Since these liabilities are determined on a retrospective basis no assumptions for future experience are required. Assumptions for future experience are required for unit-linked business in assessing whether the total of the contract costs asset and contract liability is greater than the present value of future profits expected to arise on the relevant blocks of business (the "recoverability test"). If this is the case, then the contract costs asset is restricted to the recoverable amount. For linked contracts, the assumptions are on a best estimate basis.

28: Provisions

31 December 2021	Compensation provisions £m	Sale of subsidiaries £m	Property provisions £m	Clawback and other provisions £m	Total £m
Balance at beginning of the year	42	10	–	25	77
Charge to income statement[1]	23	17	7	2	49
Utilised during the period	(12)	(4)	–	(4)	(20)
Unused amounts reversed	(10)	(1)	–	(5)	(16)
Reclassification within statement of financial position[2]	–	–	2	3	5
Disposals	(2)	–	–	–	(2)
Balance at 31 December 2021	**41**	**22**	**9**	**21**	**93**

31 December 2020	Compensation provisions £m	Sale of subsidiaries[3] £m	Property provisions £m	Clawback and other provisions £m	Total £m
Balance at beginning of the year	31	16	–	17	64
Additions from business combinations	12	–	–	–	12
Charge to income statement[1]	10	–	–	1	11
Utilised during the year	(5)	(4)	–	(4)	(13)
Unused amounts reversed	(6)	(2)	–	(3)	(11)
Reclassification within statement of financial position	–	–	–	14	14
Balance at 31 December 2020	**42**	**10**	**–**	**25**	**77**

[1]Part of the charge to income statement is included within the discontinued operations income statement.
[2]Property provisions related to dilapidations and other provisions related to historical licence agreements have been reclassified during the year from lease liabilities and accruals respectively reflecting the uncertainty of the amounts to be settled. During 2020, the Clawback provision was reclassified, with the liability due to product providers on indemnity commission disclosed within provisions and the recoverable amount from brokers disclosed within receivables.
[3]Sale of subsidiaries in the year ended 31 December 2020 was previously split between provisions related to the sale of QLA (balance of £3 million) and the sale of the Single Strategy business (balance of £7 million).

Compensation provisions

Compensation provisions total £41 million (31 December 2020: £42 million), and are comprised of the following:

Lighthouse pension transfer advice provision of £29 million (31 December 2020: £28 million)

Lighthouse pension transfer advice provided to British Steel members £21 million (31 December 2020: £28 million)
A provision for DB to DC pension transfer advice provided by Lighthouse advisers in respect of pension transfers for British Steel Pension Scheme members, prior to Lighthouse transitioning to our systems and controls following our acquisition of Lighthouse, was established within the fair value of the Lighthouse assets and liabilities acquired.

During 2020, the FCA reported the results of its thematic review into the general market of DB to DC pension transfers, which included British Steel Pension Scheme pension transfers. The FCA review determined that the percentage of unsuitable files for British Steel Pension Scheme transfers generally for the industry was higher than those for other DB to DC pension transfers in their thematic sample. The FCA review included a sample of British Steel Pension Scheme pension transfer advice provided by Lighthouse advisers.

In April 2020, the Group was informed by the FCA that it would be required to appoint a skilled person to review the DB to DC pension transfers that Lighthouse advisers advised on in the period up to Lighthouse transitioning to Quilter's systems and controls following Quilter's acquisition of Lighthouse. A skilled person was appointed, and during 2020 they performed initial provisional calculations for a significant portion of the British Steel Pension Scheme complaints received by Lighthouse where the advice given to customers was assessed as being unsuitable to obtain an indication of how much redress (if any) may be payable to these customers to the extent that they sustained losses as a result of that unsuitable advice. The methodology employed to perform these initial provisional redress calculations uses assumptions and estimation techniques which are consistent with principles under the FCA's FG17/9 "Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers". The provisional redress amounts calculated on the complaints were extrapolated to the entire population of 266 British Steel Pension Scheme transfers on which Lighthouse advisers provided advice and the relevant customers proceeded to make a transfer, in order to determine an approximation of the estimated redress that may be payable to customers who are found to have received unsuitable advice which caused them to sustain losses. The provision was determined by (a) subdividing the population into cohorts with similar characteristics, including the results in 2020 of the skilled person's assessment of the number of cases where unsuitable advice was given, and also (b) dividing the population into transfers pre and post June 2017 when the Trustees of the British Steel Pension Scheme changed the basis on which transfer values were calculated. The timing of any benefits withdrawn by the member after the transfer also has an impact upon the provisional redress amounts calculated. The estimated redress per client as a proportion of the transfer value of the pensions was determined for each cohort and extrapolated to the population of cases assessed as unsuitable where advice was provided and acted upon through Lighthouse.

28: Provisions continued

During 2021, a loss assessment and redress calculation methodology has been designed by the skilled person following discussions and in collaboration with the FCA, to ensure consistency and compliance with the FCA's Final Guidance 17/9, which is being used to calculate redress offers for those cases where the skilled person determines that a customer received unsuitable defined benefit pension transfer advice which caused them to sustain losses. At 31 December 2021, offers relating to the majority of the provision balance have been made to customers and, subject to FCA confirmation, we expect the skilled person review to be completed during 2022. The majority of suitability reviews were completed by the skilled person during the year. The provision has been updated at 31 December 2021 reflecting the outcome of the suitability review on a case-by-case basis, redress calculations performed by the skilled person using the agreed methodology and the offers made to customers who received unsuitable advice which caused them to sustain a loss.

A total provision of £21 million (31 December 2020: £28 million) has been calculated for the potential redress of British Steel Pension Scheme cases, including anticipated costs associated with the redress activity. This is comprised of two parts:

(a) Client redress provision of £19 million, comprised of £23 million (31 December 2020: £25 million) redress payable, less payments made to customers of £4 million during 2021,
(b) Anticipated costs associated with redress activity of £2 million (31 December 2020: £3 million), comprised of £4 million costs payable, less payments made of £2 million during the year. This provision is recognised in respect of the anticipated costs of legal and professional fees related to the cases and redress process, which includes the expected costs to review advice provided of a similar nature in relation to cases that the Group believes may have similar characteristics. The costs do not include any potential regulatory fines or penalties as a result of the unsuitable advice.

The £3 million insurance recoverable that was included in the fair value of the acquired net assets of Lighthouse has not changed. Discussion with insurers is ongoing, insurers have not confirmed coverage and the Group will review the recoverable amount as and when they receive further certainty, which is not expected until after the completion of the skilled person review. The insurance asset at 31 December 2021 is disclosed within "Trade, other receivables and other assets".

The final costs of redress for cases upheld will depend on specific calculations on a case-by-case basis, which will be calculated per the detailed redress methodology designed by the skilled person following discussions and in collaboration with the FCA and also impacted by market movements and other parameters affecting the defined contribution scheme asset, and is therefore exposed to volatility from this, and may vary from the amounts currently provided.

The key assumptions which have an impact upon the redress payable calculation are the discount rate and changes in market levels. For the purpose of the redress calculation, changes in the discount rate impact the valuation of the defined benefit ("DB") scheme at the reporting date, and market level changes impact the valuation of the personal pension scheme for each client.

At the date of signing the financial statements, a redress calculation has been performed for the majority of customers who have had an assessment of unsuitable pension transfer advice, leading to greater certainty over the range of the provision balance, and therefore provision sensitivity for changes in assumptions has not been disclosed. The range of outcomes for the remaining provision, including anticipated costs, varies from £19 million (decrease of £2 million) to £22 million (increase of £1 million), with full settlement of payments expected to be completed during 2022.

Lighthouse pension transfer advice provided to members of other schemes of £8 million (31 December 2020: £nil)

During 2021, the skilled person review has identified unsuitable DB to DC pension advice provided by Lighthouse advisers for pension schemes other than the British Steel Pension Scheme. The majority of the suitability assessments for cases currently identified as being in scope have been completed. Using provisional calculations of redress for similar cases where customers had sustained losses a factor was determined representing average redress as a proportion of average pension transfer value. The factor was used to estimate a provision of £8 million for the unsuitable cases, which has been recognised at 31 December 2021. If the factor was to increase or decrease by 10%, the impact upon the provision would be £2 million. Payments are expected to be completed by the end of the third quarter of 2022.

Compensation provisions (other) of £12 million (31 December 2020: £14 million)

Other compensation provisions of £12 million are held within the Group's continuing operations and include amounts relating to the cost of correcting deficiencies in policy administration systems, including restatements, any associated litigation costs and the related costs to compensate previous or existing policyholders and customers. This provision represents management's best estimate of expected outcomes based upon previous experience, and a review of the details of each case. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. The best estimate of timing of outflows is that the majority of the balance is expected to be settled within 12 months.

28: Provisions continued

A provision of £6 million, included within the balance, has been recognised during 2021 relating to potentially unsuitable pension advice provided by advisers including advice provided prior to Quilter's acquisition of the relevant advice businesses. Of this balance, £2 million has been recognised for potentially unsuitable pension advice provided to British Steel Pension Scheme members by Quilter Financial Planning firms other than Lighthouse, following the receipt of a "Dear CEO" letter from the FCA in December 2021 outlining their consideration of an industry-wide consumer redress scheme for British Steel Pension Scheme pension transfers between 1 March 2017 and 31 March 2018. These British Steel Pension Scheme cases have yet to be reviewed for suitability and an estimate of the provision has been made based upon experience of the Lighthouse skilled person review.

An indemnification asset of £2 million relating to a certain portion of the potentially unsuitable advice has been recognised within "Trade, other receivables and other assets" representing the amount receivable from the sellers under the terms of the sale agreement.

During the year, compensation provisions of £2 million within Quilter International were disposed of as a result of the sale of the business.

The Group estimates a reasonably possible change of +/- £3 million from the £12 million balance, based upon a review of the cases and the range of potential outcomes for the customer redress payments.

Sale of subsidiaries

Sale of subsidiaries provisions total £22 million (31 December 2020: £10 million), and are comprised of the following:

Provisions arising on the disposal of Quilter International of £16 million (31 December 2020: £nil)

Quilter International was sold on 30 November 2021, resulting in provisions totalling £17 million being established in respect of costs related to the disposal including the costs of business separation and data migration activities.

The costs of business separation arise from the process required to separate Quilter International's infrastructure, which is complex and covers a wide range of areas including people, IT systems, data, and contracts facilities. A programme team has been established to ensure the transition of these areas to the acquirer. These provisions have been based on external quotations and estimations, together with estimates of the time required for incremental resource costs to achieve the separation, which is expected to occur over a two-year period.

The most significant element of the provision is the cost of migration of IT systems and data to the acquirer. Work has taken place during 2021 in preparation for migration. Calculation of the provision is based on management's best estimate of the work required, the time it is expected to take, the number and skills of the staff required and their cost, and the cost of related external IT services to support the work. In reaching these judgements and estimates, management has made use of its past experience of previous IT migrations following business disposals, including the recent migration of QLA. The Group estimates a provision sensitivity of +/-25% (£4 million), based upon a review of the range of time periods expected to complete the work required. The provision is expected to be fully utilised over three years from the sale, with £7 million forecast to be paid within one year.

During the year £1 million of the provision has been utilised.

Provisions arising on the disposal of Quilter Life Assurance of £1 million (31 December 2020: £3 million)

Quilter Life Assurance was sold on 31 December 2019, resulting in a number of provisions totalling £6 million being established in respect of the costs of disposing the business and the related costs of business separation.

The costs of business separation arise from the process to separate QLA's infrastructure, which is complex and covers a wide range of areas including people, IT systems, data, contracts and facilities. A programme team has been established to ensure the transition of these areas to the acquirer. These provisions have been based on external quotations and estimations, together with estimates of the time required for incremental resource costs to achieve the separation.

The most significant element of the provision is the cost of migration of IT systems and data to the acquirer. Work has taken place during 2020 and concluded during 2021. Calculation of the provision is based on management's best estimate of the work required, the time it is expected to take, the number and skills of the staff required and their cost, and the cost of related external IT services to support the work. In reaching these judgements and estimates, management has made use of past experience of previous IT migrations following business disposals.

During the year £2 million of the provision has been utilised. The remaining provision is expected to be utilised during 2022, as the final costs to close the project are paid.

28: Provisions continued

Sale of Single Strategy Asset Management business provision of £4 million (31 December 2020: £7 million)

In 2018, a restructuring provision was recognised as a result of the sale of the Single Strategy Asset Management business (now known as Jupiter Investment Management ('Jupiter')) to enable the remaining Quilter Investors business to function as a standalone operation going forward. The remaining provision relates to various sale-related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which is in relation to the guarantee of revenues for the seller in future years arising from funds invested by customers of Quilter. The balance has decreased to £4 million during 2021 as a result of the settlement of £2 million related to the 2020 measurement year and £1 million reversed for the latest estimate for the 2022 measurement year.

The provision considers sensitivities including potential scenarios which would result in a reduction in Group assets under management held in the relevant Jupiter funds, leading to a reduction in the management fees paid to Jupiter. The scenarios are based upon assumptions determined considering historical outflows over the past three years, expectation of outflows to December 2022 and the latest information received from Jupiter. Per the conditions of the sale agreement, the maximum remaining potential exposure is £14 million for the 2022 calendar year. The expected range of payments based upon the latest information received from Jupiter and the Group's reasonable expectations of AUM invested within Jupiter funds during the 2022 assessment period is between £2 million and £8 million.

The £4 million provision outstanding is estimated to be payable after one year, with expected final settlement due in the first half of 2023.

Property provisions

Property provisions represent the discounted value of expected future costs of reinstating leased property to its original condition at the end of the lease term. During 2021, management reviewed the Group's property provisions and the assumptions on which these provisions are based. The review included consideration of external advice on potential future costs, in order to determine a reasonable estimate of the amount to be recognised. The estimate is based upon property location, size of property and an estimate of the charge per square foot. Property provisions are utilised or released when the reinstatement obligations have been fulfilled. The associated asset for property provisions is included within "Property, plant and equipment".

Of the £9 million provision outstanding, £1 million is estimated to be payable within one year. The majority of the balance relates to leased property which has a lease term maturity of more than five years.

Clawback and other provisions

Other provisions include amounts for the resolution of legal uncertainties and the settlement of other claims raised by contracting parties and indemnity commission provisions. Where material, provisions and accruals are discounted at discount rates specific to the risks inherent in the liability. The timing and final amounts of payments in respect of some of the provisions, particularly those in respect of litigation claims and similar actions against the Group, are uncertain and could result in adjustments to the amounts recorded.

Included within the balance in 2021 is £16 million (31 December 2020: £18 million) of clawback provisions in respect of potential refunds due to product providers on indemnity commission within the Quilter Financial Planning business. This provision, which is estimated and charged as a reduction of revenue on the income statement at the point of sale of each policy, is based upon assumptions determined from historical experience of the proportion of policyholders cancelling their policies, which requires Quilter to refund a portion of commission previously received. Reductions to the provision result from the payment of cash to product providers as refunds or the recognition of revenue where a portion is assessed as no longer payable. The provision has been assessed at the reporting date and adjusted for the latest cancellation information available. At 31 December 2021, an associated balance of £9 million recoverable from brokers is included within "Trade, other receivables and other assets" (31 December 2020: £13 million).

The Group estimates a reasonably possible change of +/- £5 million, based upon the potential range of outcomes for the proportion of cancelled policies within the clawback provision, and a detailed review of the other provisions.

Of the total £21 million provision outstanding, £13 million is estimated to be payable within one year (2020: £13 million).

29: Tax assets and liabilities

Deferred income taxes are calculated on all temporary differences at the tax rate applicable to the jurisdiction in which the timing differences arise.

Deferred tax summary

	31 December 2021 £m	31 December 2020 £m
Deferred tax assets	88	78
Deferred tax liabilities	139	106
Net deferred tax liability	**51**	**28**

On 3 March 2021, the Chancellor of the Exchequer announced in the Budget a future increase in the Corporation Tax rate from 19% to 25%, effective from 1 April 2023. This change has been substantially enacted by 31 December 2021, the impact on the deferred tax assets and liabilities is a net increase of £12 million.

29(a): Deferred tax assets

Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of the related tax benefit is probable, being where, on the basis of all available evidence, it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted.

The movement on recognised deferred tax assets is as follows:

31 December 2021	At beginning of the year £m	Income statement (charge)/ credit £m	At end of the year £m
Tax losses carried forward	15	9	24
Accelerated depreciation	19	1	20
Accrued interest expense and other temporary differences	41	–	41
Share-based payments	9	–	9
Deferred expenses	6	–	6
Provisions	1	(1)	–
Netted against liabilities	(13)	1	(12)
Deferred tax assets at 31 December 2021	**78**	**10**	**88**

31 December 2020	At beginning of the year £m	Income statement (charge)/ credit £m	At end of the year £m
Tax losses carried forward	19	(4)	15
Accelerated depreciation	19	–	19
Accrued interest expense and other temporary differences	3	38	41
Share-based payments	8	1	9
Deferred expenses	7	(1)	6
Provisions	–	1	1
Netted against liabilities	(13)	–	(13)
Deferred tax assets at 31 December 2020	**43**	**35**	**78**

29: Tax assets and liabilities continued

29(a): Deferred tax assets continued

The credit to the income statement of £9 million in 2021 in respect of Tax losses carried forward includes a credit of £4 million relating to first time recognition of a deferred tax asset, as explained in note 11(a).

The credit to the income statement of £38 million in 2020 in respect of Accrued interest expense and other temporary differences includes a credit of £39 million relating to first time recognition of a deferred tax asset on accrued interest expenses.

The recognition of deferred tax assets is subject to the estimation of future taxable profits, which is based on the annual business planning process and in particular on estimated levels of assets under management, which are subject to a large number of factors including global stock market movements and related movements in foreign exchange rates, together with estimates of net client cash flow, expenses and other charges.

The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general, the Group assesses recoverability based on estimated taxable profits over a three-year planning horizon.

Deferred tax assets have been recognised to the extent they are supported by the Group's business plans. The sensitivity of these assets is such that any decrease in profitability over the assessment period would result in a write down in the deferred tax assets.

Unrecognised deferred tax assets

The amounts for which no deferred tax asset has been recognised comprises:

	31 December 2021 £m		31 December 2020 £m	
	Gross amount	Tax	Gross amount	Tax
Pre April 2017 UK tax losses	252	63	252	48
Post April 2017 UK tax losses	106	26	121	23
Overseas losses	–	–	60	9
Capital losses	347	87	347	66
Total unrelieved tax losses	705	176	780	146
Other timing differences	3	1	5	1
Total unrecognised deferred tax assets[1]	**708**	**177**	**785**	**147**

[1]None of the unrecognised deferred tax assets have a set expiry date in tax law.

Unrecognised deferred tax assets

Under UK tax law, UK brought forward non-capital tax losses that arose after 1 April 2017 ("Post April 2017 UK tax losses") may be offset against current year UK taxable profits arising in any company within Group, subject to a restriction of 50% of profits each year. Consequently, as described above and in note 11, the recognition of deferred tax assets on Post April 2017 UK tax losses is assessed by reference to the Group's business plans.

The Group may in the future recognise additional deferred tax assets in respect of the unrecognised portion of the Post April 2017 UK tax losses, as the Group's business plans progress. The recognition of deferred tax assets on these losses is expected to remain a Critical accounting estimate as described in these accounts for the foreseeable future.

All other non-capital UK tax losses within the Group ("Pre-April 2017 UK tax losses") can only be used against taxable profits arising in the same company as the loss. It is therefore less likely that a deferred tax asset will be recognised in the foreseeable future in respect of the currently unrecognised portion of these tax losses.

Capital losses are in Quilter Life & Pensions Limited. There is currently insufficient evidence to forecast future chargeable gains in the company on which to justify recognition of a deferred tax asset for any of these losses.

Movements in unrecognised deferred tax assets

The unrecognised deferred tax asset on overseas losses decreased by £9 million as a result of the sale of Quilter International. The tax value of other unrecognised deferred tax assets increased by £30 million primarily as a result of the change in the UK corporation tax rate from 19% to 25% from 1 April 2023.

29(b): Deferred tax liabilities

The movement on deferred tax liabilities is as follows:

31 December 2021	At beginning of the year £m	Income statement (credit)/ charge[1] £m	Acquisition/ disposal of subsidiaries £m	At end of the year £m
Other acquired intangibles	36	(4)	–	32
Other temporary differences	2	–	(2)	–
Investment gains	81	39	–	120
Netted against assets	(13)	–	–	(13)
Deferred tax liabilities at 31 December 2021	**106**	**35**	**(2)**	**139**

31 December 2020	At beginning of the year £m	Income statement (credit)/ charge[1] £m	Acquisition/ disposal of subsidiaries £m	At end of the year £m
Other acquired intangibles	39	(4)	1	36
Other temporary differences	–	4	(2)	2
Investment gains	62	19	–	81
Netted against assets	(13)	–	–	(13)
Deferred tax liabilities at 31 December 2020	**88**	**19**	**(1)**	**106**

[1]In the year ended 31 December 2021, the £35 million income statement credit all relates to continuing operations. In the year ended 31 December 2020, £17 million relates to continuing operations and £2 million to discontinued operations.

29(c): Current tax receivables and payables

Current tax receivables and current tax payables at 31 December 2021 were £nil (2020: £24 million) and £2 million (2020: £1 million), respectively.

30: Borrowings and lease liabilities

The following table analyses the Group's borrowings and lease liabilities:

	Notes	31 December 2021 £m	31 December 2020 £m
Subordinated debt: fixed rate loan at 4.478%	30(a)	199	199
Lease liabilities	30(b)	100	120
Total borrowings and lease liabilities		**299**	**319**

30(a): Borrowings

Borrowed funds are repayable on demand and categorised in terms of IFRS 9 *Financial Instruments* as "Financial liabilities at amortised cost". The carrying value of the Group's borrowings is considered to be materially in line with the fair value. All amounts outstanding at 31 December 2021 are payable to a number of relationship banks.

On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% (the "Tier 2 Bond"). The bond was remarketed and sold to the secondary market in full on 13 April 2018. It is now listed and regulated under the terms of the London Stock Exchange. The bond matures in 2028 with the option to redeem in 2023.

In addition, the Group entered into a £125 million revolving credit facility which remains undrawn and is being held for contingent funding purposes.

30(b): Lease liabilities

The Group has entered into commercial non-cancellable leases on certain property, plant and equipment where it is not in the best interest of the Group to purchase these assets. Such leases have varying terms, escalation clauses and renewal rights.

Termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of termination options held are exercisable only by the Group and not by the respective lessor.

30: Borrowings and lease liabilities continued

30(b): Lease liabilities continued

As at 31 December 2021, future undiscounted cash outflows of £nil (2020: £22 million) have been included in the lease liability which will occur beyond termination option dates on none (2020: three) of the Group's principal property leases. The lease term is reassessed if an option is exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

During the year, certain lease terms were reassessed to reflect the expectation that termination options will now be exercised. The financial effect of this reassessment was a decrease in recognised lease liabilities and right-of-use assets of £11 million (2020: £7 million). These are the only significant property leases where the term is modelled up to a termination option date.

Lease liabilities represent the obligation to pay lease rentals as required by IFRS 16 and are categorised as financial liabilities at amortised cost.

	31 December 2021 £m	31 December 2020 £m
Opening balance	120	137
Additions	13	6
Disposals and adjustments to lease liabilities	(12)	(11)
Interest charge for the year	4	4
Reclassification to provisions	(2)	–
Payment for interest portion of lease liability	(2)	(2)
Payment for principal portion of lease liability	(10)	(14)
Disposal of interests in subsidiary	(11)	–
Closing balance	**100**	**120**
To be settled within 12 months	10	9
To be settled after 12 months	90	111
Total lease liabilities	**100**	**120**
Maturity analysis – undiscounted		
Within one year	13	11
One to five years	40	57
More than five years	67	75
Total lease liabilities – undiscounted	**120**	**143**

31: Trade, other payables and other liabilities

	31 December 2021 £m	31 December 2020 £m
Claims outstanding	46	131
Amounts owed to intermediaries	–	8
Amounts payable on direct insurance business	46	139
Outstanding settlements	185	255
Accruals and deferred income	123	111
Trade creditors	33	41
Deferred consideration	5	16
Other liabilities	92	110
Total trade, other payables and other liabilities	**484**	**672**
To be settled within 12 months	484	666
To be settled after 12 months	–	6
Total trade, other payables and other liabilities	**484**	**672**

32: Contract liabilities

Contract liabilities relate to non-refundable front-end fee income, comprising fees received at inception or receivable over an initial period for services not yet provided, and is deferred through the creation of a contract liability on the statement of financial position and released to income as the services are provided. Equal service provision is assumed over the lifetime of the contract and, as such, the contract liability is amortised on a linear basis over the expected life of the contract, adjusted for expected persistency. The contract liability principally comprises fee income already received in cash. The table below analyses the movements in contract liabilities. All contract liabilities for the years ended 2020 and 2021 relate to discontinued operations.

	Total £m
1 January 2020	403
Fees and commission income deferred	35
Amortisation	(62)
Acquisition of subsidiaries	–
Foreign exchange	3
Discontinued operations movements	(24)
31 December 2020	379
Fees and commission income deferred	41
Amortisation	(40)
Foreign exchange	(4)
Discontinued operations movements	(3)
Disposal of subsidiaries	(376)
31 December 2021	**–**

	31 December 2020 £m
The Group expected to recognise the above contract liability balance as revenue in the following years:	
Within one year	61
One to five years	184
More than five years	134
Total contract liabilities	**379**

33: Post-employment benefits

The Group operates a number of defined contribution and defined benefit pension schemes in the UK, the Channel Islands and Ireland.

Defined contribution pension schemes

The Group's defined contribution schemes require contributions to be made to funds held in trust, separate from the assets of the Group. Participants receive either a monthly pension supplement to their salaries or contributions to personal pension plans. For the defined contribution schemes, the Group pays contributions to separately administered pension schemes. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in current service cost in the consolidated income statement as staff costs and other employee-related costs when they are due.

Defined benefit schemes

The Group operates two defined benefit schemes: The Quilter Cheviot Limited Retirement Benefits Scheme and the Quilter Cheviot Channel Islands Retirement Benefits Scheme which are both closed to new members. The assets of these schemes are held in separate trustee administered funds. Pension costs and contributions relating to defined benefit schemes are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to each pension scheme, together with existing assets, are adequate to secure members' benefits over the remaining service lives of participating employees. The Group's policy is to fund at least the amounts sufficient to meet minimum funding requirements under applicable employee benefit and tax regulations. The schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years, the actuary reviews the continuing appropriateness of the assumptions applied.

In 2019, the Trustees of the Quilter Cheviot Limited Retirement Benefits scheme purchased a bulk annuity from Aviva to de-risk the defined benefit pension scheme obligation. This investment strategy was intended to equally match the assets and liabilities of the scheme. This covers all remaining insured scheme benefits following previous bulk annuity transactions in 2013, 2014 and 2015.

IAS 19 Employee Benefits disclosures

This note gives full IAS 19 *Employee Benefits* disclosures for the above schemes.

33: Post-employment benefits continued

33(a): Liability for defined benefit obligations

The IAS 19 value of the assets and the scheme obligations are as follows:

	31 December 2021 £m	31 December 2020 £m
Changes in retirement benefit obligations		
Total IAS 19 retirement benefit obligation at beginning of the year	(41)	(38)
Interest cost on benefit obligation	(1)	(1)
Actuarial losses	–	(4)
Benefits paid	1	2
Total IAS 19 retirement benefit obligations at 31 December	**(41)**	**(41)**
Change in plan assets		
Total IAS 19 fair value of scheme assets at beginning of the year	42	39
Actual return on plan assets	1	5
Benefits paid	(1)	(2)
Total IAS 19 fair value of scheme assets at 31 December	**42**	**42**
Net IAS 19 asset recognised in statement of financial position		
Funded status of plan	1	1
Unrecognised assets	(1)	(1)
Net IAS 19 amount recognised in statement of financial position as at 31 December	**–**	**–**

Contributions for the year to the defined benefit schemes totalled £nil (2020: £nil), and £1 million was accrued at 31 December 2021 (2020: £1 million). The Group expects to contribute £1 million in the next financial year, based upon the current funded status and the expected return assumption for the next financial year.

	31 December 2021 £m	31 December 2020 £m
Changes in the asset ceiling		
Opening unrecognised asset due to asset ceiling	1	1
Closing unrecognised asset due to the asset ceiling	**1**	**1**

33(b): Income/expense recognised in the income statement

The total pension charge to staff costs for all of the Group's defined benefit schemes for the year ended 2021 was £nil (2020: £nil).

Actuarial gains and losses and the effect of the limit to the pension asset under IAS 19 *Employee Benefits* paragraph 58 have been reported in other comprehensive income.

The cumulative amount of actuarial losses recognised in other comprehensive income is £33 million (2020: £33 million).

Assumptions

The expected long-term rate of return on assets represents the Group's best estimate of the long-term return on the scheme assets and is generally estimated by computing a weighted average return of the underlying long-term expected returns on the different asset classes, based on the target asset allocations. The expected long-term return on assets is a long-term assumption that is generally expected to remain the same from one year to the next unless there is a significant change in the target asset allocation, the fees and expenses paid by the plan or market conditions.

The Group, in consultation with its independent investment consultants and actuaries, determined the asset allocation targets based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics and related risk factors. Other relevant factors, including industry practices, long-term historical and prospective capital market returns, were also considered.

The scheme return objectives provide long-term measures for monitoring the investment performance against growth in the pension obligations. The overall allocation is expected to help protect the plan's funded status while generating sufficiently stable real returns (net of inflation) to help cover current and future benefit payments.

33: Post-employment benefits continued
33(b): Income/expense recognised in the income statement continued

Both the equity and fixed income portions of the asset allocation use a combination of active and passive investment strategies and different investment styles. The fixed income asset allocation consists of longer duration fixed income securities in order to help reduce plan exposure to interest rate variation and to better correlate assets with obligations. The longer duration fixed income allocation is expected to help stabilise plan contributions over the long run.

The weighted average duration of the defined benefit obligation is 20 years, based upon actual cash flows.

The following table presents the principal actuarial assumptions at the end of the reporting year:

	31 December 2021 %	31 December 2020 %
Discount rate	1.8	1.4
Rate of increase in defined benefit funds	3.7	3.5
Inflation	3.3	2.9

The mortality assumptions used give the following life expectancy at 65:

		Life expectancy at 65 for male member currently		Life expectancy at 65 for female member currently	
	Mortality table	Aged 65	Aged 45	Aged 65	Aged 45
31 December 2021	**S2PA Light**	**23.60**	**25.50**	**25.10**	**27.10**
31 December 2020	S2PA Light	23.40	25.50	24.50	26.70

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and rate of mortality.

The sensitivities regarding the principal assumptions used to measure the defined benefit obligations are described below. Reasonably possible changes at the reporting date to one of the principal actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as follows:

	31 December 2021		31 December 2020	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Discount rate (0.1% movement)	(0.7)	0.8	(0.7)	0.7
Inflation rate (0.1% movement)	0.3	(0.3)	0.3	(0.3)
Rate of mortality (increase by 1 year)	1.6	–	1.7	–

33(c): Scheme assets allocation
Scheme assets are stated at their fair values. Total scheme assets are comprised as follows:

	31 December 2021 %	31 December 2020 %	31 December 2021 £m	31 December 2020 £m
Equity securities	7	7	3	3
Debt securities	93	93	39	39
Total IAS 19 fair value of scheme assets	**100**	**100**	**42**	**42**

Equity instruments, debt instruments and investment fund assets have a quoted market price. All other assets, including the value of the bulk annuity policy, do not have a quoted market price. The bulk annuity policy, where assets are matched to the value of liabilities, is included at values provided by the actuary in accordance with relevant guidelines.

34: Master netting and similar agreements

The Group offsets financial assets and liabilities in the statement of financial position when it has a legally enforceable right to do so and intends to settle on a net basis simultaneously. Currently, the only such offsetting within the Group relates to the pooling of bank accounts and, in some circumstances a bank account may be overdrawn and therefore offset.

The following tables present information on the potential effect of netting offset arrangements after taking into consideration these types of agreements.

31 December 2021	Gross amounts £m	Amounts offset in the statement of financial position £m	Net amounts reported in the statement of financial position £m
Financial assets			
Cash and cash equivalents	2,146	(82)	2,064
Financial liabilities			
Trade, other payables and other liabilities	82	(82)	–

31 December 2020	Gross amounts £m	Amounts offset in the statement of financial position £m	Net amounts reported in the statement of financial position £m
Financial assets			
Cash and cash equivalents	1,999	(78)	1,921
Financial liabilities			
Trade, other payables and other liabilities	78	(78)	–

35: Contingent liabilities

The Group, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. The Group recognises a provision when it has a present obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made (see note 28). Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Contingent liabilities – acquisitions and disposals

The Group routinely monitors and assesses contingent liabilities arising from matters such as business reviews, litigation, warranties and indemnities relating to past acquisitions and disposals.

In April 2020, the Group was informed by the FCA that it would be required to appoint a skilled person, under section 166(3)(a) of the Financial Services and Markets Act 2000 ("FSMA"), in relation to DB to DC pension transfer advice provided by Lighthouse advisers. The review covers Lighthouse Advisory Services Limited only, and no other companies within the Group. The review covers the period from 1 April 2015 to 27 January 2020, which is the date that Lighthouse converted to the Quilter Financial Planning advice process for their Defined Benefit transfer activity following the acquisition of Lighthouse by Quilter.

The review covers British Steel Pension Scheme DB to DC pension transfer advice activity undertaken by Lighthouse advisers and a representative sample of other Lighthouse DB to DC pension transfer advice activity in the relevant period. The skilled person also calculates redress, using a redress methodology that the skilled person has designed following discussions and in collaboration with the FCA, and to ensure consistency with the FCA's FG17/9 "Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers" guidance for those cases where the skilled person determines that a customer received unsuitable DB to DC pension transfer advice which led to customers sustaining losses. Until the skilled person review has finalised, uncertainty exists as to the value of total redress which will be payable and a reliable estimate of all amounts cannot be determined. Subject to FCA confirmation, we expect the skilled person review to be completed during 2022.

For the British Steel Pension Scheme cases, and a portion of the other cases reviewed by the skilled person, the Group currently considers that the likelihood of redress is probable on a proportion of the cases, but this is subject to confirmation through the ongoing skilled person review process. An estimate of the amount of redress payable has been made and is included within Provisions in note 28.

It is possible that further material costs of redress may be incurred in relation to the skilled person review, as well as customer redress for other potential unsuitable pension transfer advice cases.

Any further redress costs, and any differences between the provision and final payment to be made for the any unsuitable DB to DC pension transfer cases, will be recognised as an expense or credit in the Income Statement.

35: Contingent liabilities continued

Tax

The tax authorities in the principal jurisdictions in which the Group operates routinely review historical transactions undertaken and tax law interpretations made by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which it operates. All interpretations made by the Group are made with reference to the specific facts and circumstances of the transaction and the relevant legislation.

There are occasions where the Group's interpretation of tax law may be challenged by the tax authorities. The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review. The Board is satisfied that adequate provisions have been made to cater for the resolution of tax uncertainties and that the resources required to fund such potential settlements are sufficient.

Due to the level of estimation required in determining tax provisions, amounts eventually payable may differ from the provision recognised.

Complaints, disputes and regulations

The Group is committed to treating customers fairly and supporting its customers in meeting their lifetime goals. The Group does from time to time receive complaints and claims from customers, enters into commercial disputes with service providers, and is subject to regulatory discussions and reviews in the normal course of business. The costs, including legal costs, of these issues as they arise can be significant and, where appropriate, provisions have been established under IAS 37.

36: Commitments

The Group has contractual commitments in respect of funding arrangements which will be payable in future periods. These commitments are not recognised in the Group's statement of financial position.

37: Capital and financial risk management

37(a): Capital management

The Group manages its capital with a focus on capital efficiency and effective risk management. The capital management objectives are to maintain the Group's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Group ensures that it can meet its expected capital and financing needs at all times having regard to the Group's business plans, forecasts, strategic initiatives and regulatory requirements in all businesses in the Group.

The Group's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:
- maintain sufficient, but not excessive, financial strength to support stakeholder requirements;
- optimise debt to equity structure to enhance shareholder returns; and
- retain financial flexibility by maintaining liquidity including unutilised committed credit lines.

The primary sources of capital used by the Group are equity shareholders' funds of £1,739 million (31 December 2020: £1,878 million) and subordinated debt which was issued at £200 million in February 2018. Alternative resources are utilised where appropriate. Risk appetite has been defined for the level of capital, liquidity and debt within the Group. The risk appetite includes long-term targets, early warning thresholds and risk appetite limits. The dividend policy sets out the target dividend level in relation to profits.

The regulatory capital for the Group is assessed under Solvency II requirements.

37(a)(i): Regulatory capital (unaudited)

The Group is subject to Solvency II group supervision by the PRA. The Group is required to measure and monitor its capital resources under the Solvency II regulatory regime.

The Group's insurance undertakings are included in the Group solvency calculation on a Solvency II basis. Other regulated entities are included in the Group solvency calculation according to the relevant sectoral rules. The Group's Solvency II surplus is the amount by which the Group's capital on a Solvency II basis (own funds) exceeds the Solvency II capital requirement (solvency capital requirement or "SCR").

The Group's Solvency II surplus is £1,030 million at 31 December 2021 (31 December 2020: £1,021 million), representing a Solvency II ratio of 275% (31 December 2020: 217%) calculated under the standard formula. The Solvency II regulatory position for the year ended 31 December 2021 allows for the impact of the recommended final dividend payment of £62 million (31 December 2020: £61 million). This disclosure includes the capital movements associated with the sale of Quilter International and the £200 million share buyback (Tranches 3 and 4).

37: Capital and financial risk management continued
37(a): Capital management continued

The Solvency II results for the year ended 31 December 2021 (unaudited estimate) and 31 December 2020 were as follows:

	31 December 2021[1] £m	31 December 2020[2] £m
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 by 20 May 2022.
[2]As represented within the Group Solvency and Financial Condition Report for the year ended 31 December 2020.

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

Group own funds	31 December 2021 £m	31 December 2020 £m
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's insurance subsidiary based in the UK is also subject to Solvency II at entity level. Other regulated entities in the Group are subject to the locally applicable entity-level capital requirements in the jurisdictions in which they operate. In addition, the Group's asset management and advice businesses are subject to group supervision by the FCA under the UK Investment Firms Prudential Regime.

The solvency and capital requirements for the Group and its regulated subsidiaries are reported and monitored through regular Capital Management Forum meetings. Throughout 2021, the Group has complied with the regulatory capital requirements that apply at a consolidated level and Quilter's insurance undertakings and investment firms have complied with the regulatory capital requirements that apply at entity level.

37(a)(ii): Loan covenants

Under the terms of the revolving credit facility agreement, the Group is required to comply with the following financial covenant: the ratio of total net borrowings to consolidated equity shareholders' funds shall not exceed 0.5.

	Note	31 December 2021 £m	31 December 2020 £m
Total external borrowings of the Company	30	199	199
Less: cash and cash equivalents of the Company		(503)	(314)
Total net external borrowings of the Company		(304)	(115)
Total shareholders' equity of the Group		1,739	1,878
Tier 2 bond	30	199	199
Total Group equity (including Tier 2 bond)		1,938	2,077
Ratio of Company net external borrowings to Group equity		**-0.157**	**-0.055**

The Group has complied with the covenant since the facility was created in February 2018.

37(a)(iii): Own Risk and Solvency Assessment ("ORSA") and Internal Capital Adequacy Assessment Process ("ICAAP")

The Group ORSA process is an ongoing cycle of risk and capital management processes which provides an overall assessment of the current and future risk profile of the Group and demonstrates the relationship between business strategy, risk appetite, risk profile and solvency needs. These assessments support strategic planning and risk-based decision making.

The underlying ORSA processes cover the Group and consider how risks and solvency needs may evolve over the planning period. The ORSA includes stress and scenario tests, which are performed to assess the financial and operational resilience of the Group.

The Group ORSA report is produced annually and summarises the analysis, insights and conclusions from the underlying risk and capital management processes in respect of the Group. The ORSA report is submitted to the PRA as part of the normal supervisory process and may be supplemented by ad hoc assessments where there is a material change in the risk profile of the Group outside the usual reporting cycle.

In addition to the Group ORSA process, an entity level ORSA process is performed for Quilter Life & Pensions Limited.

The Group ICAAP process is similar to the ORSA process although the ICAAP process is performed for a subset of the Group consisting of the investment and advisory firms within the Group (the "ICAAP Group"). The Group ICAAP report is also produced annually and summarises the analysis, insights and conclusions from the underlying risk and capital management processes in respect of the ICAAP Group. The ICAAP report is submitted to the FCA as part of the normal supervisory process and may be supplemented by ad hoc assessments where there is a material change in the risk profile of the ICAAP Group outside the usual reporting cycle. Due to the implementation of the Investment Firms Prudential Regime on 1 January 2022, the ICAAP process will be replaced by the Internal Capital Adequacy and Risk Assessment (ICARA) process in 2022.

The conclusions of ORSA and ICAAP (and the new ICARA) processes are reviewed by management and the Board throughout the year.

37(b): Credit risk

Overall exposure to credit risk

Credit risk is the risk of adverse movements in credit spreads (relative to the reference yield curve), credit ratings or default rates leading to a deterioration in the level or volatility of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. This includes counterparty default risk, counterparty concentration risk and spread risk.

The Group has established a Credit Risk Framework that includes a Credit Risk Policy, Credit Risk Standard and Credit Risk Appetite Statement. This framework applies to all activities where the shareholder is exposed to credit risk, either directly or indirectly, ensuring appropriate identification, measurement, management, monitoring and reporting of the Group's credit risk exposures.

The credit risk arising from all exposures is mitigated through ensuring the Group only enters into relationships with appropriately robust counterparties, adhering to the Group Credit Risk Policy. For each asset, consideration is given as to:
- the credit rating of the counterparty, which is used to derive the probability of default;
- the loss given default;
- the potential recovery which may be made in the event of default;
- the extent of any collateral that the firm has in respect of the exposures; and
- any second order risks that may arise where the firm has collateral against the credit risk exposure.

The credit risk exposures of the Group are monitored regularly to ensure that counterparties remain creditworthy, to ensure there is appropriate diversification of counterparties and to ensure that exposures are within approved limits. At 31 December 2021, the Group's material credit exposures were to financial institutions (primarily through the investment of shareholder funds), corporate entities (including external fund managers) and individuals (primarily through fund management trade settlement activities).

There is no direct exposure to European sovereign debt (outside of the UK) within the shareholder investments. The Group has no significant concentrations of credit risk exposure.

Other credit risks

The Group is exposed to financial adviser counterparty risk through a number of loans that it makes to its advisers and the payment of upfront commission on the sale of certain types of business. The risk of default by financial advisers is managed through monthly monitoring of loan and commission debt balances.

The Group is also exposed to the risk of default by fund management groups in respect of settlements and rebates of fund management charges on collective investments held for the benefit of policyholders. This risk is managed through the due diligence process which is completed before entering into any relationship with a fund group. Amounts due to and from fund groups are monitored for prompt settlement and appropriate action is taken where settlement is not timely.

37: Capital and financial risk management continued
37(b): Credit risk continued

Legal contracts are maintained where the Group enters into credit transactions with a counterparty.

Impact of credit risk on fair value
Due to the limited exposure that the Group has to credit risk, credit risk does not have a material impact on the fair value movement of financial instruments for the year under review. The fair value movements on these instruments are mainly due to changes in market conditions.

Maximum exposure to credit risk
The Group's maximum exposure to credit risk does not differ from the carrying value disclosed in the relevant notes to the financial statements.

Loans and advances subject to 12-month expected credit losses ("12-month ECL") are £29 million (31 December 2020: £31 million) and other receivables subject to lifetime expected credit losses ("lifetime ECL") are £252 million (31 December 2020: £525 million). These balances are not rated; they represent the pool of counterparties that do not require a rating. These counterparties individually generate no material credit exposure and this pool is highly diversified, monitored and subject to limits.

Exposure arising from financial instruments not recognised on the statement of financial position is measured as the maximum amount that the Group would have to pay, which may be significantly greater than the amount that would be recognised as a liability. The Group does not have any significant exposure arising from items not recognised on the statement of financial position.

The table below represents the Group's exposure to credit risk from cash and cash equivalents.

	Credit rating relating to cash and cash equivalents that are neither past due nor impaired £m						
31 December 2021	AAA	AA	A	BBB	<BBB	Not rated[1]	Carrying value
Cash at amortised cost, subject to 12-month ECL	–	105	451	–	3	289	848
Money market funds at FVTPL	1,216	–	–	–	–	–	1,216
Total cash and cash equivalents	**1,216**	**105**	**451**	**–**	**3**	**289**	**2,064**

	Credit rating relating to cash and cash equivalents that are neither past due nor impaired £m						
31 December 2020	AAA	AA	A	BBB	<BBB	Not rated[1]	Carrying value
Cash at amortised cost, subject to 12-month ECL	–	81	464	1	4	307	857
Money market funds at FVTPL	1,062	–	–	–	2	–	1,064
Total cash and cash equivalents	1,062	81	464	1	6	307	1,921

[1]Cash included in the consolidation of funds is not rated (see note 24(a)).

Impairment allowance
Assets that are measured and classified at amortised cost are monitored for any expected credit loss ("ECL") on either a 12-month or lifetime ECL model. The majority of such assets within the Group are measured on the lifetime ECL model, with the exception of some specific loans that are on the 12-month ECL model.

Impairment allowance	£m
Balance at 1 January 2020	(1.2)
Reduction due to reassessment of broker loans impairment modelling	0.4
31 December 2020	(0.8)
Change due to change in counterparty balance	(0.4)
31 December 2021	**(1.2)**

37(c): Market risk

Market risk is the risk of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. Market risk arises from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held. The Group recognises that climate change and other environmental risks can contribute to market risk.

The Group has a market risk policy which sets out the risk management framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements which are used to monitor and manage market risk. The policy is cascaded to the businesses across the Group, and Group-level governance and monitoring processes provide oversight of the management of market risk by the individual businesses.

The Group does not undertake any principal trading for its own account. The Group's revenue is however affected by the value of assets under management and consequently it has exposure to equity market levels and economic conditions. Scenario testing is undertaken to test the resilience of the business to severe but plausible events, including assessment of the potential implications of climate-related risks and opportunities, and to assist in the identification of management actions.

37(c)(i): Equity and property price risk

In accordance with the market risk policy, the Group does not generally invest shareholder assets in equity or property, or related collective investments, except where the exposure arises due to:

- mismatches between unitised fund assets and liabilities. These mismatches are permitted, subject to maximum limits, to avoid excessive dealing costs; and
- seed capital investments. Seed capital is invested within new unit-linked funds at the time when these funds are launched. The seed capital is then withdrawn from the funds as policyholders invest in the funds.

The above exposures are not material to the Group.

The Group derives fees (e.g. annual management charges) and incurs costs (e.g. outsourced service provider and adviser fund-based renewal commissions) which are linked to the performance of the underlying assets. Therefore, future earnings will be affected by equity and property market performance.

Equity and property price sensitivity testing

A movement in equity and property prices would impact the fee income that is based on the market value of the investments held for the policyholders. The sensitivity is applied as an instantaneous shock to equity and property prices at the start of the year. The sensitivity analysis is not limited to the unit-linked business and therefore reflects the sensitivity of the Group as a whole.

Impact on profit after tax and shareholders' equity	31 December 2021 £m	31 December 2020 £m
Impact of 10% increase in equity and property prices	34	32
Impact of 10% decrease in equity and property prices	(34)	(32)

37(c)(ii): Interest rate risk

Interest rate risk arises primarily from bank balances held with financial institutions. A small amount of the Group's assets is held in fixed interest UK Government bonds, which are exposed to fluctuations in interest rates.

Fixed interest UK Government bonds are mainly held to match liabilities by duration and so the exposure to interest rate risk is not material.

A rise in interest rates would also cause an immediate fall in the value of investments in fixed income securities within unit-linked funds, resulting in a fall in fund-based revenues.

Conversely, a reduction in interest rates would cause a rise in the value of investments in fixed income securities within unit-linked funds. It would also reduce the interest rate earned on bank balances and could potentially result in the Group incurring interest charges on these balances, if interest rates become negative.

Exposure of the IFRS income statement and statement of financial position to interest rates are summarised below.

37: Capital and financial risk management continued
37(c): Market risk continued

Interest rate sensitivity testing
The impact of an increase and decrease in market interest rates of 1% is tested (e.g. if the current interest rate is 5%, the test allows for the effects of an instantaneous change to 4% and 6% from the start of the year). The test allows consistently for similar changes in investment returns and movements in the market value of any fixed interest assets backing the liabilities. The sensitivity of profit to changes in interest rates is provided.

Impact on profit after tax and shareholders' equity	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Impact of 1% increase in interest rates	11	16
Impact of 1% decrease in interest rates	–	(8)

37(c)(iii): Currency translation risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional currency is sterling, which accounts for the majority of the Group's transactions. The Group has minor exposure to Euros, through the Group's Irish subsidiary and to the South African Rand, due to the listing on the Johannesburg Stock Exchange and the payment of a proportion of shareholder dividends in Rand. During 2021, the Group had minor exposures to foreign exchange risk in respect to accounts receivable and future revenues denominated in US Dollars, Euros and Swedish Krona through its international operations and foreign currency transactions.

37(d): Liquidity risk
Liquidity risk is the risk that there are insufficient assets or that assets cannot be realised in order to settle financial obligations as they fall due or that market conditions preclude the ability of the Group to trade in illiquid assets in order to maintain its asset and liability matching ("ALM") profile.
The Group manages liquidity on a daily basis through:
- maintaining adequate high-quality liquid assets and banking facilities, the level of which is informed through appropriate liquidity stress testing;
- continuously monitoring forecast and actual cash flows; and
- monitoring a number of key risk indicators to help in the identification of a liquidity stress.

Individual businesses maintain and manage their local liquidity requirements according to their business needs within the overall Group Liquidity Risk Framework that includes a Group Liquidity Risk Policy, Group Liquidity Risk Standard and Group Liquidity Risk Appetite Statement. The Group framework is applied consistently across all businesses in the Group to identify, manage, measure, monitor and report on all liquidity risks that have a material impact on liquidity levels. This framework considers both short-term liquidity and cash management considerations and longer-term funding risk considerations.

Liquidity is monitored centrally by Group Treasury, with management actions taken at a business level to ensure each business has liquidity to cover its minimum liquidity requirement, with an appropriate buffer set in line with the Group Risk Appetite Statement.

Throughout the ongoing COVID-19 pandemic Quilter plc and its subsidiaries have operated above their individual liquidity targets and there were no material liquidity stresses identified over this period to include in the liquidity monitoring process. Daily liquidity monitoring continues across the Group to enable timely identification of any emerging issues.

The Group maintains contingency funding arrangements to provide liquidity support to businesses in the event of liquidity stresses that are greater than their risk appetite. Contingency Funding Plans are in place for each individual business in order to set out the approach and management actions that would be taken should liquidity levels fall below minimum liquidity requirements. The plans undergo an annual review and testing cycle to ensure they are fit for purpose and can be relied upon during a liquidity stress.

Information on the nature of the investments and securities held is given in note 17.

The Group has a £125 million five-year Revolving Credit Facility with a five-bank club that represents a form of contingency liquidity for the Group. No drawdown on this facility has been made since inception or through the period of the COVID-19 pandemic. The Group has exercised the option to extend the facility for a further two-year period, to February 2025, and has continued to meet all the covenants attached to its financing arrangements.

The financing arrangements are considered sufficient to maintain the target liquidity levels of the Group and offer coverage for appropriate stress scenarios identified within the liquidity stress testing undertaken across the Group.

Further details, together with information on the Group's borrowed funds, are given in note 30.

The Group does not have material liquidity exposure to special purpose entities or investment funds.

37(e): Insurance risk

37(e)(i): Overview

Group entities assume insurance risk by providing:
- life investment bonds, which provide a small amount of life insurance cover in the event of the death of the life assured; and
- professional indemnity insurance cover to Quilter Financial Planning Limited via a captive insurer domiciled in the Isle of Man.

Insurance risk arises through exposure to variable claims experience on life assurance and professional indemnity insurance, exposure to variable operating experience in respect of factors such as persistency levels and management expenses. Unfavourable persistency, expenses, mortality and professional indemnity claim rates, relative to the actuarial assumptions made in the pricing process, may result in profit margins reducing below the target levels included in the pricing process.

The Group has implemented an insurance risk policy which sets out the Group's requirements for the management, measurement, monitoring and reporting of insurance risks. The Group has implemented the Technical Provisions Standard to support the insurance risk policy.

The sensitivity of the Group's earnings and capital position to insurance risks is monitored through the Group's capital management processes.

The Group manages its insurance risks through the following mechanisms:
- Management of expense levels relative to approved budgets.
- Analysis and monitoring of experience relative to the assumptions used to determine technical provisions.

Persistency

Persistency risk is the risk that the level of surrenders or withdrawals on insurance policies occur at levels that are different to the levels assumed in the determination of technical provisions. Persistency statistics are monitored quarterly and a detailed persistency analysis at a product group level is carried out on an annual basis. Management actions may be triggered if persistency statistics indicate significant adverse movement or emerging trends in experience.

Expenses

Expense risk is the risk that actual expenses and expense inflation differ from the levels assumed in the determination of technical provisions. Expense levels are monitored on a quarterly basis against budgets and forecasts. Expense drivers are used to allocate expenses to entities and products. Some product structures include maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels and the market rate of inflation. This review may result in changes in charge levels.

37(e)(ii): Sensitivity analysis

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at 31 December 2021 and 31 December 2020. Interest rate and equity and property price sensitivities are included within the Group market sensitivities above.

Expenses

The increase in expenses is assumed to apply to the costs associated with the maintenance and acquisition of contracts. It is assumed that these expenses are increased by 10% from the start of the year, so is applied as an expense shock rather than a gradual increase. The only administrative expenses that are deferrable are sales bonuses but as new business volumes are unchanged in this sensitivity, sales bonuses and the associated deferrals have not been increased. Administrative expenses have been allocated equally between life and pensions.

An increase in expenses of 10% would have decreased profit by £6 million after tax (2020: £11 million).

Mortality

Mortality risk is not material as the Group does not provide material mortality insurance on its products and mortality benefits are reinsured.

37: Capital and financial risk management continued

37(f): Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. Operational risk includes all risks resulting from operational activities, excluding the risks already described above and excluding strategic risks and risks resulting from being part of a wider group of companies.

Operational risk includes the effects of failure of administration processes, IT and Information Security maintenance and development processes, investment processes (including settlements with fund managers, fund pricing and matching and dealing), product development and management processes, legal risks (e.g. risk of inadequate legal contracts with third parties), poorly managed responses to regulatory change, change and physical and transitional financial risks from climate change, risks relating to the relationship with third-party suppliers and outsourcers, and the consequences of financial crime and business interruption events.

In accordance with Group policies, management has primary responsibility for the identification, measurement, assessment, management and monitoring of risks, and the escalation and reporting on issues to executive management.

The Group's executive management has responsibility for implementing the Group Operational Risk Framework and for the development and implementation of action plans designed to manage risk levels within acceptable tolerances and to resolve issues identified.

37(g): Contractual maturity analysis

Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies, and these liabilities are therefore classified as having a maturity of less than three months. Although these liabilities are payable on demand, the Group does not expect that all liabilities will be settled within this period.

38: Fiduciary activities

The Group provides custody, trustee, corporate administration and investment management and advisory services to third parties that involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group may be accused of misadministration or under-performance.

Certain Quilter investment entities hold client money and other assets on behalf of clients under the FCA's Client Assets Sourcebook ("CASS"). The Group is not beneficially entitled to those assets and therefore neither the assets nor the related amounts due to clients are recognised on the Group balance sheet.

39: Related party transactions

In the normal course of business, the Group enters into transactions with related parties. Loans to related parties are conducted on an arm's length basis and are not material to the Group's results. There were no transactions with related parties during the current and prior year which had a material effect on the results or financial position of the Group.

39(a): Transactions with key management personnel, remuneration and other compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. Details of the compensation paid to the Board of Directors as well as their shareholdings in the Company are disclosed in the Remuneration report.

39(a)(i): Key management personnel compensation

	31 December 2021 £'000	31 December 2020 £'000
Salaries and other short-term employee benefits	7,627	5,503
Post-employment benefits	43	62
Share-based payments	2,987	5,263
Termination benefits	–	51
Total compensation of key management personnel	**10,657**	**10,879**

39: Related party transactions continued

39(a)(ii): Key management personnel transactions

Key management personnel and members of their close family have undertaken transactions with the Group in the normal course of business.

The Group's products are available to all employees of the Group on preferential staff terms, the impact of which is immaterial to the Group's financial statements. During the year ended 31 December 2021, key management personnel and their close family members contributed £1 million to Group pensions and investments (in both internal and external funds). The total value of investments in Group pensions and investment products by key management personnel serving at any point during the year and their close family members was £12 million at the end of the year.

During the year ended 31 December 2020, key management personnel and their close family members contributed £2 million and the value of their investments in Group pensions and investment products totalled £14 million.

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2021 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers and office. In addition, the Company maintains Directors' and Officers' Liability Insurance which gives appropriate cover for legal action brought against its Directors.

39(b): Associates

In the current and prior year, IT services were provided by 360 Dot Net Limited, an associate company. The relevant transactions had no material impact on the financial statements of the Group.

39(c): Other related parties

Details of the Group's staff pension schemes are provided in note 33. Transactions made between the Group and the Group's staff pension schemes are made in the normal course of business.

40: Events after the reporting date

On 9 March 2022, the Group announced a proposed capital return of £328 million to the shareholders of Quilter plc by way of a B share scheme. The proposals will require regulatory engagement and shareholder approval at the General Meeting to be held on 12 May 2022. To maintain comparability of shareholder metrics before and after the capital return, it is further proposed that the scheme will be accompanied by a share consolidation. Further information on the proposed capital return is contained in the Financial review within the Strategic Report. The Group will provide full details of the proposed B share issue and ordinary share consolidation in the Circular and Notice of General Meeting that will be posted to shareholders in early April 2022. Assuming these proposals are duly approved, the capital return is expected to conclude by the end of June 2022. The proposed capital return would reduce the Group's IFRS net assets and Solvency II own funds by £328 million and would reduce the Group's Solvency II coverage ratio from 275% to 220%. Further information on the Group's capital position on a Solvency II basis is presented in note 37(a).

Note 13 provides information on the Group's final dividend in respect of 2021.

Appendix A: Other accounting policies

Investments in associates

An associate is an entity over which the Group has significant influence, but not control or joint control, through its participation in the entity's financial and operating policy decisions. Significant influence is generally demonstrated by the Group holding between 20% and 50% of the voting rights. Where voting rights are irrelevant, all other factors, contractual or otherwise, are assessed in determining whether the Group has the ability to exercise significant influence.

The results, assets and liabilities of associates, other than those that are measured at FVTPL (see below) are incorporated into these consolidated financial statements using the equity method of accounting from the date that significant influence commences until the date it ends. Under this method, the cost of the investment in an associate together with the Group's share of that entity's post-acquisition changes to shareholders' funds is included as an asset in the consolidated statement of financial position. The cost includes goodwill recognised on acquisition. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate until the date on which significant influence ceases. Where a Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Unrealised losses are eliminated in the same way but only to the extent that there is no evidence of impairment. Investments in associates that are held with a view to subsequent resale are accounted for as non-current assets held for sale.

Where the Group has an investment in an associate, a portion of which is held by, or is held indirectly through a unit trust or similar entity, including investment-linked insurance funds, that portion of the investment is measured at FVTPL.

Foreign currency translation

The Group's presentation currency is pounds sterling (£). The functional currency of the Group's foreign operations is the currency of the primary economic environment in which these entities operate. The Parent Company functional currency is pounds sterling (£). Income statements and cash flows of foreign entities are translated into the Group's presentation currency at average exchange rates for the year and their statements of financial position are translated at the year-end exchange rates. Exchange rate differences arising from the translation of the net investment in foreign subsidiaries and associates are recognised in other comprehensive income and taken to the currency translation reserve which forms part of other reserves within equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. On disposal of a foreign entity, exchange differences are transferred out of this reserve to the income statement as part of the gain or loss on sale.

Foreign currency transactions are converted into the relevant functional currency at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at foreign exchange rates prevailing at the dates the fair values were determined. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are converted into the functional currency at the rate of exchange ruling at the date of the initial recognition of the asset and liability and are not subsequently retranslated.

Exchange gains and losses on the translation and settlement during the period of foreign currency assets and liabilities are recognised in profit or loss. Exchange differences for non-monetary items are recognised in the statement of other comprehensive income when the changes in the fair value of the non-monetary item are recognised in the statement of other comprehensive income, and in profit or loss if the changes in fair value of the non-monetary item are recognised in profit or loss.

Leases

Under IFRS 16, the Group assesses whether a contract is or contains a lease at inception of the contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess where a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset which may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

For lessee contracts, the right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability, adjusted for any lease payments made at or before the commencement date, and any initial direct costs incurred. Adjustments are also made, where appropriate, to recognise provisions for property restoration costs and lease incentives received such as rent-free periods. The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the asset-specific incremental borrowing rates.

Subsequent to lease commencement, the Group measures the right-of-use asset using a cost model, whereby the asset is held at cost less accumulated depreciation and any accumulated impairment. Depreciation is charged to the income statement on a straight-line basis to write down the cost of the right-of-use asset to its residual value over its estimated useful life which is dependent on the length of the lease. In addition, the carrying amount of the right-of-use asset may be adjusted for certain remeasurements of the lease liability. The lease liability is subsequently measured at amortised cost using the effective interest method and also reflects any lease modifications or reassessments.

The Group presents its right-of-use assets within "Property, plant and equipment" and lease liabilities within "Borrowings and lease liabilities" in the statement of financial position. The Group does not have any right-of-use assets that would meet the definition of investment property.

The Group currently has material lease commitments of varying durations for the rental of numerous office buildings. The future lease cash outflows within the Group are not materially exposed to variable lease payments, low value or short-term leases, residual value guarantees, restrictions or covenants imposed by a lease contract or sale and leaseback transactions.

Property, plant and equipment

Aside from right-of-use assets, property, plant and equipment consist principally of computer equipment, and fixtures and fittings, and are stated at cost less accumulated depreciation and any recognised impairment losses. Cost includes the original purchase price of the asset and the costs of bringing the asset to its working condition for its intended use. Depreciation is charged to profit or loss on a straight-line basis to write down the cost of the asset to its residual value over its estimated useful life, ranging between 2 and 24 years depending on the length of time the Group expects to derive benefit from the asset.

Management determines useful lives and residual values for assets when they are acquired, based on experience of similar assets and taking into account other relevant factors such as any expected changes in technology. The Group assesses and adjusts (if required) the useful life, residual value and depreciation method for property plant and equipment on an annual basis.

Items of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Where the carrying amount of an asset is greater than its estimated recoverable amount, which represents the higher of the asset's fair value less costs of disposal and value in use, it is written down immediately to its recoverable amount and an impairment loss is recognised in the income statement. Impaired non-financial assets, except goodwill, are reviewed for possible reversal of the impairment at each reporting date. On derecognition of an item of equipment, any gain or loss on disposal, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the period of the derecognition. Items of property and equipment that are not owned by the Group but are held under lease arrangements are accounted for in accordance with the accounting policy on leases.

Share capital

Equity instruments

Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. The value of the Company's share capital consists of the number of Ordinary Shares in issue multiplied by their nominal value. The difference between the proceeds received on the issue of the shares and the nominal value of the shares issued is recorded in share premium.

Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue and disclosed where material.

Dividends

Dividends are distributions of profit to holders of the Group's share capital and as a result are recognised as a deduction in equity. Dividends payable to holders of equity instruments are recognised in the period in which they are authorised or approved. Interim dividends payable to holders of the Group's Ordinary Share capital are announced with the half year results and authorised by the Directors of the Parent Company. The final dividend is announced with the Annual Report and typically requires shareholder approval at the Annual General Meeting. For this reason, it is not included as a liability in the annual consolidated financial statements for the year to which the final dividend relates.

Shares held by trusts

Shares in the Parent Company that are held by the Employee Benefit Trust ("EBT") are treated as "Own shares". The EBT purchases shares in the Parent Company for delivery to employees under employee incentive plans. Purchased shares are recognised as a deduction from equity at the price paid for them.

Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Ordinary Shareholders of the Parent Company by the weighted average number of Ordinary Shares in issue during the period, excluding Ordinary Shares purchased by various share trusts of the Group and shares held in consolidated funds ("Own shares").

Diluted earnings per share is calculated by increasing the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential Ordinary Shares, notably those related to employee share schemes.

Appendix B: Related undertakings

The Companies Act 2006 requires disclosure of certain information about the Group's related undertakings which is set out in this note. Related undertakings comprise subsidiaries, joint ventures, associates and other significant holdings. Significant holdings are where the Group either has a shareholding greater than or equal to 20% of the nominal value of any share class, or a book value greater than 20% of the Group's assets.

The definition of a subsidiary undertaking in accordance with the Companies Act 2006 is different from the definition under IFRS. As a result, the related undertakings included within the list below may not be the same as the undertakings consolidated in the Group IFRS financial statements. Refer to accounting policies note 5(a) Group Accounting for further detail on the principles of consolidation.

The Group's related undertakings along with the country of incorporation, the registered address, the classes of shares held and the effective percentage of equity owned at 31 December 2021 are disclosed below.

Company name	Share class	% Held
United Kingdom		
Senator House, 85 Queen Victoria Street, London, EC4V 4AB		
Blueprint Distribution Limited	Ordinary	100
Blueprint Financial Services Limited	Ordinary	100
Blueprint Organisation Limited	Ordinary	100
Caerus Capital Group Limited	Ordinary	100
Caerus Holdings Limited	Ordinary	100
Caerus Wealth Limited	Ordinary	100
Caerus Wealth Solutions Limited	Ordinary	100
Charles Derby Group Limited	Ordinary	100
Charles Derby Private Clients Limited	Ordinary	100
Charles Derby Wealth Management Limited	Ordinary	100
Cheviot Capital (Nominees) Limited	Ordinary	100
Commsale 2000 Limited	Ordinary	100
Falcon Financial Advice Limited	Ordinary	100
Forward Thinking Wealth Management Limited	Ordinary	100
Intrinsic Cirilium Investment Company Limited	Ordinary	100
Lighthouse Advisory Services Limited	Ordinary	100
Lighthouse Benefits Limited	Ordinary	100
Lighthouse Corporate Services Ltd	Ordinary	100
Lighthouse Financial Advice Limited	Ordinary	100
Lighthouse Group Limited	Ordinary	100
Lighthouse Wealth Management Limited	Ordinary	100
Lighthouse Support Services Limited	Ordinary	100
LighthouseWealth Limited	Ordinary	100
LighthouseXpress Limited	Ordinary	100
Luceo Asset Management Limited	Ordinary	100
Quilter Perimeter Limited	Ordinary	100
Quilter Perimeter (GGP) Limited	Ordinary	100
OMLA Holdings Limited	Ordinary	100
Quilpep Nominees Limited	Ordinary	100
Quilter Business Services Limited	Ordinary	100
Quilter Cheviot Holdings Limited	Ordinary	100
Quilter Cheviot Limited	Ordinary	100
Quilter CoSec Services Limited	Ordinary	100
Quilter Financial Advisers Limited	Ordinary	100
Quilter Financial Limited	Ordinary A	100
Quilter Financial Planning Limited	Ordinary	100
Quilter Financial Services Limited	Ordinary	100
Quilter Holdings Limited	Ordinary	100
Quilter Investment Platform Limited	Ordinary	100
Quilter Investment Platform Nominees Limited	Ordinary	100
Quilter Investors Limited	Ordinary	100
Quilter Investors Portfolio Management Limited	Ordinary	100
Quilter Life & Pensions Limited	Ordinary	100
Quilter Mortgage Planning Limited	Ordinary	100
Quilter Nominees Limited	Ordinary	100
Quilter Pension Trustees Limited	Ordinary	100
Quilter plc (ultimate Parent of the Group)	Ordinary	100
Quilter Private Client Advisers Limited	Ordinary	100
Quilter Shelfco 1 Limited	Ordinary	100
Quilter Shelfco 2 Limited	Ordinary	100
Quilter UK Holding Limited	Ordinary	100
Quilter Wealth Limited	Ordinary	100
Quilter Wealth Solutions Limited	Ordinary	100
Quilter Perimeter Holdings Limited	Ordinary	100
The Falcon Group Limited	Ordinary	100
Violet No.2 Limited	Ordinary	100
Quilter House, Portland Terrace, Southampton, SO14 7EJ		
IFA Holding Company Limited	Ordinary	100
IFA Services Holdings Company Limited	Ordinary	100
Riverside House, The Waterfront, Newcastle upon Tyne, NE15 8NY		
Quilter Financial Planning Solutions Limited	Ordinary	100
Think Synergy Limited	Ordinary	100
C/O Teneo Restructuring Limited, 156 Great Charles Street, Queensway, Birmingham, West Midlands, B3 3HN		
Charles Jacques Limited (in liquidation 04/10/2021)	Ordinary	100
Freedom Financial Planning (Manchester) Limited (in liquidation 08/10/2020)	Ordinary A	100
Intrinsic Wealth Financial Solutions Limited (in liquidation 16/12/2021)	Ordinary	100
Lighthouse Direct Limited (in liquidation 09/11/2021)	Ordinary	100
Lighthouse Financial Adviser Services Limited (in liquidation 16/12/2021)	Ordinary	100
Lighthouse Financial Advisers Limited (in liquidation 16/12/2021)	Ordinary	100
Lighthouse Pensions Help Limited (in liquidation 09/11/2021)	Ordinary	100
Lighthouse+ Limited (in liquidation 09/11/2021)	Ordinary	100
Lighthouseplus Limited (in liquidation 09/11/2021)	Ordinary	100
LighthouseTemple Limited (in liquidation 09/11/2021)	Ordinary	100
Maestro Financial Services Limited (in liquidation 11/09/2019)	Ordinary	100
NPL Financial Limited (in liquidation 11/09/2019)	Ordinary	100
Premier Planning Limited (in liquidation 19/03/2018)	Ordinary	100
Prescient Financial Intelligence Limited (in liquidation 04/10/2021)	Ordinary	100
C/O Addleshaw Goddard LLP, 19 Canning Street, Edinburgh, Scotland, EH3 8EH		
Financial Services Advice & Support Limited	Ordinary	100

Company name	Share class	% Held
Ireland		
Hambleden House, 19-26 Lower Pembroke Street, Dublin 2, D02 WV96		
Pembroke Quilter (Ireland) Nominees Limited	Ordinary	100
Quilter Cheviot Europe Limited	Ordinary	100
Isle of Man		
33-37 Athol Street, Douglas, IM1 1LB		
Quilter Perimeter (IOM) Limited	Ordinary	100
Third Floor, St George's Court, Upper Hill Street, Douglas, IM1 1EE		
Quilter Insurance Company Limited	Ordinary	100
Jersey		
3rd Floor, Windward House, La Route de la Liberation, St Helier, JE1 1QJ		
C.I.P.M. Nominees Limited	Ordinary	100
QGCI Nominees Limited	Ordinary	100
Quilter Cheviot International Limited	Ordinary	100
Germany		
Wiesenhüttenstraße 11, 60329 Frankfurt am Main		
Old Mutual Europe GmbH	Ordinary	100
Skandia Retail Europe Holding GmbH	Ordinary	100
South Africa		
Mutualpark, Jan Smuts Drive, Pinelands, 7405		
Global Edge Technologies (Pty) Limited	Ordinary	100
United Kingdom – associate		
12-14 Upper Marlborough Road, St Albans, Hertfordshire, AL1 3UR		
360 Dot Net Limited	Ordinary A	17.5

In addition, the following funds are consolidated and constitute related undertakings, as described in note 5(a).

Share Class	
A	Accumulation
B	Income

Fund name	Share class	% Held
United Kingdom		
Senator House, 85 Queen Victoria Street, London, EC4V 4AB		
Quilter Investors Absolute Return Bond Fund	A	63
Quilter Investors Asia Pacific (ex Japan) Equity Fund	A	61
Quilter Investors Asia Pacific (ex Japan) Large-Cap Equity Fund	A	58
Quilter Investors Asia Pacific Fund	A	63
Quilter Investors Bond 1 Fund	B	63
Quilter Investors Bond 2 Fund	A&B	54
Quilter Investors Bond 3 Fund	B	97
Quilter Investors Cirilium Adventurous Passive Portfolio	A	41
Quilter Investors Cirilium Adventurous Portfolio	A	37
Quilter Investors Cirilium Balanced Blend Portfolio	A	36
Quilter Investors Cirilium Balanced Passive Portfolio	A	41
Quilter Investors Cirilium Conservative Passive Portfolio	A	36
Quilter Investors Cirilium Dynamic Passive Portfolio	A	39
Quilter Investors Cirilium Moderate Passive Portfolio	A	42
Quilter Investors Corporate Bond Fund	A	58
Quilter Investors Creation Adventurous Portfolio	A	37
Quilter Investors Creation Balanced Portfolio	A	29
Quilter Investors Creation Conservative Portfolio	A	26
Quilter Investors Creation Dynamic Portfolio	A	31
Quilter Investors Creation Moderate Portfolio	A	29
Quilter Investors Diversified Bond Fund	A	58
Quilter Investors Emerging Markets Equity Fund	A	63
Quilter Investors Emerging Markets Equity Growth Fund	A	59
Quilter Investors Emerging Markets Equity Income Fund	A	61
Quilter Investors Equity 1 Fund	A	78
Quilter Investors Equity 2 Fund	A	97
Quilter Investors Europe (ex UK) Equity Fund	A	57
Quilter Investors Europe (ex UK) Equity Growth Fund	A	58
Quilter Investors Europe (ex UK) Equity Income Fund	A	61
Quilter Investors Gilt Index Fund	A&B	54
Quilter Investors Global Dynamic Equity Fund	A	72
Quilter Investors Global Equity Absolute Return Fund	A	60
Quilter Investors Global Equity Index Fund	A	59
Quilter Investors Global Equity Value Fund	A&B	60
Quilter Investors Investment Grade Corporate Bond Fund	A&B	46
Quilter Investors Japanese Equity Fund	A	58
Quilter Investors Monthly Income and Growth Portfolio	A&B	48
Quilter Investors Monthly Income Portfolio	A&B	47
Quilter Investors Natural Resources Equity Fund	A	52
Quilter Investors North American Equity Fund	A	61
Quilter Investors Precious Metals Equity Fund	A	56
Quilter Investors Sterling Corporate Bond Fund	A&B	47
Quilter Investors Sterling Diversified Bond Fund	A&B	57
Quilter Investors UK Equity Fund	A	60
Quilter Investors UK Equity Growth Fund	A	52
Quilter Investors UK Equity Income Fund	A	61
Quilter Investors UK Equity Index Fund	A	42
Quilter Investors UK Equity Large-Cap Income Fund	A&B	56
Quilter Investors UK Equity Opportunities Fund	A	57
Quilter Investors US Equity Growth Fund	A	44
Quilter Investors US Equity Income Fund	A	59
Quilter Investors US Equity Small/Mid-Cap Fund	A	52

Company statement of financial position

At 31 December 2021

	Notes	31 December 2021 £m	31 December 2020 £m
Assets			
Investments in subsidiary undertakings	4	2,130	2,254
Loans and advances	5	453	496
Deferred tax assets	6	6	–
Current tax receivable		7	7
Other receivables and other assets	7	32	28
Cash and cash equivalents	8	503	314
Total assets		**3,131**	**3,099**
Equity and liabilities			
Equity			
Ordinary Share capital		116	125
Ordinary Share premium reserve		58	58
Capital redemption reserve		17	8
Merger reserve	9	1,687	1,811
Share-based payments reserve		42	42
Retained earnings			
Brought forward retained earnings		816	1,046
Profit for the year		319	30
Other movements in retained earnings		(169)	(260)
Total retained earnings		966	816
Total equity		**2,886**	**2,860**
Liabilities			
Provisions	10	4	7
Borrowings	11	202	201
Other payables	12	39	31
Total liabilities		**245**	**239**
Total equity and liabilities		**3,131**	**3,099**

Approved by the Board on 9 March 2022.

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

Company registered number: 06404270

Company statement of cash flows

For the year ended 31 December 2021

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Cash flows from operating activities		
Profit before tax	308	33
Non-cash movements in profit before tax	(333)	(72)
Net changes in working capital	(21)	(10)
Taxation received	4	3
Total net cash flows used in operating activities	**(42)**	**(46)**
Cash flows from investing activities		
Dividends received from subsidiary undertakings	467	83
Investment in subsidiaries	–	(21)
Net (payments)/proceeds from the disposal of interests in subsidiaries	(2)	7
Total net cash from investing activities	**465**	**69**
Cash flows from financing activities		
Dividends paid to ordinary equity holders of the Company	(89)	(81)
Finance costs	(10)	(10)
Repurchase of own shares	(197)	(157)
Loan to Employee Benefit Trust	–	(20)
Repayment of loans to subsidiary undertakings	200	–
Increase in loans to subsidiary undertakings	(138)	–
Total net cash used in financing activities	**(234)**	**(268)**
Net increase/(decrease) in cash and cash equivalents	189	(245)
Cash and cash equivalents at beginning of the year	314	559
Cash and cash equivalents at end of the year	**503**	**314**

Company statement of changes in equity

For the year ended 31 December 2021

31 December 2021	Note	Share capital £m	Share premium £m	Merger reserve £m	Share-based payments reserve £m	Capital redemption reserve £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2021		**125**	**58**	**1,811**	**42**	**8**	**816**	**2,860**
Profit for the year		–	–	–	–	–	319	319
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**319**	**319**
Dividends		–	–	–	–	–	(89)	(89)
Release of merger reserve[1]	9	–	–	(124)	–	–	124	–
Shares repurchased in the buyback programme[2]		(9)	–	–	–	9	(204)	(204)
Total transactions with the owners of the Company		**(9)**	**–**	**(124)**	**–**	**9**	**(169)**	**(293)**
Balance at 31 December 2021		**116**	**58**	**1,687**	**42**	**17**	**966**	**2,886**

31 December 2020	Share capital £m	Share premium £m	Merger reserve £m	Share-based payments reserve £m	Capital redemption reserve £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2020	**133**	**58**	**1,811**	**46**	**–**	**1,046**	**3,094**
Profit for the year	–	–	–	–	–	30	30
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**30**	**30**
Dividends	–	–	–	–	–	(81)	(81)
Shares repurchased in the buyback programme	(8)	–	–	–	8	(179)	(179)
Equity share-based payment transactions	–	–	–	(4)	–	–	(4)
Total transactions with the owners of the Company	**(8)**	**–**	**–**	**(4)**	**8**	**(260)**	**(264)**
Balance at 31 December 2020	**125**	**58**	**1,811**	**42**	**8**	**816**	**2,860**

[1]During the year £124 million was released from the merger reserve, representing the reduction in Quilter Perimeter Holdings Limited following the Company's impairment in that subsidiary.

[2]On 11 March 2020, the Company announced a share buyback programme to purchase shares up to a maximum value of £375 million, in order to reduce the share capital of the Company. The programme commenced on 11 March 2020. During the year ended 31 December 2021, the Company acquired 128.1 million shares (31 December 2020: 118.3 million) for a total consideration of £197 million (December 2020: £153 million) and incurred additional costs of £3 million (31 December 2020: £4 million). The shares, which have a nominal value of £9 million (31 December £8 million), have subsequently been cancelled, giving rise to a capital redemption reserve by the same value as required by the Companies Act 2006. At 31 December 2021, the committed remaining share buyback for which a legally binding instruction had been provided by the Board, of £26 million (31 December 2020: £22 million, 31 December 2019: £nil), was accrued as a liability. The increase in the liability in the year of £4 million (31 December 2020: £22 million) was recognised in retained earnings.

Quilter Parent entity merger reserve includes £1,662 million relating to Quilter plc's acquisition of trading entities from Quilter UK Holding Limited in 2008, which eliminates on consolidation and so does not form part of the Group merger reserve.

Notes to the financial statements of the Company

For the year ended 31 December 2021

1: General information

Quilter plc (the "Company") is a public limited company incorporated in England and Wales and domiciled in the United Kingdom with registration number 06404270.

The Company's Registered Office is Senator House, 85 Queen Victoria Street, London EC4V 4AB.

2: Basis of preparation

The financial statements of Quilter plc for the year ended 31 December 2021 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis and have been prepared in pounds sterling.

The accounting policies adopted are the same as those set out in note 1 of the Group financial statements, which have been applied consistently apart from the following.

Investments in subsidiaries

Investments in subsidiary undertakings are initially stated at cost. Subsequently, investments in subsidiary undertakings are stated at cost less provision for impairment. An investment in a subsidiary is deemed to be impaired when its carrying value is greater than its estimated recoverable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements. All impairments are recognised in the income statement as they occur.

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Critical accounting estimates and judgements are those that involve the most complex or subjective assessments and assumptions. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant accounting guidance to make predictions about future actions and events. Actual results may differ significantly from those estimates.

The areas where judgements and estimates have the most significant effect on the amounts recognised in these financial statements are summarised below:

Area	Critical accounting judgements	Note
Investment in subsidiaries – measurement	Management has applied judgement in its impairment assessment in respect of determining the cash-generating unit ("CGU"), which is the level at which largely independent cash inflows occur. The Company's investments in Quilter Holdings Limited and Quilter Investors Limited each contain cash flows generated from within the Affluent segment and management has taken the judgement that aggregating cash flows from these investments represents the lowest level at which largely independent cash inflows are generated.	4

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own income statement in these financial statements.

Other principal estimates

The Company's assessment of its investment in subsidiaries for impairment uses the latest cash flow forecasts from the Group's three-year business plan to calculate the recoverable value of its trading subsidiaries. These forecasts include estimates relating to equity market levels and growth in AuMA in future periods, together with levels of new business growth, net client cash flow, revenue margins, and future expenses and discount rates (see note 14 of the Group financial statements). Management does not believe that the use of these estimates has a significant risk of causing a material adjustment to the carrying amount of the assets within the next financial year.

Going concern

The financial statements have been prepared on a going concern basis.

The Directors have considered the resilience of the Company, 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. An assessment of the going concern for the Company has been completed, taking into consideration risks relating to climate change, and concluding that the Company can withstand a severe but plausible downside scenario for at least the next 12 months. This assessment was based on the most recent management approved three-year profit forecasts, and incorporated scenarios that reflected the impact of significant decreases in equity market levels and net client cash flows.

As a result, the Directors believe that the Company 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 financial statements.

3: Capital and financial risk management

The material risks faced by the Company are described below.

3(a): Operational risk

The Company defines operational risk as the risk of failure of people, process, systems or external events which results in financial loss, damage to brand/reputation or adverse regulatory intervention or government or regulatory fine.

Operational risk includes all risks resulting from operational activities which the Company undertakes excluding strategic risks and risks resulting from being part of a wider group of companies.

3(b): Credit risk

Credit risk is the risk of adverse movements in credit spreads (relative to the reference yield curve), credit ratings or default rates leading to a deterioration in the level or volatility of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. This includes counterparty default risk, migration risk and spread risk.

The Company is exposed to credit and counterparty risk primarily arising from the investment of its shareholder funds. Sources of credit risk are managed in line with the requirements of the Credit Risk Policy that ensures cash is placed with highly rated counterparties and is appropriately diversified.

3(c): Market risk

Market risk is the risk of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. Market risk arises from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risk arises differently across the business depending on the types of financial assets and liabilities held. The Company is subject to material risk in the following areas:

Interest rate risk

Interest rate risk is defined as the risk of a deviation of the actual interest rates from the expected interest rates, resulting in the potential for a negative impact on earnings or capital and/or reduced solvency.

An exposure exists as a result of five intercompany loans (see note 5) that are linked to an underlying variable interest rate, LIBOR, and so the value of these interest payments will vary if the underlying interest rate changes.

The Company also has subordinated debt (see note 11) that has a fixed interest rate, where the present value of the loan would vary in the event of a change in interest rates.

3(d): Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages liquidity by maintaining adequate liquidity resources and banking facilities, regularly monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. The Company maintains and manages its local liquidity requirements according to its business needs, within the overall liquidity framework established by the Company.

3(e): Sensitivity tests

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at the reporting date.

Interest rate sensitivity

The impact of an increase and decrease in market interest rate of 1% (e.g. if the current interest rate is 5% the test allows for the effects of an immediate change to 4% and 6%) is assessed.

A decrease in interest rate of 1% would have increased profit and shareholders' equity by £1 million (2020: decrease £4 million) after tax; an equal change in the opposite direction would have increased profit by £6 million (2020: increase £6 million) after tax.

4: Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost, less impairment in value. All shares held are Ordinary Shares.

	31 December 2021 £m	31 December 2020 £m
Balance at the beginning of the year	2,254	2,235
Investment in subsidiary undertakings	–	23
Investment in subsidiary undertaking in relation to share-based payments	–	(4)
Impairment of subsidiary undertaking	(124)	–
Balance at the end of the year	**2,130**	**2,254**

Investment in subsidiary

During 2020, the Company increased its investments in the Employee Benefit Trust and Quilter Insurance Company Limited by £21 million and £2 million respectively. There was no increase in investment in 2021.

Investment in subsidiary undertakings in relation to share-based payments

Quilter plc grants rights to its equity instruments to employees of its subsidiaries under various share-based payment arrangements. In so doing, the subsidiaries receive services from employees that are paid for by Quilter plc, thereby increasing/(decreasing) the investment that Quilter plc holds in those subsidiaries. Quilter plc recognises the equity-settled share-based payment in equity, with a corresponding increase/(decrease) in its investment in the subsidiaries. The amount recognised as an additional investment is based on the grant date fair value of the share options granted, and is recognised by Quilter plc over the vesting period of the respective share schemes. A decrease to the Investment in subsidiary undertakings is recognised when each share award vests, and shares are delivered to the employees.

During 2021, the Company marginally increased its investments in subsidiaries in relation to share-based payments as listed below. In 2020, its investments in relation to share-based payments decreased.

	31 December 2021 £m	31 December 2020 £m
Quilter Business Services Limited	–	(2)
Quilter Cheviot Limited	2	–
Quilter Financial Planning Limited	(2)	1
Quilter Investors Limited	1	(2)
Other subsidiaries	(1)	(1)
Total investments in subsidiaries	**–**	**(4)**

Impairment to investment in subsidiary

In accordance with the requirements of IAS 36 *Impairment of Assets,* the investments in subsidiaries are tested annually for impairment by comparing the carrying value of the underlying investments to the recoverable value, being the higher of the value-in-use or fair value less costs to sell. If applicable, an impairment charge is recognised when the recoverable amount is less than the carrying value.

2020 impairment to investment in subsidiary

No impairments recognised in Quilter plc for 2020.

2021 impairment to investment in subsidiary

On 31 December 2021, the Company received a dividend from its subsidiary, Quilter Perimeter Holdings Limited. This resulted in a reduction in the net asset value of Quilter Perimeter Holdings Limited and gave rise to an impairment of £124 million of the Company's investment in Quilter Perimeter Holdings Limited.

5: Loans and advances

This note analyses the loans and advances the Company has made. The carrying amounts of loans and advances were as follows:

	Note	31 December 2021 £m	31 December 2020 £m
Loans to subsidiary undertakings	13	453	496
Total net loans and advances		**453**	**496**

All loans are held at amortised cost and repayable on demand. The loans to subsidiary undertakings are with Quilter Holdings Limited and are charged at interest rates of annual LIBOR plus 0.5%, 1-month LIBOR plus 1.304% and 10%, Quilter Perimeter Holdings Limited, which is charged at base plus 0.5% and the Employee Benefit Trust, which attracts no interest. Given the profitability and net assets of these subsidiaries, the credit risk associated with these loans is considered minimal. There have been no non-performing loans, loans subject to renegotiations or material impairments on loans and advances recognised in the financial year.

6: Deferred tax assets

The following are the deferred tax balances recognised by the Company and the movements thereon, during the current and prior year.

31 December 2021	At beginning of the year £m	Income statement credit £m	At end of the year £m
Tax losses	–	6	6
Deferred tax assets at 31 December 2021	**–**	**6**	**6**

31 December 2020	At beginning of the year £m	Income statement charge £m	At end of the year £m
Tax losses	4	(4)	–
Deferred tax assets at 31 December 2020	4	(4)	–

The main rate of corporation tax is 19%. On 3 March 2021, the Chancellor of the Exchequer announced in the Budget a future increase in the corporation tax rate from 19% to 25%, effective from 1 April 2023. This change having been substantially enacted by 31 December 2021, the new rate has been used in recognising the Company's deferred tax assets and liabilities should the reversal be expected to take place after 1 April 2023.

A deferred tax asset or liability is recognised to the extent that temporary differences are expected to reverse in the foreseeable future.

The value of the deferred tax assets not recognised as at 31 December 2021 was £18 million (2020: £16 million). This relates to gross carried forward losses of £71 million (2020: £86 million).

Sensitivity analysis demonstrates headroom in the recoverable amount of the deferred tax asset over the taxable profits contained within the three-year planning horizon. A sensitivity analysis shows a 20% reduction in Group future taxable profits will necessitate a £6 million write down in the value of the current deferred tax asset.

7: Other receivables and other assets

The note analyses total other receivables and other assets.

	Note	31 December 2021 £m	31 December 2020 £m
Due from subsidiary undertakings	13	32	28
Total other receivables and other assets		**32**	**28**

All amounts due from Group companies are unsecured, interest-free and settled on demand. The Directors consider that the carrying amount of other receivables approximate their fair value.

8: Cash and cash equivalents

	31 December 2021 £m	31 December 2020 £m
Cash at bank	21	11
Money market funds	482	303
Total cash and cash equivalents per statement of financial position	**503**	**314**

All cash and cash equivalents are current, and recognised at amortised cost, apart from money market investments which are recognised mandatorily at FVTPL.

Investments in money market OEICs are classified as cash and cash equivalents. Management holds these investment funds for short-term liquidity purposes. The funds are highly liquid, have a strong credit rating and a very low risk of reduction in value.

9: Merger reserve

2020 Merger reserve

There was no change to the merger reserve in 2020.

2021 Merger reserve

On 31 December 2021, there was a dividend payment made from Quilter Perimeter Holdings Limited to the Company. This reduced the net asset value of Quilter Perimeter Holdings Limited, giving rise to a £124 million impairment in the Company's investment in its subsidiary, and an associated release of the merger reserve.

These transactions attracted merger relief under section 612 of the Companies Act 2006.

10: Provisions

	31 December 2021 £m	31 December 2020 £m
Balance at beginning of the year	7	7
Jupiter guarantee of revenue payment	(2)	–
Reassessment of provision	(1)	–
Total provisions	**4**	**7**

Revenue warranty in relation to the sale of the Single Strategy Asset Management business

In 2018, a restructuring provision was recognised as a result of the sale of the Single Strategy Asset Management business to enable the remaining Quilter Investors business to function as a standalone operation going forward. The remaining provision relates to various sale-related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which is in relation to the guarantee of revenues for the seller in future years arising from funds invested by customers of Quilter. The balance has decreased to £4 million during 2021 as a result of the settlement of £2 million related to the 2020 measurement year and £1 million reversed for the latest estimate for the 2022 measurement year.

The provision considers sensitivities including potential scenarios which would result in a reduction in Group assets under management held in the relevant Merian funds, leading to a reduction in the management fees paid to Jupiter, who acquired Merian during 2020. The scenarios are based upon assumptions determined considering historical outflows over the past three years, expectation of outflows to December 2022 and the latest information received from Jupiter. Per the conditions of the sale agreement, the maximum remaining potential exposure is £14 million for the 2022 calendar year. The expected range of payments based upon the latest information received from Merian and the Group's reasonable expectations of AUM invested within Merian funds during the 2022 assessment period is between £2 million and £8 million.

The £4 million provision outstanding is estimated to be payable after one year, with expected final settlement due in the first half of 2023.

11: Borrowings

	31 December 2021 £m	31 December 2020 £m
Subordinated debt		
Subordinated loan at 4.478%[1]	199	198
Funding – intercompany payables	3	3
Total borrowings	**202**	**201**

[1]Commenced on 28 February 2018 and used for general corporate purposes.

Amounts borrowed are held at amortised cost.

On 28 February 2018, the Company issued a £200 million subordinated debt security (held at amortised cost of £199 million) in the form of a 10-year Tier 2 bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% (the "Tier 2 Bond"). The bond was remarketed and sold to the secondary market in full on 13 April 2018. It is now listed and regulated under the terms of the London Stock Exchange. In addition, the Company entered into a £125 million revolving credit facility which remains undrawn and is being held for contingent funding purposes across the Group.

12: Other payables

	Note	31 December 2021 £m	31 December 2020 £m
Due to subsidiary undertaking	13	9	6
Accruals		30	25
Total other payables		**39**	**31**

Other payables include an accrual for committed share purchases to complete the current tranche of the share buyback programme of £26 million (2020: £22 million), where the Company does not have the option to terminate the purchases. The tranche completed in January 2022.

All amounts are current and short term i.e. repayable within one year.

Amounts due to subsidiary undertakings are unsecured, repayable on demand and usually settled quarterly.

13: Related party transactions

Key management personnel transactions

Key management personnel and members of their close family have undertaken transactions with the Group in the normal course of business.

The Directors and key management personnel of the Company are considered to be the same as for the Group. See note 39 of the Group financial statements for further information.

There were no other related party transactions in the year ended 31 December 2021 and 31 December 2020 other than those referenced in note 39 of the Group financial statements.

Transactions in the year and balances with related parties carried out by the Company during the year were as follows:

	Notes	31 December 2021 £m	31 December 2020 £m
Transactions			
Management fees paid to subsidiary undertaking		38	56
Dividends received from subsidiary undertakings		467	83
Interest received from subsidiary undertakings		13	13
Balances			
Amounts due from subsidiary undertakings	7	32	28
Amounts due to subsidiary undertakings	12	9	6
Investment in subsidiary undertaking	4	–	23
Investment in subsidiary undertaking in relation to share-based payments	4	–	(4)
Loans to subsidiary undertakings	5	453	496
Other borrowings from Group entities	11	3	3

Management services and fixed assets in the current and prior year in the UK are provided by Quilter Business Services Limited, a subsidiary undertaking. Quilter Business Services Limited charges a management fee for costs incurred and services provided. This fee is charged at cost plus a markup.

14: Loan covenants

Under the terms of the revolving credit facility, the Company is required to comply with certain financial covenants. Please refer to note 37(a) of the Group financial statements for further information.

Other information

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Shareholder information

Information for all shareholders

2022 key dates
The key dates for shareholders are:

5 April 2022	Last day for shares to trade cum dividend in South Africa
6 April 2022	Shares start trading ex-dividend in South Africa
7 April 2022	Shares start trading ex-dividend in the UK
8 April 2022	Final Dividend record date – shareholders on the register are eligible for the Final Dividend
12 May 2022	AGM at 11:00am (UK time) General Meeting to be held at the conclusion of the AGM
16 May 2022	Final Dividend payment date
10 August 2022	Publication of 2022 half year results, including any Interim Dividend details

Dates may be subject to change. Please check our website at plc.quilter.com for further information.

Dividends

Dividend information
This year the Directors are recommending the payment of a Final Dividend of 3.9 pence per share.

Dividend policy
The Quilter Board targets a dividend pay-out ratio of 40% to 60% of post-tax operating profits, taking into account the underlying cash generation, cash resources, capital position, distributable reserves and market conditions at the time.

Revised dividend policy
On Wednesday 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.

Dividends paid by cheque – shareholders on the UK share register
From September 2022, any dividends due on your shares will only be paid by direct credit. Paying dividends by direct payment rather than cheque is a safer, quicker and easier way for shareholders to receive their dividends while the reduction in printing, paper and postage supports our environmental objectives.

We included detailed information about how to provide your bank details with your Interim Dividend payment in September 2021 and will provide further information with the Final Dividend to be paid on Monday 16 May 2022. There is no fee charged by Quilter or our Registrar, Equiniti, for the direct payment service.

Please note that it is important that you take action as soon as possible so that you continue to receive your dividend payments.

If you have any questions please contact Equiniti using the contact details on page 254.

Odd-lot Offer

During 2020, as part of our drive for efficiency in how we run our business and consistent with our desire to act in the best interests of all our shareholders, the Board launched an Odd-lot Offer for shareholders on the London and Johannesburg Stock Exchanges.

Shareholders who held fewer than 100 Ordinary Shares were given the opportunity to sell their shares at a 5% premium to the market price (the 'Offer Price'), without incurring any dealing costs. Odd-lot Holders could choose to sell all of their shares at the Offer Price or they could choose to keep their shareholding in Quilter.

If you have not received the monies owed to you or have any questions about the Odd-lot Offer, please contact our Registrar using the contact details on page 254.

Useful information

Quilter plc share register
Quilter plc listed on the London and Johannesburg Stock Exchanges on 25 June 2018. Quilter plc has a premium listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange. The shares track under the QLT ticker.

Historical shareholder information
If you had shares in Old Mutual plc and have any questions about your holding or any unclaimed dividends, you should contact our Registrars using the contact details on page 254. Please have your Shareholder Reference Number to hand.

Quilter 2022 AGM

AGM key dates

The key AGM dates for shareholders are:

6 May 2022 By no later than 5:00pm (UK time)	Shareholder questions to be received by the Company Secretary
10 May 2022 By no later than 11:00am (UK time)	Proxy Forms to be received by our Registrar* Requests to join the AGM by telephone to be received by the Company Secretary
12 May 2022 11:00am (UK time)	AGM to be held

*Voting deadlines may vary depending on how you hold your shares. If you hold you shares via a CSDP, broker or nominee, please contact them to confirm their voting deadline.

Attending the AGM

We are pleased to invite you to Quilter plc's 2022 AGM to be held at 11:00am (UK time) on Thursday 12 May 2022 at Senator House, 85 Queen Victoria Street, London EC4V 4AB. In light of the ongoing risk to public health posed by COVID-19, we will continue to do all we can to take responsible precautions to help protect the wellbeing of each other. We value the opportunity to engage with our shareholders to review our performance and to answer questions on the business of the meeting.

Asking a question

You can, if you wish, submit any questions you may have on the business of the meeting to the Board ahead of the AGM by emailing the Company Secretary at companysecretary@quilter.com by 5:00pm (UK time) on Friday 6 May 2022. The questions and answers will be published on our GM Hub at plc.quilter.com/gm in advance of the voting deadline. This will enable you, if you do not plan to attend the AGM in person, to have your questions answered before you vote your shares. If you submit a question after this time, we will respond to you as soon as possible. If you attend the AGM in person or join the meeting by telephone, you will also have the opportunity to ask a question on the day.

Joining the meeting by telephone

There is a telephone line so that shareholders can join the meeting by telephone. Shareholders will be able to listen to the meeting and also have the opportunity to ask the Board any questions relating to the business of the meeting. Please note that shareholders joining by telephone will not be able to vote on the day. We recommend that shareholders who would like to vote appoint the Chair of the meeting as their proxy and register a voting instruction ahead of the meeting.

How to join the AGM by telephone

If you would like to join the AGM by telephone, please contact the Company Secretary at companysecretary@quilter.com to request your individual secure dial in details. Requests must be received no later than 11:00am (UK time) on Tuesday 10 May 2022. The telephone line will open shortly before 11:00am (UK time) on the day of the meeting.

Voting results and AGM information available to shareholders

The final voting results are expected to be released to the London Stock Exchange and Johannesburg Stock Exchange on Thursday 12 May 2022 as soon as practical after the AGM and will be published on our GM Hub at plc.quilter.com/gm. We will also make available the Chair's statement.

We will monitor UK Government guidelines and update our GM Hub at plc.quilter.com/gm if the AGM arrangements change. Please ensure you check the GM Hub regularly for up to date information about our AGM arrangements.

More information about your AGM

Our Company Secretary, Patrick Gonsalves, sets out information on the AGM arrangements and how you can have your say in more detail on pages 4 and 5 of the 2022 Notice of AGM.

Quilter 2022 General Meeting

General Meeting date

12 May 2022 11:30am (UK time)	General Meeting to be held at the conclusion of the AGM

Return of Capital related to the sale of Quilter International

As announced on Wednesday 9 March 2022, Quilter intends to return £328m of the net proceeds of the sale of Quilter International as a return of capital through a B share scheme accompanied by a share consolidation, whilst retaining £90m to fund planned Business Simplification. Full details of the B share scheme and share consolidation will be provided in the Circular and Notice of General Meeting that will be posted to shareholders on or around Wednesday 6 April 2022. The General Meeting to seek shareholder approval for the B share scheme and share consolidation will be held at the conclusion of the AGM on Thursday 12 May 2022.

Information for UK shareholders

Managing your shares and staying in touch
You do not have to receive paper shareholder documentation. Many shareholders choose to receive their communications electronically. Equiniti provide a free, convenient online service, Shareview, where you can access your shareholding quickly and easily. If you have not already done so, you can register for Shareview by visiting www.shareview.co.uk. All you need is your Quilter Shareholder Reference Number, which can be found on your share certificate. We will email you a notification when any shareholder statements are available and when we announce our full and half year results. You can also use Shareview to submit a voting instruction for any general meetings and to find out when any dividends are due.

Keeping your personal information up to date
It is important that you keep the personal information we hold up to date. That way correspondence advising you of any changes that might affect your shareholding reaches you and any dividends are paid to you promptly. You can do this online at www.shareview.co.uk, via the Quilter Shareholder Helpline or by post. Contact details are overleaf.

Fraud warning
Shareholders should be wary of any unsolicited calls or documents offering unsolicited investment advice and offers to buy shares at a discounted price. Fraudsters can use persuasive and high-pressure tactics to lure shareholders into scams. You are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority ("FCA") and doing further research. If you are unsure, or think you may have been targeted, you should report the organisation to the FCA using the share fraud reporting form available at www.fca.org.uk/scams. You can also report suspected share fraud through the FCA Helpline on +44 (0)800 111 6768 or through Action Fraud on +44 (0)300 123 2040.

Information for African shareholders

Managing your shares and staying in touch
You can go online to manage your shareholding at https://investorcentre.jseinvestorservices.co.za. This enables you to view your holding, check your dividend history and update how you want us to communicate with you.

Quilter would like to send you information about your shares by text message or email. We will text you a notification when your bi-annual shareholder statement is available; when we announce our results; when you can vote at any general meetings; and when any dividends are due. If you have not already done so, you can quickly and easily register your mobile phone and email address with us as follows:

Online
Go to https://investorcentre.jseinvestorservices.co.za and register for electronic communications by following the instructions on screen. All you need is your postcode and Shareholder Reference Number which can be found on your share certificate.

By email
Write to investorenquiries@jseinvestorservices.co.za. Please include your email address and mobile phone number and state that these should be used for all future communications.

By telephone
Call your Quilter Shareholder Helpline number provided overleaf and ask for your email and mobile number to be recorded.

Dividends
For your security, Quilter will only pay your dividends to the bank account currently registered with our Registrar, JSE Investor Services. To register your bank details please contact JSE Investor Services using the contact details overleaf.

Dividend currency
All dividends will be declared in pounds sterling for shareholders on the UK register and rand for shareholders on the South African register. The foreign exchange rate is determined the day before the Directors declare the dividend.

Did you know?
You do not need to hold a paper share certificate. By holding your shares electronically you can buy and sell shares more easily and protect your holding to help prevent fraud. You can find out more by contacting JSE Investor Services.

Contact information

Contact our UK Registrar, Equiniti
If you have a question about your shareholding, please contact Equiniti.

Post
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Online
https://help.shareview.co.uk

Telephone
0333 207 5953* (if calling from the UK)
+44 (0)121 415 0113 (if calling from overseas)

* Lines are open Monday to Friday between 08:30 and 17:30 (UK time), excluding public holidays in England and Wales.

Contact our African Registrars
Shareholders on the South Africa Register
JSE Investor Services (Pty) Limited
PO Box 10462, Johannesburg, 2000, South Africa

Email
investorenquiries@jseinvestorservices.co.za

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086 140 0110/086 154 6566 (calling from South Africa)
+27 11 029 0251/+27 11 715 3000 (calling from overseas)

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Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of alternative performance measures ("APMs"). APMs are not defined under IFRS, but we use them to provide further insight into the financial performance, financial position and cash flows of the Group and the way it is managed.

APMs should be read together with the Group's consolidated financial statements, which include the Group's income statement, statement of financial position and statement of cash flows, which are presented on pages 161 to 165.

Further details of APMs used by the Group in its Financial review are provided below.

APM	Definition
Adjusted profit before tax	Adjusted profit before tax represents the Group's IFRS profit, adjusted for specific items that management 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. Adjusted profit before tax is presented for the continuing Group (excluding Quilter International), for discontinued operations (Quilter International), and for the total Group for continuing and discontinued operations. 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 announcement. 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. A detailed reconciliation of the adjusted profit before tax metrics presented, and how these reconcile to IFRS, is provided on page 62 of the Financial review. Adjusted profit before tax is referred to throughout the Chief Executive Officer's statement and Financial review, with comparison to the prior period explained on page 58. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax is provided in note 7(d) to the consolidated financial statements on page 184.
Adjusted profit after tax	Adjusted profit after tax represents the post-tax equivalent of the adjusted profit before tax measure, as defined above.
Adjusted profit before tax after reallocation	Adjusted profit before tax after reallocation reflects adjusted profit before tax including certain costs within continuing operations relating to Quilter International that did not transfer to Utmost Group on completion of the sale, as detailed above. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax after reallocation is provided in note 7(d) to the consolidated financial statements on page 184.

APM	Definition
IFRS profit before tax attributable to equity holders	IFRS profit before tax attributable to equity holders represents the profit after policyholder tax ('tax attributable to policyholder returns') but before shareholder tax ('tax attributable to equity holders'). The tax charge for the Group's UK life insurance entity, Quilter Life & Pensions Limited, comprises policyholder tax and shareholder tax. Policyholder tax is regarded economically as a pre-tax cost to the Group, in that it is based on the return on assets held by the Group's life insurance entity to match against related unit-linked liabilities in respect of clients' policies, and for which the Company charges fees to clients. As such, policyholder tax can be a charge or credit in any period depending on underlying market movements on those assets held to cover linked liabilities. Shareholder tax is the remaining tax after deducting policyholder tax and is more reflective of the profitability of the entity. This metric is included on the face of the Group's income statement on page 181 and is included in the adjusted profit before tax to IFRS profit after tax reconciliation in note 7(a) to the consolidated financial statements.
IFRS profit before tax from continuing operations (excluding amortisation, policyholder tax adjustments, business disposal impacts and other one-off items)	This profit metric is calculated using the Group's IFRS profit before tax, from continuing operations and is adjusted to exclude amortisation of intangible assets, policyholder tax adjustments, business disposal impacts and other one-off items as disclosed in the reconciliation in the Group's Annual Report. This metric is used as the basis for remuneration, which is explained in the Remuneration report in the Group's Annual Report.
Revenue margin (bps)	Revenue margin represents net management fees, divided by average AuMA. Management uses this APM as it represents the Group's ability to earn revenue from AuMA. Revenue margin by segment and for the Group is explained on page 58 of the Financial review.
Operating margin	Operating margin represents adjusted profit before tax divided by total net fee revenue. Management uses this APM as this is an efficiency measure that reflects the percentage of total net fee revenue that becomes adjusted profit before tax. Operating margin is referred to in the Chief Executive Officer's statement and Financial review, with comparison to the prior period explained in the adjusted profit section on page 58.
Gross flows	Gross flows are the gross client cash inflows received from customers during the period and represent our ability to increase AuMA and revenue. Gross flows are referred to in the Financial review on pages 57 to 58.
Net flows	Net flows is the difference between money received from and returned to customers during the relevant period for the Group or for the business indicated. This measure is a lead indicator of total net fee revenue. Net flows is referred to throughout this document, with a separate section in the Financial review on pages 57 to 58.

APM	Definition
Assets under Management and Administration ("AuMA")	AuMA represents the total market value of all financial assets managed and administered on behalf of customers. AuMA is referred to throughout this document, with a separate section in the Financial review on page 58.
Average AuMA	Average AuMA represents the average total market value of all financial assets managed and administered on behalf of customers. Average AuMA is calculated using a 7-point average (half year) and 13-point average (full year) of monthly closing AuMA.
Total net fee revenue	Total net fee revenue represents revenue earned from net management fees and other revenue listed below and is a key input into the Group's operating margin. Further information on total net fee revenue is provided on page 59 of the Financial review and note 7(d) in the consolidated financial statements.
Net management fees	Net management fees consist of revenue generated from AuMA, fixed fee revenues including charges for policyholder tax contributions, less trail commissions payable. Net management fees are presented net of trail commission payable as trail commission is a variable cost directly linked to revenue, which is a treatment and presentation commonly used across our industry. Net management fees are a part of total net fee revenue and is a key input into the Group's operating margin. Further information on net management fees is provided on page 59 and note 7(d) in the consolidated financial statements.
Other revenue	Other revenue represents revenue not directly linked to AuMA (e.g. encashment charges, closed book unit-linked policies, non-linked Protect policies, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees). Other revenue is a part of total net fee revenue, which is included in the calculation of the Group's operating margin. Further information on other revenue is provided on page 59 and note 7(d) in the consolidated financial statements.
Operating expenses	Operating expenses represent the costs for the Group, which are incurred to earn total net fee revenue and excludes the impact of specific items that management considers to be outside of the Group's normal operations or one-off in nature. Operating expenses are included in the calculation of adjusted profit before tax and impact the Group's operating margin. A reconciliation of operating expenses to the applicable IFRS line items is included in note 7(d) to the consolidated financial statements, and the adjusting items excluded from operating expenses are explained in note 7(b). Operating expenses are explained on page 60 of the Financial review.
Cash generation	Cash generated from operations is calculated by removing non-cash generative items from adjusted profit before tax, such as deferrals required under IFRS to spread fee income and acquisition costs over the lives of the underlying contracts with customers. It is stated after deducting an allowance for net cash required to support the capital requirements generated by new business offset by a release of capital from the in-force book. Cash generation is explained on page 63 of the Financial review.

APM	Definition
Asset retention	The asset retention rate measures our ability to retain assets from delivering good customer outcomes and investment performance. Asset retention reflects the annualised gross outflows of the AuMA during the period as a percentage of opening AuMA. Asset retention is calculated as: 1 – (annualised gross outflow divided by opening AuMA). Asset retention is provided for the Group on page 57.
Net inflows/opening AuMA	This measure is calculated as total net flows annualised (as described above) divided by opening AuMA presented as a percentage. This metric is provided on page 57.
Gross flows per adviser	Gross flows per adviser is a measure of the value created by our Quilter distribution channel and is an indicator of the success of our multi-channel business model. Gross flows per adviser is calculated as gross flows generated by the Quilter channel through the Quilter Investment Platform, Quilter Investors or Quilter Cheviot (annualised) per average Restricted Financial Planner in both segments. Gross flows per adviser is provided on pages 57 and 58.
Return on Equity ("RoE")	Return on equity calculates how many pounds of profit the Group generates from continuing operations with each pound of shareholder equity. This measure is calculated as adjusted profit after tax divided by average equity. Equity is adjusted for the impact of discontinued operations, if applicable. Return on equity is provided on page 57.
Adjusted diluted earnings per share	Adjusted diluted earnings per share represents the adjusted profit earnings per share, calculated as adjusted profit after tax divided by the weighted average number of shares. Refer to page 194 and note 12 in the consolidated financial statements. A continuing and discontinued view of diluted earnings per share has also been presented, and the calculation of all EPS metrics, is shown in note 12 to the consolidated financial statements. Adjusted diluted earnings per share is referred to throughout this document, with additional details in the EPS section in the Financial review on page 61.
Headline earnings per share	The Group is required to calculate headline earnings per share in accordance with the Johannesburg Stock Exchange Limited Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 1/2021 Headline Earnings. This is calculated on a basic and diluted basis. For details of the calculation, refer to note 12 of the consolidated financial statements.

Glossary

Term	Definition
Affluent	Customers with up to £500,000 of investable assets
AuA	Assets under administration, which unless stated otherwise, reflects gross AuA before intra-group eliminations
AuM	Assets under management, which unless stated otherwise, reflects gross AuM before intra-group eliminations
AuMA	Assets under management and administration – for more details see Alternative Performance Measures on page 257
Brexit	The exit of the United Kingdom from the European Union, officially announced on 29 March 2017
CAGR	Compound annual growth rate
Company	Quilter plc
COVID-19	Coronavirus disease 2019
FCA	The UK Financial Conduct Authority
GHG	Greenhouse gas
Group	Quilter plc and its subsidiaries
High Net Worth	Customers with over £250,000 of investable assets
ICAAP	Internal Capital Adequacy Assessment Process
IFAs	Independent Financial Advisers, meaning advisers who provide advice on an independent basis, based on a comprehensive analysis of the whole market and free from any restriction
IFRS	The International Financial Reporting Standards as adopted by the United Kingdom
Investment managers (IMs)	Individual who provides investment advice and investment management services to private clients of Quilter Cheviot in line with individual circumstances and investment objectives
IPO	Initial Public Offering
ISA	Individual Savings Accounts
JSE	Johannesburg Stock Exchange
Lighthouse	Lighthouse Group plc was acquired on 12 June 2019. The Company changed its name to Lighthouse Group Limited on 19 February 2021
Listing	Reference to Quilter plc listing on the London and Johannesburg Stock Exchanges on 25 June 2018
LSE	London Stock Exchange
Managed Separation	Refers to the Managed Separation of Quilter plc from the Old Mutual Group
ORSA	Own Risk and Solvency Assessment

Term	Definition
Own funds	Capital resources determined on the basis of the Solvency II balance sheet
PCA	Private Client Advisers – refers to Quilter Private Client Advisers
PRA	Prudential Regulation Authority
Productivity	Also referred to as 'gross flows per adviser'. For definition, see Alternative Performance Measures on page 258.
PTP	Platform Transformation Programme
Quilter	Quilter plc
Quilter Group	The group of companies that are ultimately owned by Quilter plc
QLA	Quilter Life Assurance – sold to ReAssure on 31 December 2019
Restricted Financial Planners (RFPs)	Advisers who advise on a defined range of products and investment solutions, including investment solutions offered by the Group and by third parties that have been pre-researched by the Group
Scope 1 & 2 GHG emissions	Greenhouse gas emissions are categorised into three groups or 'scopes' by the most widely-used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 and 2 cover direct emissions sources (e.g., fuel used in company vehicles and purchased electricity), Scope 3 emissions cover all indirect emissions due to the activities of an organisation.
SCR	Solvency Capital Requirement, the regulatory capital requirement under the Solvency II Directive
SMCR	Senior Managers and Certification Regime
Standard Formula	The regulatory formula used to determine capital requirements for insurance entities under Solvency II. This formula broadly represents the potential loss of own funds calibrated to a 1-in-200 likelihood level.

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