Phoenix

Helping people secure a life of possibilities

Annual Report and Accounts 2024
Phoenix Group Holdings plc

Standard Life
Part of Phoenix Group

SunLife
Part of Phoenix Group

PHOENIX LIFE
Part of Phoenix Group

ReAssure
Part of Phoenix Group

We are the UK's largest long-term savings and retirement business.[1] Our purpose is helping people secure a life of possibilities. We want to help people journey to and through retirement while shaping a better future. It has never been more important to take action to make living better longer lives a reality for all of us. This includes engaging people, innovating to provide solutions at scale, and collaborating with policy makers and businesses to talk about how we achieve this together.

We're shaping that conversation.

You can find out more about our activities, financial performance, sustainability strategy and our progress towards becoming a net zero business by 2050 by visiting our website:

thephoenixgroup.com

1 Company analysis August 2024 based on life technical provisions.

Look out for these icons in the annual report:

- For further reading in the **Annual Report**
- For more information read our **supplementary reports**
- Reference to further reading **online**

In this report

1 In the UK, Solvency II as modified by the PRA's 2024 reforms ('Solvency UK') became effective from 31 December 2024. Solvency UK has been referred to in this document except for where referring to relevant Alternative Performance Measures and other solvency metrics, where we refer to Solvency II in line with the current PRA guidance and consistent with the name of the prudential regime in the PRA policy manual.

2 The Group identified material corrections to previously reported results, leading to the restatement of 2023 adjusted operating profit from £617 million reported to £629 million, the 2023 loss after tax from £88 million as reported to a profit of £84 million, the 2023 shareholders' equity from £2,496 million as reported to £2,742 million, and 2023 adjusted shareholders' equity from £4,636 million as reported to £4,882 million. Further information on this restatement can be found in note A3 to the consolidated financial statements.

2024 performance

Key performance indicators

Operating Cash Generation
£1,403m
(2023: £1,146m) APM

Total ordinary dividend per share
54.00p
(2023: 52.65p)

Total cash generation
£1,779m
(2023: £2,024m) REM APM

IFRS adjusted operating profit
£825m
(2023: £629m[2]) APM

Group Solvency II surplus[1] (estimated)
£3.5bn
(2023: £3.9bn)

IFRS loss after tax
£(1,078)m
(2023: £84m[2] profit after tax)

Group Solvency II Shareholder Capital Coverage Ratio[1] (estimated)
172%
(2023: 176%) APM

IFRS adjusted shareholders' equity
£3,656m
(2023: £4,882m[2]) APM

All amounts throughout the report marked with REM are KPIs linked to Executive remuneration. See Directors' Remuneration report on pages 134 to 165. All amounts throughout the report marked with APM are alternative performance measures. Read more on page 334.

Solvency II leverage ratio[1]
36%
(2023: 36%) APM

The Strategic report was approved by the Board of Directors on 16 March 2025 and signed on its behalf by

Andy Briggs
Group Chief Executive Officer

At a glance

Our vision is to be the UK's leading retirement savings and income business. We offer a broad range of savings and retirement income products to support people across all stages of their savings life cycle from 18 to 80+, through our family of brands.

Our business

£292bn
total assets under administration APM

c.7,000
colleagues

c.12m
customers

c.£530m
annual dividend paid to shareholders

FTSE 100
and FTSE All World

Our family of brands

Standard Life Part of Phoenix Group

Standard Life has been trusted to look after people's life savings and retirement needs for 200 years.

SunLife Part of Phoenix Group

SunLife's straightforward and affordable financial products and services are designed to meet the needs of the over 50s.

PHOENIX LIFE Part of Phoenix Group

Phoenix Life focuses on providing a secure home for policies, brought together from a number of life companies over the years.

ReAssure Part of Phoenix Group

ReAssure looks after customers across a broad range of retirement, investment and protection products.

For more information visit
thephoenixgroup.com/about-us/our-brands/

Our customer solutions

Saving for retirement

- Defined contribution workplace pensions
- Retail savings for retirement
- Legacy pensions and savings products

Transitioning to retirement

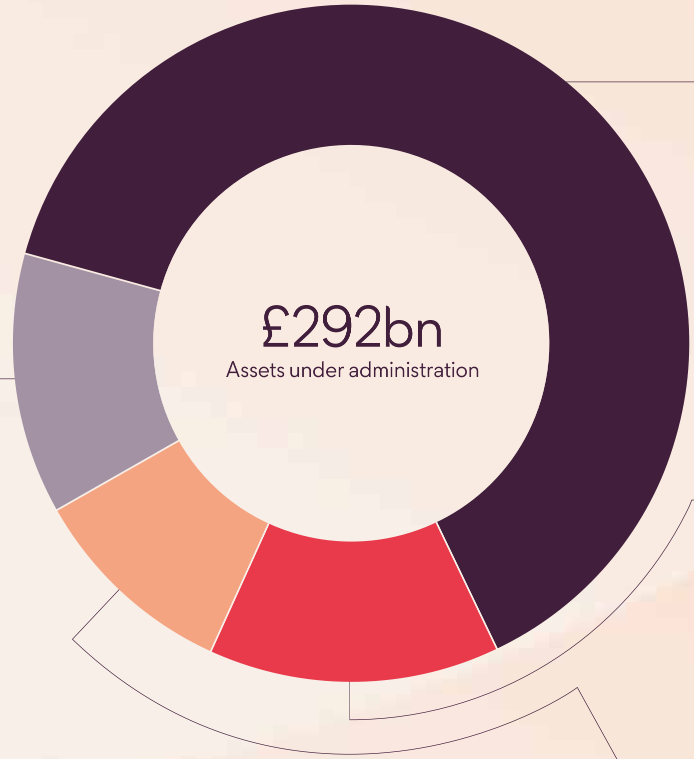
- Pension consolidation
- Fixed-term annuities
- Smooth managed fund

Retirement income

- Income drawdown and lifetime annuities
- Defined benefit pension income
- Home equity release

See Our business model on **pages 16 to 19**

Our business areas



£187bn Pensions and Savings

We help customers journey to and through retirement. Our Workplace business supports people who save through their Defined contribution workplace pension scheme, and our Retail business supports individual customers to save for, transition to, and secure an income in retirement.

See more on our Pensions and Savings division on **pages 22 to 23**

£40bn Retirement Solutions

We participate across the key retirement markets, as we seek to help customers secure income certainty in retirement, including Bulk Purchase Annuities and individual annuities.

See more on our Retirement Solutions division on **pages 24 to 25**

£29bn Europe and Other

Standard Life International, which operates in Ireland and Germany, offers a range of pensions and savings products, including international bonds. SunLife offers protection solutions direct to the over 50s market in the UK.

With-Profits £36bn

We are a market leader in the safe and efficient management of legacy pensions and savings policies to deliver better customer outcomes, with a range of legacy With-Profits savings products that are closed to new business that we manage for our customers.

Financial metrics shown refer to the assets under administration by segment type APM.

How we deliver our purpose-led business

Our purpose

Helping people secure a life of possibilities

Our vision

To be the UK's leading retirement savings and income business

Our strategic priorities

Grow

Meeting more of our existing customers' needs and acquiring new customers.

See **pages 26 to 27**

Optimise

Optimising our scale in-force business and balance sheet.

See **pages 28 to 29**

Enhance

Transforming our operating model and culture.

See **pages 30 to 31**

Our sustainability strategy

People

We want to help people live better longer lives. This means tackling the pensions savings gap and supporting people to have better financial futures through promoting financial wellness and the role of good work and skills.

Planet

We want to help shape a better future. This means delivering good outcomes for our customers, playing a key role in delivering a net zero economy by 2050 and understanding and taking action to manage our impact and dependency on nature.

Building a sustainable business

We are committed to embedding sustainability and best practice governance to maintain high standards of oversight, integrity and ethics.

For more information view our **Sustainability Report**

Let's talk about how we make better longer lives a reality for all. Trusted by c.12 million customers, our shared purpose, scale and ambition give us a powerful voice for change.

We're shaping the conversation.

Shaping the conversation continued

How do we help people prepare for a better retirement?

Responsibility for retirement saving has moved to the individual. That's why we've created new propositions and services to help customers navigate this journey more easily as they save for retirement and access an income when that time comes.

Andy Curran
Chief Executive Officer, Standard Life, part of Phoenix Group

Raising awareness

In 2023 we wanted to start a conversation on the way we live, work and save for the longer lives we're now leading. Our Let's Start Talking campaign engaged four million people in the UK to think about this, and in 2024 we wanted to go further and inspire people to take action. We shared real life stories of the challenges people face and inspired c.1.4 million people to either check in on their retirement savings or find out more about living or working longer.

Did you know?

14%

Only 14% of Defined contribution savers are on track to maintain their standard of living into retirement, above a minimum income level[1]

Campaigning for secure retirement

We believe furthering automatic enrolment's success by reviewing its scope, contribution rate and suitability for different savers is key to ensuring everyone has enough savings for a secure retirement. Over the last year we continued our work engaging with government on this important topic, including sharing our new report illustrating the cost of delaying automatic enrolment increases.

1 www.thephoenixgroup.com/media/hzcfg1wo/phoenix-insights-great-expectations-report.pdf

Standard Life
Part of Phoenix Group

Providing new innovative retirement products

Not all customer needs are being met by current products so we are launching new capital-light innovative products to meet this gap, including the Standard Life Smoothed Return Pension Fund. The 'smoothing' process is designed to cushion the daily ups and downs of the stock market. This helps reduce the risks created by needing to withdraw income at regular but otherwise inopportune times, as well as those arising from the unpredictability of life events.

As many as 9-in-10 people say income certainty in retirement is important to them, while the same proportion say it's important to access all or some of their money flexibly. For these customers, the Standard Life Guaranteed Fixed-term Income product, launched in September 2024 through our adviser channel, delivers flexibility with an option to redeem and reassess their financial needs at a later stage.

Did you know?

9-in-10

people say income certainty in retirement is important to them[2]

Encouraging pension consolidation

With the average person having at least 11 jobs[3] in their working lifetime, the process of tracking pensions down and managing them simultaneously is proving a challenge for many.

Recognising the problem, Standard Life has partnered with Raindrop, a fintech offering innovative pension finding technology, to help tackle the problem for pension savers throughout the UK and allows customers to regain control of their pensions savings.

Did you know?

c.£27bn

Value of unclaimed pension pots in the UK[4]

Supporting financial wellbeing

We offer all pension scheme members a host of tools through an online dashboard and through our Standard Life digital app to support their financial wellbeing along their journey towards retirement. This includes the 'How much will I need in retirement' tool which helps customers understand the basic cost of living they will need to save for in retirement, using the Pension and Lifetime Savings Association ('PLSA') minimum retirement living standards[5].

We've enhanced our open finance platform 'Money Mindset' to align with financial priority areas including: Everyday Money, Savings Goals and Back-up Plans. Additionally, we've made retail discounts available through the platform to facilitate increased savings.

The support for financial wellbeing extends to our recently launched 'Good Money Mood' webinar series, which helps provide information, resources and tools to help empower members with financial decisions at key life moments.

2 Standard Life Retirement Voice 2024.
3 www.gov.uk/government/news/thousands-more-make-contact-with-long-lost-funds
4 Lost Pensions 2022: What's the scale of the impact?
5 www.retirementlivingstandards.org.uk/

Shaping the conversation continued

How do we support a society where we work and live for longer?

We need to ensure that government and employers put in place the policies and practices that enable people to remain in good-quality paid work for as long as they want or need to, so they can save enough for a decent retirement.

Catherine Foot
Director, Phoenix Insights

Caring for Carers

In 2024 we launched our Caring for Carers initiative, which aims to support our customers, c.24% of whom are carers, to better balance some of the challenges they might face, be they personal, financial, professional or emotional. Through partnering with Carers UK we can support the great work it does and help drive real change in society.

For further reading in the **Sustainability Report**

Did you know?

£9bn

could be added to the UK economy if the employment rate for people aged 50–64 rose above 75% by 2030[1]

Inspiring career changes

Our Careers can change campaign champions the importance of supporting people in midlife and later to change careers to sustain a longer working life.

The campaign shows people that careers really can change and provides events, guidance and advice to help people on their journey.

Read more about the **Careers can change** campaign

1 ageing-better.org.uk/sites/default/files/2024-06/50%2B_Employment_Commitment.pdf

Unlocking opportunities in private markets

We launched Future Growth Capital ('FGC'), the UK's first private market investment manager established to promote the objectives of the Mansion House Compact. A key focus of FGC will be investing on behalf of pension savers to grow the UK's companies of the future. FGC will provide long-term financing for innovative, growing businesses, helping to create jobs and boost the UK economy whilst supporting the goal of achieving better returns for our customers.

Read more on **FGC**

Did you know?

£1.2tn

could be invested by the pensions industry in climate solutions by 2035[2], accounting for half of the overall gross capital investment needed by 2035 for the UK to remain on track with its net zero transition

Reducing climate-related risks for our customers

We've also launched a bespoke Climate Aware index series in collaboration with FTSE Russell. The index series will enable us to introduce benchmarks that aim to increase the resilience of customers' portfolios to climate change related transition risks.

Read more in our **Charting the UK's Net Zero Future: Policy recommendations to unlock investment**

Read more in our **Net Zero Transition Plan**

How does the way we invest shape a better future?

Investment from the private sector and the pensions industry will be crucial in funding the net zero transition, and we're using our scale and voice to unlock investment in a way that supports good customer outcomes.

Bruno Gardner
Head of Climate Change and Nature, Phoenix Group

2 www.thephoenixgroup.com/news-views/policy-paper-from-phoenix-group-recommends-key-net-zero-policy-priorities-for-new-parliament/

Driving positive impact through our purpose

Sir Nicholas Lyons
Chair of the Group Board

We want to help people journey to and through retirement while investing in a better future for us all. That's why our purpose-led approach focuses on two critical areas: People and Planet. We are looking to address the UK pensions savings gap and manage the risks and opportunities of climate change.

For further reading in the **Sustainability Report**

Driving positive impact through our purpose
In the UK we face a crisis of retirement readiness. As the UK's largest long-term savings and retirement business[1] we are striving to inspire people to take action and influence the policy agenda to help people secure a life of possibilities.

> At the heart of Phoenix is its purpose and it drives our determination to help more people journey to and through retirement, while delivering better outcomes for all our stakeholders.

In order to increase our customers' preparedness for the future, we are investing to develop innovative retirement savings and income solutions. We also continue to advocate for the implementation of policies that increase pension and long-term savings to the benefit of our customers throughout their savings life cycle.

We welcomed the government's commitment to look at pension outcomes, including assessing retirement adequacy. There is an ever-growing body of research evidencing the scale of the retirement savings gap in the UK and that by the early 2040s we expect 3-in-5 people will be entering retirement with inadequate savings[2]. The government's retirement adequacy review is essential to assess the complexity of factors impacting adequacy and create consensus on an implementation timeline for recommended policy solutions. In support of the review, Phoenix Insights has proposed a way forward to address challenges and improve the retirement prospects for future generations, which includes furthering automatic enrolment, and increasing contribution rates from 8% to at least 12% gradually. Increasing default contributions into workplace pensions is undoubtedly the single biggest lever the

c.12m
customers
(2023: c.12m)

£292bn↑
total assets under administration APM
(2023: £283bn)

52%
reduction in the carbon intensity of our listed equity and credit portfolio[3]

government could pull to increase the amount of private pension savings.

To compound the positive impact of our customers saving more for retirement we strive to provide them with better returns. As a founding signatory to the Mansion House Compact in 2023, we advocated for reforms to enable pension funds to invest more into alternative asset classes. We are delighted that the reforms we advocated for are now being implemented by the UK government and enabling us to take tangible action. In collaboration with Schroders we launched Future Growth Capital ('FGC'), the first private market investment manager to be established in the UK to meet the objectives of the Mansion House Compact. FGC aims to deliver improved outcomes for long-term pension savers in the UK by enabling efficient access to private markets investments and their potential for delivering higher long-term investment returns.

We can drive good outcomes for our customers and manage the risks of climate change by delivering on our Net Zero Transition Plan commitments and understanding our impact and dependency on nature. In parallel we are helping to unlock the barriers to allow capital to flow at scale into productive and sustainable investments. Our Unlocking Investment in Climate Solutions report found that, with the right reforms and on the right terms for pension savers, the UK pension sector could quadruple its investment in UK climate solutions between now and 2035 to up to £1.2 trillion[4].

1 Company analysis August 2024 based on life technical provisions.
2 www.thephoenixgroup.com/media/sjodudvd/tomorrows-problem-analysing-the-future-impact-of-dc-pension-undersaving.pdf
3 Relative to our 2019 baseline.
4 www.thephoenixgroup.com/news-views/policy-paper-from-phoenix-group-recommends-key-net-zero-policy-priorities-for-new-parliament/
5 www.thephoenixgroup.com/phoenix-insights/publications/what-role-could-targeted-support-play-in-supporting-consumers-at-retirement/

Research suggests that only c.10% of people access and pay for independent financial advice[5] when making important financial retirement decisions, which means the majority of people are facing an 'advice gap'. As a result consumers face making life-changing complex decisions without sufficient support, risking a range of harms. Targeted support, as proposed by the Financial Conduct Authority ('FCA'), could enable firms to provide more tailored support to customers so they are better informed to make decisions. This would be a big change from the status quo, and we believe it's vital to understand more about how people would use this to ensure the best outcomes for savers. Our research is designed to bring informed individual consumer voices into this discussion.

Strong cash generation supports opportunity to invest and realise our vision

We are now one year into our 3-year strategy to deliver our vision of becoming the UK's leading retirement savings and income business. The team has delivered strong cash generation in 2024 through an acceleration in our organic growth story, and the resilience of our balance sheet has enabled us to invest across each of our strategic priorities.

2024 has seen us launch new products to better serve our customers and to harness our capabilities to achieve the desired outcomes of our 3-year strategy sooner than expected, reflected in our upgraded targets.

Attractive shareholder returns

I am delighted to announce that the Board is recommending a 2.6% increase in the Group's 2024 Final dividend to 27.35 pence per share. This means the Group's Total dividend for 2024 will be 54.00 pence per share.

In operating its progressive and sustainable dividend policy and assessing longer-term affordability, the Board considers the quantum and trajectory of the Group's Operating Cash Generation ('OCG'), Solvency II surplus and Shareholder Capital Coverage Ratio, and the distributable reserves of the Group's holding company. In this overall context and consistent with previous guidance, and given the Board's confidence in the Group's 3-year strategy as evidenced by our revised targets, the Board considers that the Group's consolidated IFRS shareholders' equity is not a constraint to the payment of our dividends.

Board changes

During 2024 the Board was delighted to welcome Nicolaos Nicandrou as Group Chief Financial Officer ('CFO') after Rakesh Thakrar stood down from the position in September. Nicolaos' extensive insurance and asset management experience will be invaluable to the Group as we execute our strategy to achieve our vision and implement our evolved financial framework. I'd like to take this opportunity to thank both Rakesh and Stephanie Bruce, who served as Interim CFO whilst we recruited a permanent candidate, for their positive contributions to the Group.

In addition, John Pollock retired from the Board with effect from 31 December 2024. We welcome Sherry Coutu who joins the Board with effect from 1 May 2025. More information relating to Board changes can be found on page 85.

Section 172 statement

During the year, Directors have applied section 172 of the Companies Act 2006 in a manner consistent with the Group's purpose, values and strategic priorities. The Directors have acted in a way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole. In doing so the Directors have paid due regard to the matters set out in section 172(1) (a) to (f), namely:

- the likely consequences of any decision in the long-term;
- the interests of any of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of maintaining the Company's reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

For details on how the Directors have considered these matters in connection with key decisions, and outcomes for engagement with our key stakeholder groups throughout 2024 can be found on **pages 98 to 100** of the Corporate governance report.

Thank you

Finally, I would like to take this opportunity to thank the Board, our colleagues, our partners and our wider stakeholders for their hard work, dedication and support in delivering another year of strong progress.

Sir Nicholas Lyons
Chair of the Group Board

Group Chief Executive Officer's report

Delivering progress against our 3-year strategy

Andy Briggs
Group Chief Executive Officer

2024 highlights

- Excellent customer focused proposition development to leverage our scale customer base
- Strong build-out of our in-house Asset Management capabilities
- Good start to our cost reduction programme by progressing our migrations and simplifying our business
- Operating Cash Generation of £1.4bn, achieving our 2026 target two years early
- Attractive shareholder returns supported by our progressive and sustainable ordinary dividend policy
- £0.3bn excess cash generated this year which is available to deploy in line with our capital allocation framework

Phoenix Group is the UK's largest long-term savings and retirement business, managing £292 billion of assets for c.12 million customers. Our purpose of 'helping people secure a life of possibilities' is embedded in everything that we do as we help customers journey to and through retirement.

> Growth in our Operating Cash Generation was underpinned by the positive trading momentum in both our Pensions and Savings and our Retirement Solutions businesses.

We proudly serve people with our products at all stages of their life savings cycle from 18 to 80+. Our business mix is balanced across the long-term savings and retirement market, which can be largely categorised as Pensions and Savings and Retirement Solutions.

Around two-thirds of our business by assets is Pensions and Savings, which principally consists of capital-light fee-based products and c.14% of our business by assets is Retirement Solutions, our capital-utilising business.

See **pages 22 to 25** Introducing our divisions for more detail

In March 2024 we outlined a 3-year strategy for 2024–26, which will support us in delivering our vision of being the UK's leading retirement savings and income business; a sustainable and growing business, which delivers growing cash, capital and earnings, and which can support a progressive and sustainable dividend.

Progress against our 3-year strategy underpins upgraded targets
I am pleased with the progress we have made in the first year into our 3-year strategic journey. There is clearly more to do, but we are ahead of schedule from both a strategic and financial performance perspective and I am encouraged by the significant opportunities we have ahead of us.

Phoenix has always managed its business for cash and capital. As part of our evolved financial framework we introduced Operating Cash Generation ('OCG') in March 2024 as the metric which we feel best demonstrates the long-term underlying value generation from our business. We are a highly cash generative business reflected in the 22% growth in OCG in 2024 to £1,403 million (2023: £1,146 million), enabling us to achieve our 2026 target two years early. This growth was driven by a strong performance in both Pensions and Savings and Retirement Solutions, the benefits of our cost savings programme and another strong year of delivering recurring management actions. At this level, not only does OCG more than cover our recurring uses and a growing dividend, but it delivers around £300 million of excess cash each year, providing us with additional optionality to deploy capital into the highest returning opportunity, including further deleveraging, investment into growth, M&A and share buybacks.

1 The Group identified material corrections to previously reported results, leading to the restatement of 2023 adjusted operating profit from £617 million reported to £629 million, the 2023 loss after tax from £88 million as reported to a profit of £84 million, the 2023 shareholders' equity from £2,496 million as reported to £2,742 million, and 2023 adjusted shareholders' equity from £4,636 million as reported to £4,882 million. Further information on this restatement can be found in note A3 to the consolidated financial statements.

> We are executing on our 3-year strategy to become the UK's leading retirement savings and income business, meeting more of our customers' retirement needs, delivering on our financial targets and creating value for our stakeholders.

Andy Briggs
Group Chief Executive Officer

Total cash generation of £1,779 million (2023: £2,024 million) exceeded the top-end of our £1.4–1.5 billion target range. The year-on-year decline was due to the prior year benefiting from a c.£400 million impact from a Part VII transfer.

Our Solvency balance sheet remains resilient with our Shareholder Capital Coverage Ratio ('SCCR') of 172% (2023: 176%) in the top-half of our 140–180% operating range.

The Group's IFRS adjusted operating profit grew 31% to £825 million (2023: £629 million[1]) driven by profitable growth in both our Pensions and Savings business and our Retirement Solutions business. Growth in the underlying businesses, particularly Retirement Solutions, is also reflected in the 14% growth (2023: 10%) in the Group Contractual Service Margin ('CSM'). However, we are reporting an IFRS loss after tax of £1,078 million (2023: £84 million profit[1]). This primarily reflects adverse economic variances which are a consequence of our Solvency II hedging approach that protects our cash and capital and therefore our dividend, as well as planned investment spend as we deliver our 3-year strategy. This means our IFRS shareholders' equity has reduced in the period to £1,213 million (2023: £2,742 million).

For 2024 the Board has recommended a 2.6% increase in the Final dividend of 27.35 pence per share, bringing our Total dividend to 54.00 pence per share, extending our strong track record of dividend growth. The progress we have made in the first year of our 3-year strategy means we are achieving our desired outcomes sooner than expected, which in turn has led us to upgrade a number of our financial targets.

Having achieved our 2026 OCG target two years early we have upgraded our 2024–2026 total cash generation target to £5.1 billion, up from £4.4 billion, and we now expect OCG to grow at mid-single digit percentage per annum going forward. In addition we have upgraded our 2026 IFRS adjusted operating profit target from £900 million to c.£1.1 billion, a level of profit which is sufficient to cover our recurring uses and create excess to cover non-recurring uses. The remainder of our 2026 financial targets are reaffirmed.

Please see more detail in our Business review on **pages 36 to 42**

Standard Life
Part of Phoenix Group

Celebrating our 200-year heritage

The Standard Life brand has a deep history and heritage, with roots that can be traced back to 1825. The brand is well known and trusted by advisers and customers and we are very proud to be celebrating our 200-year anniversary this year.

Our Standard Life brand continues to play a pivotal role in achieving our future growth ambitions. We are continuing to invest in the brand, building products and services to help people feel confident about their financial plans in retirement; and ensuring that we are a brand that our customers, clients and advisers can continue to rely on.

We are proud to have been around for 200 years and are looking forward to continuing to help people long into the future.

200 years and counting

Group Chief Executive Officer's report continued

£1,403m↑
2024 Operating Cash Generation
(2023: £1,146m) APM

£1,779m↓
2024 Total cash generation
(2023: £2,024m) REM APM

+2.6%↑
2024 Final dividend increase
(2023: 2.5%)

Building on our strengths to achieve our vision

To achieve our vision this phase of our strategy is about building on the strong foundations we have already developed, leveraging our scale and strong positions in the attractive markets we operate in and completing our full-service customer offering.

To ensure we offer our customers the full range of retirement savings and income solutions, we have successfully launched a number of new propositions in 2024 which supplement our existing portfolio range. These product launches were driven first and foremost by customer needs, who increasingly want to balance having a flexible and guaranteed income as they secure income for retirement. At the same time these products offered us the opportunity to participate in the growing retirement market in a capital-light way. There is a significant opportunity to scale these offerings further through additional distribution channels, as we continue to build up a positive track record of performance.

Alongside a broad product portfolio, we know we need to offer an excellent customer experience to ultimately deliver better outcomes for our customers. To support this we have been investing in a number of digital tools as well as telephony capacity to both increase customers' financial wellness and to create the opportunity to deepen our relationships with them. We have also entered into partnerships with fintechs, including Raindrop and Money Hub, which supplement our engagement.

The ongoing progress we are making in integrating and migrating customer policies following M&A activity and continued investment into our digital infrastructure and systems will enable a seamless digitally-led journey for our customers through their savings life cycle.

We have built Phoenix Asset Management, a highly skilled, scale in-house asset management capability. Our operating model strives for a balance between in-housing and partnering. The in-house team drives all strategic asset allocation decisions and selects best-in-class partners to work with in each asset class. The in-house capabilities we have built enable us to deliver high levels of recurring management actions.

To support us on our 3-year journey we have a clear set of strategic priorities to 1) Grow 2) Optimise and 3) Enhance. Our strategic priorities are informed by – and in support of – our ESG themes of People and Planet which look to address the UK pensions savings gap and manage the risks and opportunities of climate change.

See **pages 52 to 83** for our Sustainability review

A strategy supported by existing large and growing markets with strong market positions

The UK long-term savings and retirement market is already large, with c.£3.2 trillion of total stock[1], but it is also growing fast, with annual flows of c.£220–270 billion[2]. The breadth of our enlarged and increasingly innovative product portfolio in parallel with our existing strong positions in the key workplace, annuity and retail markets means we are able to take advantage of a number of growing market opportunities.

The workplace market continues to see a structural shift away from unbundled trust arrangements to bundled solutions, including Master Trust that we support.

A combination of employers looking to simplify arrangements, seeking best-in-class customer propositions, and evolving regulatory and legislative factors is driving the shift. With a top-3 position in this market already with assets under administration ('AUA') of £66.5 billion we are benefiting from the £70–80 billion of annual market flows, demonstrated by our gross inflows of £9.3 billion in 2024, and will continue to benefit.

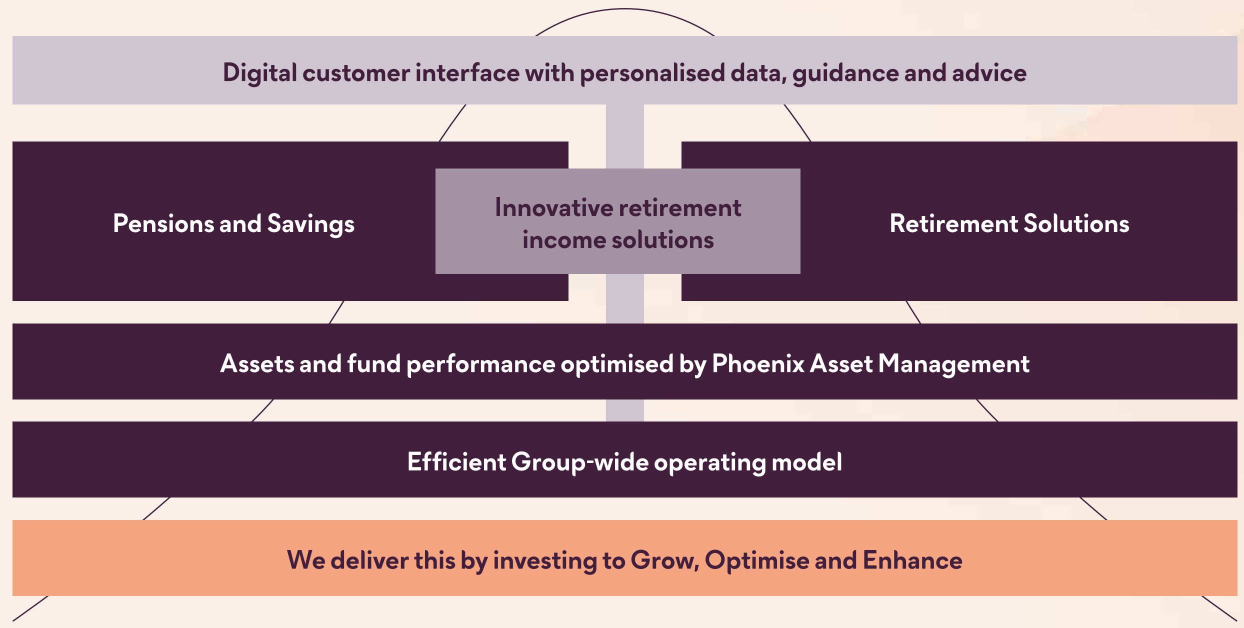
Corporates are continuing to de-risk their Defined benefit ('DB') pension scheme liabilities through Bulk Purchase Annuities ('BPA') transactions in order to focus on their core business. We have built a compelling end-to-end BPA proposition which is competitively priced and supported by bespoke administration. We also re-entered the individual annuity market in 2023 and have already managed to secure a 12% market share, driven by our ability to launch a product that is both competitively priced and delivered via a leading digital customer experience.

Our existing c.12 million customers provide us with a unique opportunity to win market share in the retail market – both via advisers and direct to customers. We have been encouraging customers to consolidate towards and decumulate with us. Our ability to win is further evidenced by our expanding product range now meeting more of our customers' needs in retirement and the opportunity to attract new customers through our product innovation and an omni-channel customer experience.
Our ability to leverage the opportunities that the retail market presents will be further enabled by the work we are doing to build the capabilities to provide customers with the advice and guidance they need. This will enhance our ability to offer timely services to our customers and is very much aligned to our priority, to provide consistently good outcomes for our customers.

See **pages 20 to 25** for more on Our growth drivers and Introducing our divisions

1 Company estimate based on data from Broadridge, PPF Purple Book, and company financial disclosures.
2 Company estimate based on data from Platform, Fundscape, Broadridge, HMRC, ABI, FCA, LCP and company financial disclosures.

Delivering on our vision to become the UK's leading retirement savings and income business



Demonstrable progress against our strategic priorities

Executing on our strategy supports growth in assets and enhanced margins to grow our Pensions and Savings business. In parallel, disciplined deployment of capital into annuities within Retirement Solutions has enabled us to optimise returns and grow our CSM.

As we continue to optimise our scale in-force business and balance sheet we have further strengthened our asset management capabilities and have repaid historic M&A-related debt as part of our ongoing debt repayment programme.

Enhancing our operating model has enabled us to deliver £63 million of run-rate cost savings in 2024 and make significant progress with the migration and integration of policies.

See **pages 26 to 31** for more detail on our progress against our strategic priorities of Grow, Optimise and Enhance including our non-financial KPIs

Summary and outlook

The economic backdrop and pension 'advice gap' in the UK mean our societal purpose of helping people secure a life of possibilities is even more important.

Our 2024 results reflect strong operating momentum in the business, delivering profitable growth in Pensions and Savings and Retirement Solutions, underpinned by progress against our strategic priorities of Grow, Optimise and Enhance. This enabled us to deliver our 2026 OCG target two years early and upgrade our 2024–26 total cash generation and our 2026 operating profit targets. Our SCCR remains comfortably in the top half of our SCCR operating range and our strong cash generation has enabled us to repay debt whilst also investing in our business.

As we continue to strive to meet the needs of our customers, colleagues and other key stakeholders, this will support us in achieving our vision of becoming the UK's leading retirement savings and income business.

We will continue to invest to deliver this vision, which will enable us to continually grow our business sustainably over time, reflected in the mid-single digit percentage growth per annum in OCG we expect going forward.

This strong OCG growth delivers a secure, growing dividend and with at least c.£300 million per annum excess cash to deploy, this creates further financial flexibility and enables us to focus on further deleveraging.

Thank you

The demonstrable progress Phoenix Group has made in this first year of our 3-year strategy could not have been achieved without our fantastic people. This progress has seen the business continue to change and I would like to thank my colleagues throughout the Group for their continued contribution and dedication as we have navigated these changes in what has been a challenging environment for some.

I look forward to working with Nicolaos and the rest of our team in delivering significant progress in 2025 and beyond.

Andy Briggs
Group Chief Executive Officer

Our business model

A growing and sustainable business

As the UK's largest long-term savings and retirement business[1], our focus is on offering the right retirement savings and income products to meet the needs of our customers today and in the future.

Our purpose

Helping people secure a life of possibilities

What we do

We want to improve the financial futures of our customers by offering a simple range of innovative retirement products and solutions to support them through all their adult life stages.

See **pages 18 to 19** for our products and solutions

For more information on our family of brands visit **thephoenixgroup.com/about-us/our-brands/**

1 Company analysis August 2024 based on life technical provisions.

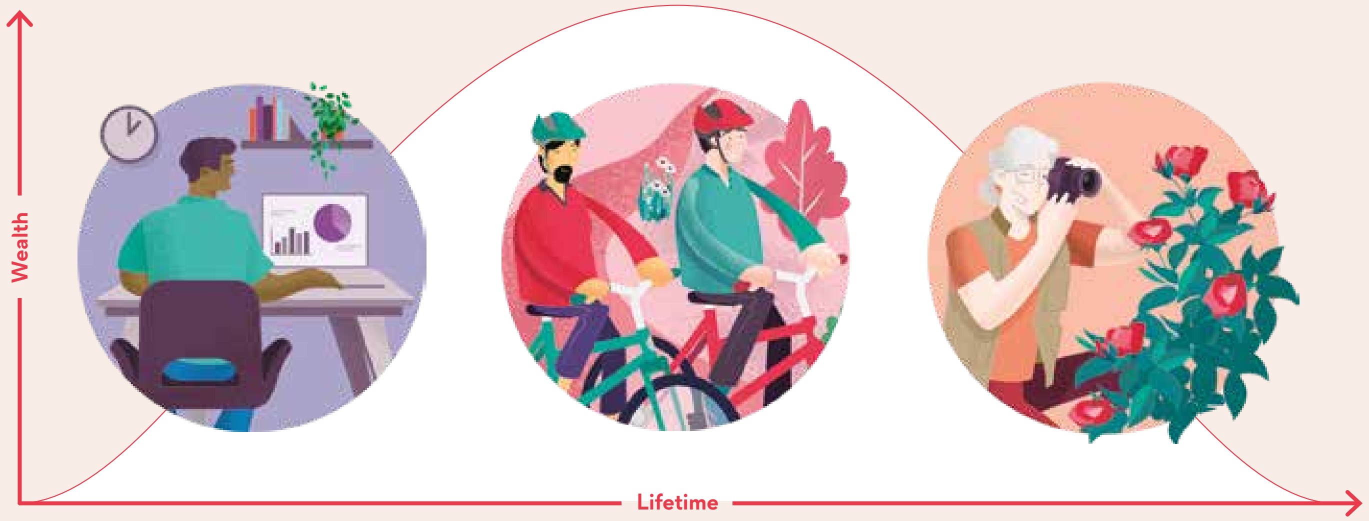
Our vision

To be the UK's leading retirement savings and income business

Creating long-term value

Using our scale and ambition, we are committed to creating long-term value for all our stakeholders. We make money by earning a fee on our capital-light fee-based products and managing the associated costs. On our annuity products we earn a spread by effectively managing the risks to optimise the returns on the assets backing the liabilities.

See our Investment case on **pages 32 to 33**



Saving for retirement

- Defined contribution workplace pensions
- Retail savings for retirement
- Legacy pensions and savings products

Transitioning to retirement

- Pension consolidation
- Fixed-term annuities
- Smooth managed fund

Securing income in retirement

- Income drawdown and lifetime annuities
- Defined benefit pension income
- Home equity release

Ensuring we achieve consistently good outcomes for our customers

Our first priority is ensuring we achieve consistently good outcomes for our customers and helping millions of people secure a life of possibilities. Additional priorities include...

Reinvestment back into the business

- **Grow** to meet more of our customers' needs and acquire new ones
- **Optimise** our scale in-force business and balance sheet
- **Enhance** and transform our operating model

Distribution back to shareholders

- Sustainable and growing Operating Cash Generation underpins our progressive and sustainable ordinary dividend policy

Positive outcomes for our other stakeholders

- Managing the risks and opportunities presented by climate change
- Inspiring our colleagues and attracting and developing new top talent

Helping customers journey to and through retirement

We focus on meeting the long-term savings and retirement needs of our customers by providing the products they need through our family of brands, as they accumulate wealth through the savings phase, then transition to securing income in retirement.

Saving for retirement

Retail savings for retirement

We help retail customers both directly and indirectly via financial advisers by providing a range of pension and investment solutions to support their retirement ambitions.

Saving for retirement

Defined contribution workplace pensions

With a Defined contribution ('DC') workplace scheme, individuals and typically their employer pay into their pension on a regular basis as they work. Standard Life is one of the leading UK providers that help employers and trustees set up high-quality, easy-to-run workplace pension schemes, including our award-winning Master Trust offering. We offer a leading digital interface for employees to track and engage with their pensions.

For many their first experience of saving for retirement begins at the workplace. Our focus on supporting members' understanding of pensions and their wider financial wellness is creating stronger engagement and the prospect of better financial outcomes.

Gail Izat
Managing Director of Workplace

Saving for retirement

Legacy pensions and savings products

Over the years, Phoenix Group has grown through the acquisition of closed books of legacy pension and insurance policies from a number of companies. We are the market leader in the safe and efficient management of legacy pensions and savings policies, with a strong track record of delivering better outcomes for customers of long-standing policies that are no longer sold in the wider market. We are leveraging the products and services from Standard Life to better support these customers at retirement and we are providing a digital and telephony guidance journey for when they want to access their income.

Retirement is one of life's biggest transitions and securing good outcomes lies at the heart of this. Innovation in retirement income product design is key to tackling this challenge, and we're proud to be delivering solutions that meet this need.

Claire Altman
Managing Director of Individual Retirement Solutions

Transitioning to retirement

Smooth managed funds

Smoothed funds are designed to provide steadier long-term growth. They hold a range of different investments and are designed to reduce the worry of investing by smoothing out the short-term ups and downs of the investment markets.

Securing income in retirement

Defined benefit pension income

Also known as a 'final salary' pension, a Defined benefit ('DB') pension pays out a guaranteed income to scheme members for life in retirement, but they are generally no longer offered to employees. The remaining DB pension schemes are exposed to a range of market and demographic risks that the sponsoring employer is responsible for. To remove these risks and enhance benefit security for scheme members, sponsors and trustees look to insure some or all of their pension scheme obligations with a specialist insurance group like Phoenix, through our Standard Life brand.

Transitioning to retirement

Pension consolidation

For people who have worked multiple jobs over the years, they may have been auto-enrolled into a number of pension plans by past employers, alongside any pension plans that they may have opened directly. We provide a range of tools to and through retirement to help customers with planning their savings and retirement. For example, Standard Life's pension transfer and consolidation expertise means customers can combine their pension plans into a single plan, making things easier to track and manage.

Transitioning to retirement

Fixed-term annuities

The Standard Life Guaranteed Fixed-term Income product provides a guaranteed income for a particular period of time, typically between three and 25 years, but also provides flexibility with an option for customers to surrender it and reassess their financial needs at a later stage. It's a useful tool when bridging the gap in the run-up to retirement.

Securing income in retirement

Income drawdown and lifetime annuities

Income drawdown provides a flexible way for our customers to take income from their pension pot as they can take out money whenever they like, while our lifetime annuity product offers pension savers secure guaranteed regular income certainty in retirement.

Standard Life
Part of Phoenix Group

A key part of our growth strategy is leveraging the power of the Standard Life brand which we utilise across our products to support customers as they save for, transition to and secure income in retirement.

For more information visit **standardlife.co.uk**

Securing income in retirement

Home equity release

Our Mortgage Solutions business seeks to enable homeowners to access their property wealth in later life to financially support their retirement aspirations, by partnering with established lenders to fund innovative mortgage solutions in the market.

Our growth drivers

There is a huge societal need to better support people on their journey to and through retirement and significant growth opportunities are available through the provision of retirement savings and income solutions.

Did you know

c.10%

Only c.10% of individuals take advice on their journey to and through retirement[1]

1-in-7

Only 1-in-7 DC pension savers are on track for a retirement income that maintains their current living standards[2]

1 www.thephoenixgroup.com/phoenix-insights/publications/what-role-could-targeted-support-play-in-supporting-consumers-at-retirement
2 www.thephoenixgroup.com/media/hzcfglwo/phoenix-insights-great-expectations-report.pdf

We have clear structural growth opportunities in the market...

Our **Pensions and Savings** propositions help customers journey to and through retirement.

Workplace

The rapidly growing workplace pension scheme market is primarily driven by automatic enrolment, an ageing population, the shift to Master Trust schemes, and the move from DB pension schemes to DC pension schemes.

c.£70–80bn

of annual flows[1]

1 Company estimate based on 2024 Broadridge Workplace Provider Benchmarking report.

Retail

As the responsibility for retirement planning has shifted towards individuals away from corporates, people are seeking an increasingly broad range of innovative retirement savings and income products either directly or via advisers.

c.£100–120bn

of annual flows[1]

1 Company estimate based on data from 2024 Broadridge Navigator report, Fundscape, HMRC, ABI, FCA, and financial disclosures.

Our **Retirement Solutions** help customers secure income certainty in retirement.

Bulk Purchase Annuities

Corporates are de-risking their DB pension scheme liabilities through Bulk Purchase Annuities ('BPA') transactions in order to focus on their core businesses. This is fuelling increased demand for BPAs.

c.£40–60bn

of annual flows[1]

1 Company estimate based on 2024 LCP pension risk transfer report.

Individual annuities

Similar to Workplace, the demand for individual annuities is increasingly driven by the move away from DB to DC pension schemes with as many as 9-in-10 people saying income certainty in retirement is important to them.

c.£7–9bn

of annual flows[1]

1 Company estimate based on publicly available information.

...which are accelerated by the current economic environment

Salary inflation

Higher salary inflation has accelerated growth from our existing Workplace pension schemes. Despite cost-of-living pressures the vast majority of consumers are not opting out of making contributions into their workplace schemes.

Higher market flows

Through a combination of changes in inheritance tax rules, market entrants stimulating pension consolidation and the future implementation of Pensions dashboards, people are being prompted to think more about what they do with their long-term savings and therefore are more likely to move their savings to seek better value from their long-term savings provider.

Higher interest rates

Higher interest rates mean BPA, both buy-ins and buy-outs, are more affordable for trustees, driving record levels of demand. Similarly, higher interest rates have resulted in higher rates of income for customers buying individual annuities now.

Why we will win

Leading and innovative propositions, excellent customer service and a scale customer base

Read more about Pensions and Savings on **pages 22 to 23**

See our Strategic priorities section on **pages 26 to 31**

Why we will win

Competitive pricing, comprehensive and expanding propositions, excellent end-to-end customer experience

Read more about Retirement Solutions on **pages 24 to 25**

See our Strategic priorities section on **pages 26 to 31**

Pensions and Savings

Helping our customers to and through retirement

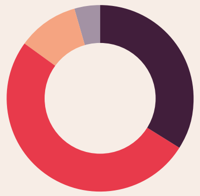
Pensions and Savings is our capital-light fee-based business. Our Workplace and Retail offerings are supported by Phoenix Asset Management as it partners with the best-in-class asset managers and supports innovative fund solutions.

Business areas

AUA APM

Pensions and Savings	£187bn
Retirement Solutions	£40bn
Europe and Other	£29bn
With-Profits	£36bn

IFRS Adjusted operating profit[1] APM



Pensions and Savings	£316m
Retirement Solutions	£474m
Europe and Other	£96m
With-Profits	£41m

1 Excludes £102m corporate centre costs.

Measuring our financial success

Growth in AUA

+11%

Average AUA vs 2023

Drives growing IFRS adjusted operating profit

£316m

66% growth year-on-year

Enhancing our operating margin

17bps

Operating margin, up 5bps in FY2024

Read more on our Growth drivers on **pages 20 to 21**

Read more in our Strategic priorities section on **pages 26 to 31**, KPIs on **pages 34 to 35** and Business review on **pages 36 to 42**

Strong market positions with structural growth opportunities

Compelling strategy to support our ambitions

What we've built to help us win in growing markets

What our customers and key stakeholders say

Workplace

Strong market positions with structural growth opportunities

Top-3 player[1]

c.£70–80bn

annual market flows[1]

1 Company estimate based on 2024 Broadridge Workplace Provider Benchmarking report.

Compelling strategy to support our ambitions

- Consolidate our top-3 provider position by retaining our existing schemes and attracting new ones

What we've built to help us win in growing markets

- Leading employer proposition including award winning Master Trust, underpinned by investment solutions
- Excellent customer service underpinned by digital-first member engagement
- Strong governance reflected in high calibre Master Trust Board
- Cost efficient administration

Retail, direct and intermediated

Strong market positions with structural growth opportunities

Top-10 player[1]

1 Fundscape 1Q24–3Q24, financial disclosures.

c.£100–120bn

annual market flows[2]

2 Company estimate based on data from 2024 Broadridge Navigator report, Fundscape, HMRC, ABI, FCA, and financial disclosures.

Compelling strategy to support our ambitions

- Ambitions to be a top-5 player in the retirement savings and income market as existing customers stay and consolidate with us and we attract new customers, via the direct and intermediated channels

What we've built to help us win in growing markets

- Scale: 1-in-5 adults are customers of Phoenix
- Innovative propositions available in the market which meet customers' evolving needs
- Great digital experience

What our customers and key stakeholders say

Standard Life's on-going focus on digital developments, member engagement and its positive commitment to future investment as well as development of the Master Trust arrangement reinforced our decision to make this important appointment.

Jo Udall
EMEA Benefits Lead, Siemens plc

Introducing our divisions continued

Retirement Solutions

Helping customers secure income certainty in retirement

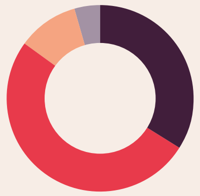
Our Retirement Solutions business is our capital-utilising business and includes our BPA and individual annuity offerings. These are supported by Phoenix Asset Management's asset-liability management capabilities.

Business areas

AUA APM

Pensions and Savings	£187bn
Retirement Solutions	£40bn
Europe and Other	£29bn
With-Profits	£36bn

IFRS Adjusted operating profit[1] APM



Pensions and Savings	£316m
Retirement Solutions	£474m
Europe and Other	£96m
With-Profits	£41m

1 Excludes £102m corporate centre costs.

Strong market positions with structural growth opportunities

Compelling strategy to support our ambitions

Bulk Purchase Annuities

Top-5 player
Three-year average ranking based on BPA annuity volumes

c.£40–60bn
annual market flows[1]

1 Company estimate based on 2024 LCP pension risk transfer report.

- Consolidate our top-5 position through disciplined capital deployment and ongoing proposition development

Individual annuities

12%
market share in 2024; the first full calendar year of trading since re-entering the market[1]

1 Internal estimate based on publicly available information.

c.£7–9bn
annual market flows[2]

2 Company estimate based on publicly available information.

- Ambition to be established as a top-3 distributor of annuities and innovative income in retirement solutions

Measuring our financial success

Reduction in new business strain to
c.3%
supported by improved capital efficiency and gilt-heavy asset allocation in 2024

Supporting strong growth in Group CSM in 2024
+14%

With c.£200m capital p.a. enabling
c.£6.1bn
of annuity premiums written in 2024

Pricing internal rates of returns ('IRRs') of
mid-teens%
demonstrating pricing discipline

Read more on our Growth drivers on **pages 20 to 21**

Read more in our Strategic priorities on **pages 26 to 31**, KPIs on **pages 34 to 35** and Business review on **pages 36 to 42**

What we've built to help us win in growing markets

What our customers say

Bulk Purchase Annuities

- A high-quality member service proposition
- Leading employer proposition enabled through comprehensive buy-in and buy-out capabilities and a full suite of de-risking propositions including combined DB and DC solutions
- Competitive pricing driven by our growing in-house asset origination capabilities and expanding our panel of reinsurance partnerships

The BPA transaction represented a significant step in our ongoing de-risking strategy, ensuring long-term security for our members. Standard Life's expertise was instrumental in navigating this stage of our journey and achieving our objectives. We look forward to continuing our work together to safeguard our members' futures.

Kate Leigh
Client Director at Vidett and Trustee of the Rolls-Royce and Bentley Pension Scheme

Individual annuities

- Fast guaranteed pricing and timely execution with a digital-first approach
- Enhanced end-to-end customer experience
- Expanded our product range to meet more of our customers' needs, having re-entered the market in 2023

Processing annuity applications is by far the most important issue for annuity providers (except for rates) and whilst many providers have had challenges with service, on the many occasions I've submitted annuity applications with Standard Life, they have been efficient and proactive. Standard Life are also brilliant with helping advisers like me with technical queries.

Billy Burrows
Founder of Annuity Project and financial adviser, Eadon & Co

Our strategic priorities

Grow

Meeting more of our existing customers' needs and acquiring new customers

Given the significant market opportunities available to us (see our Growth drivers on pages 20 to 21) we have consciously chosen to invest in the propositions and solutions that will better meet the evolving needs of our customers. We are further developing our successfully established Workplace and Annuities businesses and we have strong foundations from which we can further develop our expanding range of innovative Retail propositions. Together this will improve Group net fund flows and deliver strong growth in Operating Cash Generation ('OCG') over the long term.

We also continue to engage people in their financial futures, and to advocate for broader societal action to tackle undersaving and encourage financial inclusion, which is a critical aspect of driving positive impact through our purpose.

Enhancing our Workplace proposition to further support customers as they save for retirement
We see our Workplace proposition as one of our key customer acquisition vehicles. Within the workplace market, Master Trust is the fastest growing segment. Testament to the attractiveness of our proposition, our Master Trust scheme assets have grown significantly and in 2024 exceeded £11 billion.

In addition to the customer proposition being key to attracting large schemes, it is often important to be able to address bespoke customer requirements. In 2024, we made enhancements to our Master Trust to support some of these needs. These developments alone facilitated the transfer of £1.1 billion of assets.

Our commitment to improving the online experience for customers saw us deploy over 200 improvements last year and customers responded – logging in over 27 million times in 2024, up nearly 30% year-on-year. Our market-leading app continues to drive high customer engagement, with it making up 66% of logins in 2024. Both our combined Group customer satisfaction score for telephone and digital increased by one percentage point year-on-year to 88% and 94%, respectively.

We believe that managing the financial risks associated with climate change can improve member outcomes which is why we continue to enhance sustainability characteristics across solutions including Sustainable Multi Asset and Future Advantage ranges. From February 2025 we started aligning over £32 billion of regional equity and corporate bond componentry to the "Sustainability Improvers" label within the FCA's new Sustainability Disclosure Requirements ('SDR'); in doing so we believe we are the first pension provider to broadly align their pension funds to the SDR labels. This work is on track to complete during the first half of 2025.

Providing tools to support financial wellness and ease the transition to retirement
Having acquired customers through our Workplace offering, we are focused on retaining them for longer as they transition to and secure income in retirement.

With the average person having at least 11 jobs in their working lifetime[1], the process of tracking pensions down and managing them simultaneously is proving a challenge for many. Recognising the problem, Standard Life has partnered with Raindrop, a fintech offering innovative pension finding technology, to help tackle the problem for pension savers throughout the UK and allow customers to regain control of their pensions savings. Standard Life's pension transfer and consolidation expertise provides the ideal support for customers looking to consolidate their pensions.

We are also reframing the way we talk to savers about their retirement options given the importance placed on both certainty and flexibility of retirement income for our customers. Our Mixed Income Builder tool is a key part of our new framework, helping members better navigate and understand their spending needs in retirement – and identifying the best way to deliver this income.

Launching new and innovative Retail products
Our Retail business remains in net fund outflow at present, but through better supporting and engaging the 1-in-5 adults who are already Phoenix Group customers as they make retirement decisions and access their retirement funds, we will be able to make inroads into stemming the annual outflows from our legacy products.

In response to increased customer demand for flexible retirement income solutions we have been investing to enhance our existing propositions and we have launched several new capital-light products in the market. These launches have predominantly focused on the intermediated market with significant potential still to come from broadening our direct capabilities.

We launched the Standard Life Smoothed Return Pension Fund, exclusively through the Fidelity Adviser Solutions platform. Take-up from advisers has been encouraging and in its first year the fund has performed strongly, delivering 8.3% growth[2]. With that demonstrable track record we anticipate attracting additional funds to the product.

Priorities for 2025

- Expand our range of attractive Retail market propositions and innovative retirement income solutions
- Develop our Retail advice proposition
- Invest c.£200m p.a. into annuities
- Shape thinking and influence retirement income adequacy through research and work with UK policymakers

We are also developing similar products on different distribution platforms planned for launch in 2025 to expand our reach to customers.

Following the successful launch of the Standard Life Pension Annuity last year, we launched the Standard Life Guaranteed Fixed-term Income product in September. We have had an extremely encouraging response to this product.

The Annuity Desk is also now available to Standard Life customers, providing a seamless, personalised journey when exploring annuity options. This service offers tailored guidance and whole-of-market comparisons, helping customers make informed decisions as they plan for their financial futures. Other Group customers will be included in future phases.

Progressing our in-house advice capabilities
Alongside Phoenix Insights' contribution to the FCA's consultation on Targeted Support, we're progressing the development of our in-house advice capabilities to support customers with their key financial decisions, with a focus on the transitioning to and in-retirement life stage. We're committed to offering customers the right support for them and helping address the persistent advice and guidance gap in the UK.

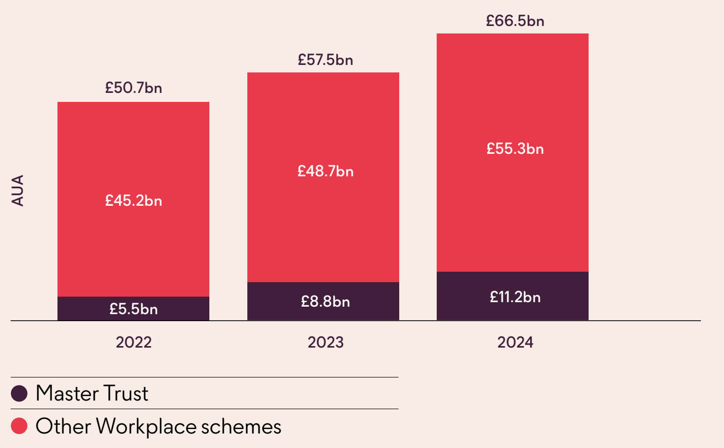
Extending our BPA capabilities
We have made significant advancements to our customer proposition in BPA including the introduction of our buy-out capability, completing our full-service market offering and providing an additional customer acquisition tool.

We offer all members access to our digital self-service portal allowing more flexibility to manage their policies including a facility to go paperless from day one. Our BPA policies covered over 200k members at the end of 2024.

1 www.gov.uk/government/news/thousands-more-make-contact-with-long-lost-funds
2 Performance net of fund charges from 31 January 2024, when the fund was soft launched, to 31 January 2025.

We are helping new and existing customers on their journey to and through retirement.

Growth in Standard Life Master Trust and Workplace assets



Smooth managed fund

Available exclusively through the Fidelity Adviser Solutions platform, the capital-light fund is designed to help grow pension investments while providing some reassurance from the daily uncertainty of investing.

The 'smoothing' process is designed to cushion the daily ups and downs of the stock market. This helps reduce the risks created by needing to withdraw income at regular but otherwise inopportune times, as well as arising from the unpredictability of life events.

Read more on our **website**

1 Standard Life Retirement Voice 2024.

Fixed-term annuity product

The Standard Life Guaranteed Fixed-term Income, a guaranteed income product designed to offer more certainty for people approaching or in retirement but with added flexibility to adapt their plans once the fixed-term period comes to an end.

This can help bridge an income gap, such as retirement before state pension payments begin, or to ensure the length of time a guaranteed income will be paid.

Read more on our **website**

Optimise

Optimising our scale in-force business and balance sheet

To optimise our scale in-force business and our balance sheet we are deleveraging and further enhancing our strong existing capabilities in asset and liability management to deliver sustainable recurring management actions over the long term.

We deploy a comprehensive approach to risk management across our in-force business and we hedge the majority of our market risks including equity, interest rates and inflation. As intended, this brings resilience to our Solvency II capital position, specifically our Solvency II surplus, but a consequence includes higher volatility in IFRS shareholders' equity. Our increased IFRS adjusted operating profit target of c.£1.1 billion, a level of profit which is sufficient to cover our recurring uses and create an excess, will contribute to improving IFRS shareholders' equity.

We are embedding sustainability throughout our business and across our strategic priorities. As a result, investing in a better future is a key part of optimising our in-force business, as we look to protect our customers from the risks of, and maximise the opportunities presented by, climate change.

Deleveraging our balance sheet

In line with recent years we are continuing our approach of repaying historic M&A-related debt with surplus cash and we are targeting a Solvency II leverage ratio of c.30% by the end of 2026.

Our ratio at the end of December was 36% (2023: 36%). In June 2024 we repaid £250 million of debt, which reduced the leverage ratio by two percentage points, however this was offset by the adverse impacts on Regulatory Own Funds including the With-Profit funds run-off.

We have a range of levers to support us in achieving our Solvency II leverage target although the development may not be linear as we may choose to refinance some tranches of debt in the intervening period. These levers include allocation of excess cash to repay debt and continued recurring Own Funds generation.

Delivering recurring management actions

In 2024 we delivered £537 million of recurring management actions (2023: £313 million), therefore exceeding our £400 million recurring management actions target. In part this over-delivery was because we brought online planned capabilities in Phoenix Asset Management earlier than we expected.

We have proactively invested in Phoenix Asset Management talent and now have over 400 full-time employees, up from fewer than 50 in 2020, from investment professionals to credit risk experts.

Our approach to asset management has been to determine the optimal asset allocation for each of our funds and then leverage our relationships to partner with the best asset manager in each asset class that we want to operate across.

Going forward, with the scale and capabilities now within the team we will selectively look to manage some assets in-house. All of which is underpinned by leading edge technology with diligent and focused credit risk management embedded.

These recurring management actions are the small repeatable actions that we take to optimise our in-force balance sheet. They contribute to increase cash, capital and earnings, whilst ensuring that our risk profile remains unchanged.

They can be broadly categorised into three buckets of annuity portfolio re-optimisation, capital improvements and fund simplification.

Within annuity portfolio re-optimisation we evolve our annuity backing asset portfolio as market and economic conditions change, evolving the holdings in the portfolio in-line with our risk appetite. We are also increasingly participating in new debt issuances.

Capital improvements are generated by improving our capital and balance sheet modelling as the investment universe evolves. This is enabled by enriched asset data and calculation granularity which in turn provides greater accuracy of risk.

Lastly, we are increasing the simplification of fund management as our asset base grows, through fee reviews of investment management agreements as well as fund rationalisation.

The strong performance this year gives us the confidence that this is repeatable year in year out as the team has reached an optimal scale with leading expertise.

Using our scale to create a better future

We continue to integrate decarbonisation strategies into our portfolio. We see this commitment as essential to managing the risks and opportunities that climate change poses to our customers and a key step in meeting our interim 2025 and 2030 decarbonisation targets on our journey to being net zero by 2050. We are on track to achieve our 2025 targets under most scenarios. We are, however, less certain about meeting our 2030 and 2050 targets. We will need to take further action, and we will be increasingly dependent on action by others in the wider economy, including the UK Government and regulators, to do so.

Priorities for 2025

- Deleveraging our balance sheet towards our c.30% Solvency II leverage ratio target by the end of 2026
- Continue to optimise our portfolio for similar returns and deliver recurring management actions
- Continued diversification of our asset portfolio and build-out of our directly sourced illiquid asset capability
- Continue work to deliver our 2025 and 2030 interim targets on our way to net zero by 2050

£537m↑

recurring management actions delivered in 2024 (2023: £313m) APM

In June we launched a bespoke Climate Aware index alongside leading index providers FTSE Russell. The index series will enable Phoenix to introduce benchmarks that aim to increase the resilience of customers' portfolios to climate change related transition risks. The benchmark was introduced to our North America equity indices in June 2024 and will be rolled out in other regions and across equity and fixed income over 2025 and beyond, in line with our Net Zero Transition Plan.

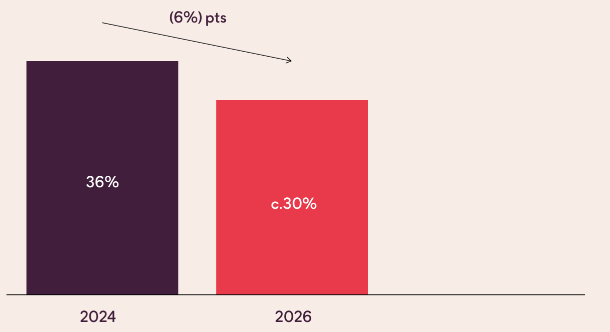
Separately, in July we announced that Phoenix Group and Schroders had launched Future Growth Capital ('FGC'), the UK's first dedicated private markets investment manager established to promote the objectives of the Mansion House Compact, of which Phoenix is a signatory. FGC aims to unlock investment opportunities in private markets for pension savers to benefit from the diversification and investment return opportunities that these asset classes can offer, and will play a major role in the future design of our flagship default funds. FGC has already made its first investments, including £250 million into venture capital as part of the UK government's Long-term Investment for Technology and Science ('LIFTS') initiative, and will look to scale up its investments both in the UK and globally in 2025.

We are deleveraging our balance sheet and further enhancing our strong existing capabilities in asset and liability optimisation.

Deleveraging our balance sheet

Commitment to achieve our c.30% Solvency II leverage ratio by the end of 2026 underpinned by a number of levers including debt repayment and recurring Own Funds generation.

Solvency II leverage ratio



Climate Aware equity benchmarks

The indices and benchmarks developed with FTSE Russell aim to protect policyholder portfolios against the risks of climate change by reducing exposure to companies which might face negative impact for lacking well-developed plans on how to successfully navigate the climate transition. The construction follows core principles set by Phoenix which include the pace of the decarbonisation trajectory and the inclusion of forward-looking data, ensuring that climate risk management and engaging for change are at its core. Phoenix's exclusion policy is embedded within the design, removing companies engaged in products and business practices that are not aligned to Phoenix's principles.

Read more on our **website**

FUTURE GROWTH CAPITAL

A Phoenix and Schroders Company

FGC aims to unlock investment opportunities in private markets for pension savers to benefit from the diversification and investment return opportunities that these asset classes can offer, and will play a major role in the future design of our flagship default funds. FGC will aim to deploy a significant allocation of up to £2.5 billion over three years from Phoenix Group, in line with its Mansion House Compact ambition, with an initial £1 billion commitment. In total, FGC aims to deploy £10–20 billion of investor funds into private markets over the next decade.

Read more on their **website**

Enhance

Transforming our operating model and culture

Transforming our operating model and culture are key to our success. We will do this by completing our planned integrations and migrations, alongside our transformation programmes, and through driving simplification to an efficient, Group-wide operating model that benefits both our customers and our colleagues. This supports us in delivering a seamless unified customer experience and enables us to further enhance our cost efficiency.

Alongside this, we are also committed to being a leading responsible business, which attracts and retains the best talent, through a diverse and inclusive, high-performance culture.

Progressing our planned integrations and migrations

We continued to make good progress in delivering our customer migrations, with c.515k ReAssure annuity customers migrated to the TCS Diligenta platform at the end of September.

Having already moved over 1.2 million Phoenix Life customers from Capita to TCS BaNCS, this year we completed the migration of the remaining 450k customers. All our Phoenix Life customers are now serviced by Diligenta on TCS BaNCS, allowing us to fully exit our contracts with Capita.

We are also making good progress with the second phase of our Standard Life policy migrations to Diligenta with c.340k policies migrated to the TCS BaNCS platform at the start of 2025.

Until now, our integration and migration programmes have focused on moving existing policies to TCS BaNCS. However, we have now reached the point where we are able to start writing selected new business directly on TCS BaNCS for our Standard Life customers and will be rolling this out over the next 12 to 24 months.

Transforming our finance function

As part of our finance transformation, our new in-house capital model went live. This will be used within the scope of Phoenix's Internal Model, in our regulatory capital reporting including the process to calculate the Solvency II Solvency Capital Requirement ('SCR') and various sensitivities used in both internal and external reporting.

This represents a major process change for the teams who are involved in these activities and should simplify and accelerate processes for them – with fewer manual interventions and much faster processing capacity than we had in our existing models. Amongst other benefits it will provide the real time data we need to improve the level of sophistication around our hedging strategy. Having developed this in-house, it opens the door for Phoenix to do further capital projects more easily and quickly in future.

Optimising our supplier relationships

The Group Procurement and Partner Management function is a driving force for adding value to our business – bringing savings and superior supplier performance through strategic relationships and collaboration, ensuring quality services, and promoting sustainability and risk mitigation. In 2024 we embarked on a project to assess its role as a critical enabler to the business and to make improvements where needed.

One initiative within this project has seen us implement a new Professional Services Advisory and Consultancy Preferred Supplier List, as we aim to optimise the way we commission professional services from third parties who provide us with expertise, advice, analysis and recommendations. Through this initiative we will be saving costs, simplifying processes, and improving governance.

Simplifying and transforming our organisation

We've made good progress in simplifying our business through collapsing our former Heritage and Open divisions into an efficient, Group-wide structure, through our Pensions and Savings and Retirement Solutions businesses.

In doing so, we have fundamentally redesigned our teams to partner into the business units, providing the skills and talent they need to deliver their growth ambitions and therefore create a stronger Phoenix, and we have brought teams together where they deliver common objectives.

We always try to mitigate the need for compulsory redundancies in any period of transformation. However, this is not always practically possible; in 2024 c.300 colleagues left Phoenix as a result of our transformation programme.

We have worked continually to keep engagement and colleague experience at the front of our mind as we worked to transform our organisation. Although we've seen decreases in our employee Net Promoter Score ('eNPS'), ending the year on a score of +23 (2023: +32), we've continued to see above-benchmark engagement.

We have continued to make progress against our gender, ethnicity, and inclusion goals in 2024. We set ourselves a stretching gender target of 40% women at Senior Leadership level; we ended the year at 39.7% (2023: 39.1%).

In June we announced that we were exploring a potential sale of our SunLife Limited business. However, given the current uncertainty in the protection market, the Board decided to discontinue the sale process as it would not maximise value for shareholders. Phoenix has been exploring ways of enhancing the value SunLife generates within the Group.

Priorities for 2025

- Progress our ongoing integrations and migrations to Diligenta's TCS BaNCS platform
- Further transform our Finance function under our new Group CFO
- Continue to deliver cost savings as we further simplify our operating model to achieve our £250m target run-rate by 2026

Our transformation programmes are focused on simplifying our operating model, enabling us to further develop and innovate our customers' experience and at the same time improve our colleague experience.

Jackie Noakes
Chief Operating Officer

Progressing our migrations and integrations alongside transforming our operating model and culture are key to our success.

Driving scale efficiencies

Our focus on driving efficiencies and better customer outcomes has supported the delivery of £63 million of run-rate cost savings in 2024. The progress we are making means we are confident of achieving our £250 million run-rate cost savings target by the end of 2026.

Guiding principles to drive commercial success

To deliver our strategy and fulfil our purpose we knew we needed to be clear with our colleagues on how we're going to do this, and where our priorities lie which culminated in The Big Three. The Big Three are our guiding principles through this stage of our evolution. First we put our customers first, second we aim high and third we work together. In this regard the transformation we're delivering is as much about how we're structured as how we work.

Driving scale efficiencies

On track to deliver our £250m cost savings target by the end of 2026 (APM)

2024 run-rate cost savings	£63m
2025 expected run-rate savings	c.£62m
2026 expected run-rate savings	c.125m

FTSE Women Leaders TOP 10 Women in Leadership FTSE 100 2024

The Big Three

We introduced The Big Three guiding principles for how we all conduct ourselves as we deliver our purpose-led strategy. They help guide us as professionals, to behave effectively and act with integrity.

Read more about The Big Three and how the Board is monitoring our culture and Workforce engagement on **pages 96 to 97** and **pages 101 to 102**

How we generate shareholder value

Our strategic priorities will strengthen our competitive advantages

Grow

Optimise

Enhance

For more information see our Strategic priorities on **pages 26 to 31**

Customer access

With c.12 million customers, we have an exceptional level of customer access. This gives us deep customer insights that underpin our developing propositions, enabling us to better meet our customers' evolving needs on their journey to and through retirement.

Capital efficiency

As a genuinely diversified long-term savings and retirement business, we get greater diversification from our breadth of products. Our capital position is also highly resilient, through our core capabilities in risk management and capital optimisation.

Cost efficiency

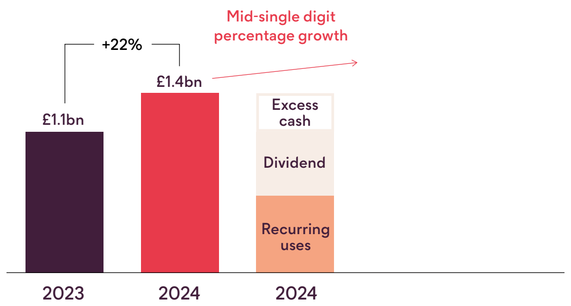
We have a cost efficiency advantage, which is enabled through our customer administration and IT partnership with TCS. We are looking to further this advantage as we continue to progress our cost savings programme.

Enabling our financial framework and delivering a clear set of financial outcomes for our shareholders

Cash

Growing Operating Cash Generation that more than covers our recurring uses, including our progressive and sustainable dividend and delivers surplus cash

Operating Cash Generation APM



Capital

Resilient balance sheet that supports investment to grow, optimise and enhance our business

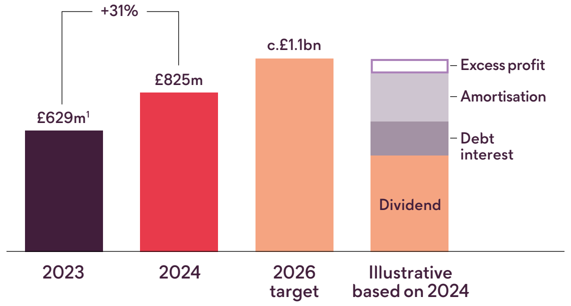
140–180%
Shareholder Capital Coverage Ratio operating range APM

c.30%
Solvency II leverage ratio target by the end of 2026 APM

Earnings

Growing IFRS adjusted operating profit to cover our recurring uses and create excess profits

IFRS adjusted operating profit APM
Strong growth in IFRS adjusted operating profit



1 The Group identified material corrections to previously reported results resulting in a restatement of comparative information, including the restatement of the FY2023 adjusted operating profit from £617 million reported to £629 million.

For more information see the Business review on **pages 36 to 42**

Supporting our progressive and sustainable dividend policy

Phoenix Group's dividend policy

The Group operates a progressive and sustainable ordinary dividend policy

Our dividend policy is supported by our strategy to deliver sustainable, growing Operating Cash Generation, which more than covers our uses and generates excess cash.

54.00p
2024 Total dividend per share

27.35p
2024 Final dividend per share

+2.6%
Increase in 2024 Final dividend

c.4%
14-year CAGR

Strategic report

Measuring our progress

Financial KPIs underpinning our financial framework

year ended 31 December

In March 2024 we outlined a new 3-year strategy for 2024–26 which supports us in achieving our vision and delivers growing cash, capital and earnings. Our strategy is informed by – and in support of – our key ESG themes of People and Planet.

Operating Cash Generation ('OCG')

£1,403m

2024	£1,403m
2023	£1,146m
2022[1]	

Why we use this indicator
Introduced in 2024, OCG represents the sustainable level of cash generation in our Life Companies each and every year, that is remitted from our underlying business operations. The measure provides the sources of recurring organic cash generated. It supports the Group's dividend, debt interest, allocation of c.£200 million per annum of capital into annuities and central costs.

1 2022 data not included as the KPI was only introduced in 2024.

APM

Total cash generation

£1,779m

2024	£1,779m
2023	£2,024m
2022	£1,504m

Why we use this indicator
Total cash generation represents the total cash remitted from the operating entities to the Group and is made up of the OCG and non-operating cash generation, which includes non-recurring management actions and the release of free surplus. This cash generation provides capacity for the Group's non-recurring uses including investment across our strategic priorities to support us in achieving our vision.

REM APM

Group Solvency II Shareholder Capital Coverage ratio ('SCCR') (estimated)

172%

2024	172%
2023	176%
2022	189%

Why we use this indicator
The SCCR demonstrates the extent to which shareholders' Eligible Own Funds cover the Solvency Capital Requirements. It therefore measures the capital adequacy of the Group from a shareholder perspective.

APM

Solvency II leverage ratio

36%

2024	36%
2023	36%
2022	34%

Why we use this indicator
The Group seeks to manage the level of debt on its balance sheet by monitoring its financial leverage ratio. We choose to focus on Solvency II leverage ratio on a regulatory basis as that is consistently understood and used by both equity and debt investors.

APM

IFRS adjusted operating profit

£825m

2024	£825m
2023	£629m[1]
2022	£544m[1]

Why we use this indicator
We use IFRS adjusted operating profit as a measure of IFRS performance based on long-term assumptions. Adjusted operating profit is less affected by the short-term market volatility driven by Solvency II hedging and non-recurring items than IFRS profit.

1 The Group identified material corrections to previously reported results resulting in a restatement of comparative information, including the restatement of the FY2023 adjusted operating profit from £617 million reported to £629 million. FY2022 has not been restated for this impact.

APM

Non-financial KPIs underpinning our ESG strategy

year ended 31 December

Combined Group customer satisfaction score for telephone

88%

2024	88%
2023	87%
2022	92%

Why we use this indicator
This measure highlights how satisfied our customers are with Phoenix Group's telephony servicing propositions across our various brands.

REM

Combined Group customer satisfaction score for digital

94%

2024	94%
2023	93%
2022	94%

Why we use this indicator
This measure highlights how satisfied our customers are with Phoenix Group's digital service proposition across our various brands.

REM

Sustainability – Decarbonising our investment portfolio (%)

52%

2024	$51tCO_2e/£m$
2023	$62tCO_2e/£m$
2021[1]	$73tCO_2e/£m$

Why we use this indicator
We set an interim net zero target of a 25% reduction in the carbon intensity of our listed equity and credit portfolio (where we have control and influence) by 2025, relative to our 2019 baseline. To date we have achieved a 52% reduction in the carbon intensity of our listed equity and credit portfolio relative to our 2019 baseline.

1 In our Group Climate Report 2022, we calculated climate metrics using data as at YE2021 (rather than YE2022). This was due to data availability and nascent carbon footprinting methodologies at that time.

REM

Diversity, Equity and Inclusion – Percentage of Senior Leadership that are women^ (%)

39.7%

2024	39.7%
2023	39.1%
2022	39%

Why we use this indicator
At Phoenix we want to make sure our colleagues represent our wider community and so we are committed to promoting diversity, equity and inclusion across the business, which enables colleagues to bring their whole self to work.

^ ESG Assured statistic.

REM

Colleague engagement employee net promoter score ('eNPS') score

+23

2024	+23
2023	+32
2022	+30

Why we use this indicator
We are seeking to make Phoenix 'the best place our colleagues have ever worked'; and so getting regular colleague feedback is important to enable us to track progress and respond to feedback as we deliver our ambition. Employee Net Promoter Score ('eNPS') is a broadly used and holistic metric that indicates how colleagues feel about working for the Group.

REM

Strategic priorities

Grow

Optimise

Enhance

Remuneration and APMs

REM KPIs linked to Executive remuneration. See Directors' Remuneration report on **pages 134 to 165**

APM All amounts throughout the report marked with APM are alternative performance measures. Read more on **pages 334 to 339**

Read more about our financial performance in the Business review on **pages 36 to 42**

Read more about our sustainability progress in our **Sustainability Report**

Business review

Delivering cash, capital and earnings

Nicolaos Nicandrou
Group Chief Financial Officer

The Group has had a positive first year executing against its 3-year strategy and financial framework targets, with our strong operating momentum delivering sustainable cash generation and improved financial flexibility to support our strategic priorities.

I am delighted to have joined Phoenix Group, a company with a strong purpose, clear vision, and compelling growth prospects in its chosen market segments, all of which I passionately connect with.

The Group has made a positive start in executing against its 3-year strategy and financial framework targets, and I look forward to working with Andy, the broader management team, the Board and our colleagues to build the UK's leading retirement savings and income business, while delivering growing returns to our shareholders.

> The Group operates a financial framework that focuses on the delivery of three key financial outcomes for our shareholders: cash, capital and earnings.

Our operating momentum will underpin our financial progress

In 2024 the Group has raised its operating profitability levels, reporting a 22% increase in Operating Cash Generation ('OCG') and a 31% rise in IFRS adjusted operating profit. This higher performance level was supported by sustainable and profitable growth in our Pensions and Savings and Retirement Solutions businesses. We have, therefore, made a positive start in executing against our 3-year financial framework targets and have built good momentum in delivering sustainable cash generation and improved financial flexibility to support our strategic priorities.

These priorities involve attaining leading positions in our chosen market segments of workplace pensions and annuities, through a c.£700 million investment over 2024–26 to enhance our capabilities and simplify our business. Alongside this we aim to reduce our Solvency II leverage ratio to c.30% from the current 36% level, while operating in the top half of our 140–180% Shareholder Capital Coverage Ratio ('SCCR') operating range.

2024 financial summary

Financial performance metrics:		2024	2023	YOY change
Cash	Operating Cash Generation[1]	£1,403m	£1,146m	+22%
	Total cash generation[1]	£1,779m	£2,024m	-12%
Solvency II capital	PGH Solvency II surplus	£3.5bn	£3.9bn	-10%
	PGH Shareholder Capital Coverage Ratio[1]	172%	176%	-4%pts
	Solvency II leverage ratio[1]	36%	36%	–
IFRS	Adjusted operating profit[1]	£825m	£629m[2]	+31%
	(Loss)/Profit after tax attributable to owners	£(1,078)m	£84m[2]	n/a
	Shareholders' equity	£1,213m	£2,742m[2]	-56%
	Contractual Service Margin (gross of tax)	£3,257m	£2,853m	+14%
	Adjusted shareholders' equity[1]	£3,656m	£4,882m[2]	-25%
Assets	Assets under administration[1]	£292bn	£283bn	+3%
Dividend	Final dividend per share	27.35p	26.65p	+2.6%
	Total dividend per share	54.00p	52.65p	+2.6%

1 Denotes metrics that are alternative performance measures ('APMs') – further information can be found on pages 334 to 339.
2 The Group identified material corrections to previously reported results, leading to the restatement of 2023 adjusted operating profit from £617 million reported to £629 million, the 2023 loss after tax from £88 million as reported to a profit of £84 million, the 2023 shareholders' equity from £2,496 million as reported to £2,742 million, and 2023 adjusted shareholders' equity from £4,636 million as reported to £4,882 million. Further information on this restatement can be found in note A3 to the consolidated financial statements.

Upgraded financial targets

Our successful execution in 2024 has led us to upgrade our 2024–26 cumulative total cash generation target from £4.4 billion to £5.1 billion and the 2026 IFRS adjusted operating profit target from £900 million to c.£1.1 billion. Delivery of this higher level of performance will improve our financial flexibility to support the execution of our strategy and underpin our progressive and sustainable dividend policy.

Delivering our financial framework

In 2024 we have delivered total cash generation of £1,779 million, exceeding the £1.4–1.5 billion target for the year, with strong growth in OCG to £1,403 million, up 22% year-on-year. OCG more than covered our recurring cash uses and dividend, totalling £1,107 million in the period.

We have therefore achieved our 2026 OCG target of £1.4 billion ahead of time, driven by a higher contribution from recurring management actions of £537 million, exceeding both our c.£400 million per annum target and the prior year contribution of £313 million. The higher contribution from management actions shows how the faster than planned investment we made to develop our in-house asset management capabilities is bearing fruit. The balance of the increase comes from cost efficiencies and new business which have offset the impact of the natural run-off of our in-force business.

Our resilient capital position with a Solvency II surplus of £3.5 billion has enabled us to repay £250 million of debt and invest £354 million across our strategic priorities to grow, optimise and enhance our business. Our growing recurring capital generation means that our SCCR has remained resilient at 172% and in the top half of our target range of 140–180%.

The improvement in the Group's operating performance is also evident in the 31% rise of our IFRS adjusted operating profit to £825 million, with both of our Pensions and Savings, and Retirement Solutions businesses, reporting profit increases.

The higher IFRS adjusted operating profit from Pensions and Savings reflected higher revenues from a growing asset book and lower operating costs. IFRS adjusted operating profit for Retirement Solutions was supported by strong growth in the Contractual Service Margin ('CSM') and higher investment returns.

We achieved greater capital efficiency in writing new annuities business, with the capital strain in 2024 reducing to c.3% (2023: c.5%), partly reflecting a gilts-heavy pricing portfolio. This, in turn, enabled us to limit the new business premiums decline to just 10%, despite the one-third planned reduction in allocated capital. The £6.1 billion of new annuity premiums in 2024 generated £203 million of new business CSM and a mid-teens Internal Rate of Return ('IRR').

The statutory loss after tax of £1,078 million in the period is primarily due to adverse economic variances of £1,297 million, reflecting the Group's hedging programme, which aims to protect cash and Solvency II capital from volatility in equities and interest rates. This gives rise to accounting volatility, as several of the Solvency II capital components covered by hedging are not recognised on the IFRS balance sheet. We accept the hedge-related volatility in our IFRS results, as protecting cash and Solvency II capital is a key capital framework objective, underpinning the Group's ability to deliver a progressive and sustainable dividend.

Our Solvency II leverage ratio is unchanged at 36%, despite repaying £250 million of debt in June, which drove a 2%pts reduction in the leverage ratio. The impact of this repayment on the leverage ratio has been offset by a decline in Regulatory Own Funds due to a variety of factors, including investment in our business, the adverse economic effect on Own Funds from the rise in interest rates during 2024, and the impact of the With-Profits run-off.

As a result of our improved operating performance, the Board is recommending a 2.6% increase in the 2024 Final dividend to 27.35p per share, taking the Total dividend for the year to 54.00p per share.

Alternative performance measures

With our financial framework designed to deliver cash, capital and earnings, we recognise the need to use a broad range of metrics to measure and report the performance of the Group, some of which are not defined or specified in accordance with Generally Accepted Accounting Principles ('GAAP') or the statutory reporting framework.

We use a range of alternative performance measures ('APMs') to evaluate our business, which are summarised on **pages 334 to 339**

Business review continued

Cash

£1,403m
Operating Cash Generation APM

£1,779m
Total cash generation REM APM

Phoenix Group holding companies' sources and uses of cash

£m	2024	2023
Cash and cash equivalents at 1 January	**1,012**	**503**
Operating Cash Generation	1,403	1,146
Non-operating cash generation	376	878
Total cash generation[1]	**1,779**	**2,024**
Recurring uses of cash:		
Operating expenses	(132)	(113)
Debt interest	(236)	(229)
Shareholder dividend	(533)	(520)
Support of annuities activity	(206)	(288)
Total recurring uses of cash	**(1,107)**	**(1,150)**
Non-recurring uses of cash:		
Non-operating cash outflows	(314)	(111)
Debt repayments	(643)	(350)
Debt issuance	390	346
Cost of Sun Life of Canada UK acquisition	–	(250)
Total non-recurring uses of cash	**(567)**	**(365)**
Closing cash and cash equivalents at 31 December	**1,117**	**1,012**

1 Total cash generation includes £156 million received by the holding companies in respect of tax losses surrendered (2023: £219 million).

Operating Cash Generation

OCG represents the sustainable level of ongoing cash generation from our underlying business operations that is remitted from our Life Companies to the Group.

In 2024, OCG grew 22% to £1,403 million (2023: £1,146 million). This was partly driven by an increase in surplus emergence to £866 million (2023: £833 million). The growth is supported by new business written and an initial capitalisation benefit from our ongoing cost savings programme, which have offset the natural run-off of our in-force business.

The remaining £537 million was generated through increased recurring management actions (2023: £313 million). The majority of these actions were portfolio optimisation actions, contributing £323 million, with a further £122 million representing the capitalised effect of fee reductions associated with fund simplification actions, and an additional £92 million from capital improvement actions. This level of recurring management actions has exceeded our target of c.£400 million in 2024 and beyond, supported by the investment we have made to accelerate the development of our in-house asset management capabilities. This strong performance gives us confidence this is repeatable going forward.

Given the importance of this cash measure in tracking the Group's progress, in 2025 we intend to provide additional analysis of the drivers of OCG by business segment. In 2024, c.£850 million of OCG was from Retirement Solutions and c.£350 million was from Pensions and Savings. The remaining c.£200 million of OCG was from Europe, With-Profits and Other.

Importantly, OCG of £1,403 million more than covered recurring uses of cash in the period of £1,107 million, which includes dividends, operating costs, debt interest payments and annuities new business capital.

The surplus operating cash generated of £296 million was principally deployed to retire debt in June 2024, delivering an overall net debt reduction of £253 million.

In delivering £1.4 billion of OCG in 2024, we achieved our 2026 OCG target ahead of time and we now expect it to grow at a mid-single digit percentage rate going forward.

Total cash generation

Total cash generation represents the total cash remitted from the operating entities to the Group, comprising OCG, non-recurring management actions and the release of free surplus above capital requirements in the Life Companies.

In addition to the OCG generated this year, we also delivered £376 million (2023: £878 million) of non-operating cash generation, comprising non-recurring management actions and the release of some of our Life Company Free Surplus. This in turn covered non-operating cash outflows of £314 million.

Total cash generated during the period was therefore £1,779 million (2023: £2,024 million) and exceeded the Group's 2024 target range of £1.4–1.5 billion.

Having significantly outperformed our 2024 target, and with OCG now expected to grow at a mid-single digit percentage annually from the £1.4 billion delivered in 2024, we have upgraded our existing 3-year total cash generation target across 2024–26 from £4.4 billion to £5.1 billion.

At £5.1 billion our total cash generation will exceed both the 2024–26 expected recurring uses of c.£3.3 billion and our planned investment of c.£0.7 billion, and deliver an expected excess cash level of £1.1 billion. In line with our capital allocation framework, this excess cash creates further financial flexibility and enables us to commit to further deleveraging as required to deliver the c.30% SII leverage ratio target by end-2026, with c.£250 million of debt repaid in 2024.

Recurring uses of cash

Operating expenses increased to £132 million (2023: £113 million) primarily due to incorporating the annual running costs of producing the IFRS 17 results. Debt interest increased to £236 million (2023: £229 million) due to the impact of refinancing activity in 2023 and 2024 at higher interest rates.

The £533 million shareholder dividend reflects the 2.5% increase paid with the 2023 Final dividend and 2024 Interim dividend.

We have also invested £206 million of capital into our annuities business to support the writing of £6.1 billion of new business annuity premiums in the year.

Non-recurring uses of cash

Non-operating net cash outflows of £314 million (2023: £111 million) primarily relate to £354 million of planned investment across our strategic priorities to grow, optimise and enhance our business. This was partially offset by positive net collateral cash receipts and hedge close-outs.

Net debt repayment of £253 million (2023: £4 million net repayment) represent the £250 million Tier 2 note redemption in support of the Group's deleveraging programme and the refinancing of US$500 million of Restricted Tier 1 notes, both of which completed in June.

Capital

£3.5bn
Solvency II surplus (estimated)

172%
Group Shareholder Capital Coverage Ratio (estimated) APM

36%
Solvency II leverage ratio APM

Solvency II economic sensitivity analysis[1]

	Surplus (£bn)	SCCR (%)
Solvency II base	**3.5**	**172**
Equities: 20% fall in markets	–	5
Long-term rates: 100bps rise in interest rates	0.1	7
Long-term rates: 100bps fall in interest rates	(0.1)	(5)
Long-term inflation: 50bps rise in inflation	–	(1)
Property: 12% fall in values	(0.2)	(4)
Credit spreads: 127bps widening with no allowance for downgrades	(0.1)	(1)
Credit downgrade: immediate full letter downgrade on 20% of portfolio[2]	(0.3)	(8)
Lapse: 10% increase/decrease in rates	(0.1)	(2)
Longevity: 6 months increase	(0.4)	(8)

1 Illustrative impacts assume changing one assumption on 1 January 2025, while keeping others unchanged, and that there is no market recovery. They should not be used to predict the impact of future events as this will not fully capture the impact of economic or business changes. Given recent volatile markets, we caution against extrapolating results as exposures are not all linear.
2 Impact of an immediate full letter downgrade across 20% of the shareholder exposure to the bond portfolio (e.g. from AAA to AA, AA to A, etc.). This sensitivity assumes management actions are taken to rebalance the annuity portfolio back to the original average credit rating and makes no allowance for the spread widening which would be associated with a downgrade.

Group Solvency II capital position

Our Solvency II ('SII') capital position remains resilient, with an estimated surplus of £3.5 billion (2023: £3.9 billion) and is stated after the accrual for the 2024 Final dividend. Excluding the planned £250 million debt repayment in the first half of the year, the Group's surplus was marginally lower year-on-year due to planned investment. Our SCCR reduced 4%pts to 172% (2023: 176%) but has remained resilient and within the top half of our target operating range of 140–180%.

Recurring capital generation

In 2024, recurring SII capital generation pre-dividend totalled £0.7 billion, with £0.2 billion generated post-dividend which increased the SCCR by 5%pts.

In-force business surplus emergence and release of capital requirements contributed £0.8 billion to the SII surplus and 19%pts to the SCCR. We also delivered recurring management actions of £0.5 billion, increasing the SCCR by 13%pts, which were mostly Own Funds accretive reflecting portfolio optimisation actions in the period.

Operating costs, dividends and debt interest totalled £0.9 billion, reducing the SCCR by 19%pts. New business strain of £0.2 billion reduced the SCCR by 8%pts.

Non-recurring capital utilisation

Non-recurring capital utilisation, excluding the debt repayment of £250 million, reduced the SII surplus by £0.3 billion and the SCCR by 4%pts. £0.2 billion of surplus generated through other management actions partially offset £0.3 billion of investment spend and other, which reflects our planned non-recurring investment to grow, optimise and enhance our business over 2024–26.

We continue to be well hedged on an economic basis under SII, and we therefore only experienced a £0.1 billion adverse economics variance in the year, primarily related to rising yields. Additionally, we recognised £0.1 billion of temporary surplus strain on annuity new business (a £0.2 billion Own Funds strain) due to the impact of holding a gilts-heavy portfolio on new business completed late in 2024 and reflecting internal model improvements in pricing assumptions which are expected to be approved in 2025 and the strain unwound.

The size of the adverse non-recurring uses will gradually decline over the 2024–26 period as we complete our planned investment to grow, optimise and enhance our business.

Life Company Free Surplus

Life Company Free Surplus represents the SII surplus of the Life Companies that is in excess of their Board-approved capital management policies. As at 31 December 2024, the Life Company Free Surplus was £1.9 billion (2023: £2.2 billion), with the £0.3 billion reduction broadly reflecting the change in the Group's SII surplus and a small release of free surplus.

Leverage

As at 31 December 2024, the SII leverage ratio was 36% (2023: 36%), despite the £250 million debt repayment in June which reduced the ratio by 2%pts. The impact on the ratio of this repayment has been offset by a £0.3 billion pre-debt decline in Regulatory Own Funds due to the factors outlined above and a further £0.2 billion decline reflecting the impact of the With-Profit funds run-off.

Over the remainder of the 2024–26 period, the additional excess cash created by our upgraded total cash generation target enables us to commit to further deleveraging as is required to achieve our c.30% SII leverage ratio target by the end of 2026.

The Group's Fitch leverage ratio at end-2024 is estimated at 23% (2023: 23%), favourably below Fitch's stated 25–30% range for an investment grade credit rating.

Movement in Group SII capital during 2024

		Recurring capital generation of +£0.2bn surplus and +5%pts SCCR				Non-recurring capital utilisation of £(0.3)bn surplus and (4)%pts SCCR					
£bn	2023	Surplus emergence and release of SCR	Recurring management actions	Operating costs, debt interest and dividend	New business strain	Other management actions	Economics and temporary strain	Investment spend and other	2024 (pre-debt repayment)	Debt repayment	2024
Own Funds	**8.9**	0.7	0.4	(0.9)	0.1	0.1	(0.3)	(0.3)	**8.7**	(0.3)	**8.4**
SCR	**(5.0)**	0.1	0.1	–	(0.3)	0.1	0.1	0.0	**(4.9)**	–	**(4.9)**
SII surplus	**3.9**	**0.8**	**0.5**	**(0.9)**	**(0.2)**	**0.2**	**(0.2)**	**(0.3)**	**3.8**	**(0.3)**	**3.5**
SCCR[1]	**176%**	**19%**	**13%**	**(19)%**	**(8)%**	**7%**	**(4)%**	**(7)%**	**177%**	**(5)%**	**172%**

1 The Shareholder Capital Coverage Ratio excludes Solvency II Own Funds and Solvency Capital Requirements ('SCR') of unsupported With-Profit funds and unsupported pension schemes.

Business review continued

Earnings

£825m
IFRS adjusted operating profit APM

£3,257m
Contractual Service Margin (gross of tax)

£3,656m
IFRS adjusted shareholders' equity APM

IFRS income statement

£m	2024	2023[1]
Pensions and Savings	316	190
Retirement Solutions	474	378
Europe and Other	96	144[1]
With-Profits	41	10
Corporate Centre	(102)	(93)
Adjusted operating profit	**825**	**629[1]**
Economic variances	(1,297)	377[1]
Amortisation and impairment of intangibles	(270)	(322)
Other non-operating items	(520)	(439)
Finance costs attributable to owners	(204)	(195)
Profit before tax attributable to non-controlling interest	12	28
(Loss)/Profit before tax attributable to owners	**(1,454)**	**78[1]**
Tax credit attributable to owners	376	6[1]
(Loss)/Profit after tax attributable to owners	**(1,078)**	**84[1]**

1 The Group identified material corrections to previously reported results that gave rise to a restatement of comparative information (see note A3 to the consolidated financial statements for further details).

IFRS adjusted operating profit

IFRS adjusted operating profit is an alternative performance measure (see pages 334 to 339).

The Group generated a 31% year-on-year increase in IFRS adjusted operating profit to £825 million (2023: £629[1] million) driven by profit uplifts in both of our two main operating business units.

Our Pensions and Savings business reported 66% growth in IFRS adjusted operating profit to £316 million (2023: £190 million). This reflects the benefit of growing our assets, with average Assets under Administration ('AUA') increasing 11% year-on-year, coupled with delivery of operating cost efficiencies across both administration costs as well as investment management fees driven by ongoing fund simplification. AUA growth is supported by higher gross inflows of £14.4 billion (2023: £12.3 billion), with both Workplace and Retail recording creditable increases, reflecting new capabilities. Gross outflows also rose to £18.1 billion (2023: £15.7 billion) reflecting the run-off profile of our in-force business and higher outflows due to consumer behaviour in response to the UK budget uncertainty in the year. The overall net outflow position was more than offset by £15.8 billion of positive market effects, driving Pensions and Savings AUA 7% higher to £186.5 billion at 31 December 2024. Based on average AUA, the IFRS adjusted operating profit represents an operating profit margin of 17bps in 2024 (2023: 12bps).

Our Retirement Solutions business delivered IFRS adjusted operating profit of £474 million (2023: £378 million). The 25% year-on-year increase is supported by a 16% increase in the CSM release to £150 million (2023: £129 million) reflecting ongoing growth in our annuities book.

Expected investment margin and portfolio optimisation management actions also rose strongly. AUA in Retirement Solutions benefited by £6.1 billion of gross annuity inflows, a decline from 2023 of £6.7 billion, following our decision to reduce the annual allocation of new capital to this segment by one-third. AUA remained stable at £40.3 billion, as volumes were more than offset by falling asset values as rates rose.

Europe and Other profit decreased to £96 million (2023: £144[1] million), primarily due to prior period one-off experience and assumption updates which did not repeat in 2024. With-Profits operating profit increased to £41 million (2023: £10 million) driven by one-off experience variances in 2024.

The Group's Corporate Centre includes net operating costs of £102 million (2023: £93 million). The increase reflects the £10 million annual impact of incorporating the running costs of producing IFRS 17 results.

Upgrading our 2026 IFRS adjusted operating profit target

Looking forward, in light of our strong IFRS adjusted operating profit momentum, we have upgraded our 2026 IFRS adjusted operating profit target from £900 million to c.£1.1 billion. This will be delivered through a combination of business growth initiatives, efficiency savings in line with our cost savings targets, and ongoing deployment of our asset management capabilities.

IFRS loss after tax attributable to owners

The Group generated an IFRS loss after tax attributable to owners of £1,078 million (2023: profit of £84[1] million). The loss is primarily driven by £1,297 million of adverse hedging related economic variances.

Economic variances

Adverse economic variances of £1,297 million (2023: £377[1] million favourable) reflected the result of the Group's hedging programme, which aims to protect cash and Solvency II capital from volatility in equities and interest rates. This gives rise to accounting volatility, as several of the Solvency II capital components covered by hedging are not recognised on the IFRS balance sheet, with the IFRS market sensitivities shown on pages 234 to 237. We accept the hedge-related volatility in the IFRS result, as protecting cash and Solvency II capital is a key capital framework objective, underpinning the Group's ability to deliver a progressive and sustainable dividend.

In 2024, higher UK interest rates (15-year swap rates up 83bps) and higher equity markets (FTSE: +9.5%, S&P500: +25.0%), produced net negative marks on the hedges, giving rise to the reported losses. In 2023 lower UK interest rates (15-year swap rates down 27bps) and higher equity markets (FTSE: +7.9%, S&P500: +26.3%), along with methodology refinements, produced net positive marks on the hedges, giving rise to the reported gains.

Amortisation and impairment of intangibles

The previously acquired in-force business, relating to IFRS 9 capital-light fee-based business, is being amortised in line with the expected run-off profile of the investment contract profits to which it relates. Amortisation during the period reduced to £270 million (2023: £322 million) reflecting the run-off of this acquired business.

Other non-operating items

Other non-operating losses in the period totalled £520 million (2023: £439 million loss), the majority of which reflects £372 million of planned investment spend across our strategic priorities, with £42 million of other one-off project expenses. The adverse impact from the buy-out of our internal PGL Pension Scheme in the year of £106 million is also included, with a partial £87 million offset in the Group's CSM. Finance costs of £204 million (2023: £195 million) reflect interest borne on the Group's debt instruments and is higher in 2024 due to the refinancing activity in 2023 and 2024.

Run-rate cost savings

The Group is targeting £250 million of annual run-rate cost savings, net of inflation, by the end of 2026, as we enhance our business and move to a more efficient Group-wide operating model. In 2024, the Group's cost savings programme delivered £63 million of run-rate savings, with in-year savings of £28 million, the majority of which came from Pensions and Savings. Looking forward, around two-thirds of the remaining run-rate savings are expected to emerge in 2026 from the completion of several key migration and transformation initiatives. These cost savings will primarily benefit the Pension and Savings business segment, with the remaining segments also benefiting from lower shared function allocations.

IFRS shareholders' equity and adjusted shareholders' equity

£m	2024	2023
Adjusted operating profit	**825**	**629[1]**
Recurring uses:		
Dividend	(533)	(520)
Debt interest	(204)	(195)
Amortisation of intangibles	(270)	(322)
Adjusted operating profit before tax, less recurring uses	**(182)**	**(408)**
Non-recurring uses and tax:		
Non-operating items	(520)	(439)
Economic variances	(1,297)	377[1]
Tax and other items recognised in equity	470	(94)
Movement in shareholders' equity	**(1,529)**	**(564)**
Opening shareholders' equity	**2,742[1]**	**3,211**
Movement in shareholders' equity	(1,529)	(564)
Opening adjustments	–	95
Closing shareholders' equity	**1,213**	**2,742[1]**
CSM (net of tax)	2,443	2,140
Adjusted shareholders' equity	**3,656**	**4,882[1]**

1 The Group identified material corrections to previously reported results that gave rise to a restatement of comparative information (see note A3 to the consolidated financial statements for further details).

Shareholders' equity and adjusted shareholders' equity

In 2024, we have made significant progress in raising the level of pre-tax adjusted operating profitability to cover a greater proportion of our recurring uses.

However, non-operating items remain high at present, and, as previously signposted, are primarily driven by the impact of our planned 3-year non-recurring investment spend on migrations and transformation programmes.

The significant economic variances in 2024 reflect the outcome of our hedging programme, which is designed to protect our cash and Solvency II capital, and supports our progressive and sustainable dividend policy. The Board continues to prioritise stable SII surplus capital and predictable dividends, and accepts the hedge-related volatility in the IFRS result.

The resulting IFRS loss after tax in the period drove shareholders' equity lower at the end of 2024 to £1,213 million (2023: £2,742[1] million).

Adjusted shareholders' equity comprises IFRS shareholders' equity and the CSM (net of tax), and stood at £3,656 million at 31 December 2024 (2023: £4,882[1] million).

In 2026, the higher level of targeted IFRS adjusted operating profitability of c.£1.1 billion is expected to be sufficient to fully cover our recurring uses and create excess to fund non-recurring uses.

Contractual Service Margin

The Group's CSM (gross of tax) rose by 14% to £3,257 million at 31 December 2024, (2023: £2,853 million) and represents a sizeable stock of value that will unwind into IFRS adjusted operating profit in future years.

The increase in the period was driven by a £248 million contribution from new business (2023: £348 million), principally from annuities written in Retirement Solutions, with a further £212 million contribution from assumption changes, experience and economics (2023: £58 million). In addition, there was a one-off £87 million increase related to the internal PGL Pension Scheme buy-out, and a £71 million one-off benefit relating to modelling refinements and adjustments.

The 2024 CSM release into the income statement of 8% was in line with the prior year, contributing £281 million to pre-tax adjusted operating profit (2023: £241 million). With new business and assumption changes, experience and economics exceeding amortisation, the net of tax value of the CSM increased to £2,443 million at 31 December 2024 (2023: £2,140 million).

Movement in Group CSM during 2024, including segmental split

£m	Opening CSM (gross)	New business	Interest accretion	Assumption changes, experience and economics	Other, incl. one-off adjustments	Closing CSM, pre-release (gross)	CSM release	Closing CSM (gross)	Tax	Closing CSM (net)
Retirement Solutions	**2,145**	203	57	26	25	**2,456**	(150)	**2,306**	(576)	**1,730**
Pensions and Savings	**201**	–	–	99	(4)	**296**	(33)	**263**	(66)	**197**
Europe and Other	**65**	45	4	5	121	**240**	(44)	**196**	(49)	**147**
With-Profits	**442**	–	6	82	16	**546**	(54)	**492**	(123)	**369**
2024 Total Group CSM	**2,853**	**248**	**67**	**212**	**158**	**3,538**	**(281)**	**3,257**	**(814)**	**2,443**
2023 Total Group CSM[1]	**2,583**	**348**	**51**	**58**	**54**	**3,094**	**(241)**	**2,853**	**(713)**	**2,140**

1 2023 restated to reflect corrections to errors and a change to accounting policy (see note A3 to the consolidated financial statements for further details).

Business review continued

Dividend

54.00p
2024 Total dividend per share

+2.6%
2024 Final dividend increase

+4%
14-year Total dividend CAGR

In March 2024, the Board outlined a 3-year strategy for 2024–26, which will support the creation of a business which delivers sustainable and growing cash, capital and earnings. The Board also adopted a progressive and sustainable ordinary dividend policy, reflecting its confidence in the Group's strategy.

In operating this dividend policy the Board will announce any potential annual dividend increase alongside the Group's Full Year results and expects the Interim dividend to be in line with the previous year's Final dividend. The Board continues to prioritise the sustainability of our dividend over the long term. Future dividends and annual increases will be subject to the discretion of the Board, following assessment of longer-term affordability.

In operating the policy and assessing longer-term affordability the Board considers the quantum and trajectory of the Group's Operating Cash Generation, SII surplus, Shareholder Capital Coverage Ratio and the distributable reserves at the Group's holding company.

At 31 December 2024, distributable reserves at Phoenix Group Holdings plc, the Group's holding company that pays dividends to shareholders, stood at £5,571 million (2023: £4,632 million), supported by sizeable distributions from its main operating subsidiaries which continue to report under UK GAAP and carry significant distributable reserves. In 2024 the Group's main operating subsidiaries generated strong UK GAAP net profits after covering hedging, which supported the cash remittances to Group.

In the consolidated IFRS financial statements, the Group is targeting a positive pre-hedge post-dividend IFRS net profit contribution to the IFRS shareholders' equity. The Group accepts the hedge-related volatility that impacts IFRS shareholders' equity, which is a known consequence of our Solvency II hedging strategy that is designed to protect our cash, capital and dividend.

In this overall context and consistent with previous guidance, the Board considers that the Group's consolidated IFRS shareholders' equity is not a constraint to the payment of our dividends.

As a result of our improved operating performance in 2024 and our ongoing confidence in the Group's strategy, the Board is recommending a 2.6% increase in the 2024 Final dividend to 27.35p per share, taking the 2024 Total dividend to 54.00p per share.

Outlook

Phoenix Group's financial targets

Cash
- Mid-single digit percentage growth p.a. in Operating Cash Generation
- Total cash generation 3-year target of £5.1 billion across 2024–26

Capital
- Operate within our 140–180% Shareholder Capital Coverage Ratio operating range
- SII leverage ratio of c.30% by the end of 2026

Earnings
- c.£1.1 billion of IFRS adjusted operating profit in 2026
- £250 million of annual run-rate cost savings by the end of 2026

In March 2024 we reiterated our ambition to become the UK's leading retirement savings and income business and set 3-year targets under our financial framework of cash, capital and earnings.

The Group has made a positive start in delivering against both its 3-year strategy and financial framework targets, with good operating momentum in 2024 enabling us to upgrade two of our financial targets and reaffirm the rest for 2026.

Thank you
Our clear strategic progress and strong operating financial performance are testament to the hard work of our dedicated colleagues. I would therefore like to thank them for their contributions in 2024, and for their warm welcome in my first few months as Group CFO.

Nicolaos Nicandrou
Group Chief Financial Officer

Risk management

Our Risks and Risk Management

The Group has a system of governance that embeds clear ownership of risk and has a Risk Management Framework ('RMF') that supports the identification, measurement, assessment, management and reporting of risks against approved risk appetites.

We have an established 'three lines of defence' model. Management (Line 1) is responsible for the risk ownership and maintaining effective processes, procedures and controls; the Risk Function (Line 2) provides independent oversight and challenge; and Internal Audit (Line 3) provides objective assurance.

Periodic review of the Risk Management Framework is an integral part of the system of governance in the Group, and in 2024, we adopted ways to further promote individual accountability. In 2025, we will look for further opportunities to streamline and augment the framework, including technology solutions that might help further simplify its operation across the Group. Any changes we choose to make will be considerate of the 2024 Corporate Governance Code in helping the Board to assess the effectiveness of the RMF.

All Non-Executive Directors receive an induction to the RMF from the Group CRO as part of their onboarding.

Risk environment
The Group continues to operate in an uncertain risk environment with multiple external factors requiring navigation to enable the Group to deliver on its strategic priorities.

Adverse market movements can impact the Group's capital, solvency, profitability and liquidity position, and influence the certainty and timing of future cash flows and long-term investment performance for shareholders and customers. Regular monitoring of market risk exposures in accordance with the Group Market Risk Policy supported by a hedging strategy helps to reduce the sensitivity of the Solvency II balance sheet to market shocks.

Regional conflicts, an uncertain political landscape and increased global economic fragmentation increase the risk of disruption to global supply chains and impacts to financial markets and the economy. The Group's Stress and Scenario Testing programme continues to consider a range of adverse circumstances to inform the Group and its Life Companies of the actions needed to respond to external events and further enhance operational and financial resilience.

Bringing our business together into an efficient Group-wide operating model is dependent upon execution of the Group's migration, transformation and cost efficiency programmes. The Group has prioritised these initiatives, underpinned by strengthened governance to support controlled execution and delivery of intended benefits.

Severe disruption or failure of important business services exposes the Group to increased risk of harm to its strategic priorities, customer outcomes and if prolonged increased operating costs. The Group continues to implement measures to improve and embed operational resilience in-house and with its outsourced service providers and critical third party suppliers. This includes exploring opportunities and emerging technologies whilst ensuring we sustain appropriate focus on the Group's cyber defence capabilities.

Risk management continued

Governance and culture

The Group operates a three lines of defence model that is supported by the RMF. Risk accountability and ownership are embedded in the First Line, with First Line teams established to support the business by providing substantiated evidence that controls are fit for purpose.

Overall responsibility for approving the RMF rests with the Board, with maintenance and review of the effective operation of the RMF delegated to the Board Risk Committee. This delegation also includes approval of the overall risk management strategy and the review and recommendation to the Board of the relevant risk appetite statements, risk policies, risk profile and any relevant emerging risks.

The RMF supports delivery of the Group's strategy against the Board-approved risk appetite. This is supported by The Big Three which sets out what the Group expects of leaders and colleagues to build a culture of trust, collaboration and constructive challenge. Measures are in place during each Framework refresh to allow for continuous improvement in risk management throughout the business by seeking input from colleagues and industry bodies.

Oversight and challenge

Risk governance comprises the Boards, organisational governance, delegation of authority, a well-defined three lines of defence model with clear delineation between roles and responsibilities, and the RMF.

The Group Risk function supports and enables the Group to grow in a prudent and sustainable way through oversight and constructive challenge. This is delivered through strong capability in the Risk Leadership team who specialise in financial risk, non-financial risk, conduct risk and compliance and are proactive in material initiatives for the Group.

Risk Management Framework

Risk Appetite Framework

The Group's Risk Appetite Framework ('RAF') outlines the risks that the Group is willing to take to meet our strategic objectives and is a key tool in balancing the interests of different stakeholders.

The RAF operates using a three tiers approach to cascade the Board's risk appetites through to lower-level risk policies. It is reviewed on an annual basis, and a set of Board-approved risk appetite statements are adopted by the Group for the following dimensions of risk: Capital, Liquidity, Dividend, Shareholder Value, Control, Conduct and Sustainability.

Risk appetites are supported by quantitative and qualitative tolerances, triggers and limits; and the Group has systems, processes and controls designed to manage risk appropriately.

Risk Universe

A key element of effective risk management is ensuring the business understands the risks it faces. The Group's Risk Universe summarises the risks to which the Group is exposed. The Risk Universe allows the Group to deploy a common risk taxonomy and language, allowing for meaningful comparison to be made across the business. The risk profile of each is an assessment of the impact and likelihood of those risks crystallising and the Group failing to achieve its strategic objectives. Changes in the risk profile are influenced by the commercial, economic and non-economic environment and are identified, measured, managed, monitored and reported through the Group's RMF processes.

Risk Policy Framework

The Risk Policy Framework ('RPF') supports the delivery of the Group's purpose and strategy by establishing the operating principles and expectations for managing the key risks to the Group's business day-to-day. Each of the risk policies defines:

- the individual risks the policy is intended to manage;
- the degree of risk the Group is willing to accept, which is set out in the policy risk appetite statements; and
- the control objectives that determine the key controls required to manage each risk to an acceptable level.

Risk policies are mapped to Risk Universe categories to ensure complete coverage of all material risks. The RPF further supports the Group in operating within the boundaries of its risk appetite statements by seeking to limit volatility under a range of Board-approved adverse scenarios.

The Group's Conduct Strategy and Climate Change Risk Management Framework overarch all risk policies to provide a holistic view of conduct and sustainability risks. This provides a consistent and comprehensive approach in the application of the RMF to manage these risks across the Group.

Risk Management Cycle

Identification, measurement, assessment, management, monitoring and reporting of risks, including learning lessons from incidents, is undertaken across the three lines of defence, and is supported by a system of governance and risk management tools.

The Group uses a partial Internal Model for calculation of its solvency capital requirement. A continuous process is followed for identification and measurement of risk types and the corresponding resilience of the Group's capital position. The Group continually strives to enhance its internal risk and capital models, and the related modelling must be sufficiently accurate to enable appropriate ranking and management of risks. It is a requirement that all material risks, and the interactions between them, are in scope of the Group's risk and capital models.

Under Solvency II as modified by the Prudential Regulation Authority's 2024 reforms ('Solvency UK'), the development and production of any Internal Model output contributing to regulatory capital requirements must comply with validation standards, supported with documentation standards. This is supported by a Model Governance policy, which sets out the standards that must be satisfied to demonstrate meeting Solvency UK requirements. The Internal Model output is used within the Group's Own Risk and Solvency Assessment ('ORSA') process to provide insight into risks associated with the Group's objectives.

The Group's Stress and Scenario testing programme uses the Internal Model to assess the capital impact of a range of plausible and extreme stresses.

Three lines of defence

1.
Management
Own and manage risk at source, with end-to-end risk control aligned to Senior Management Function Holders (within overall Risk Management Framework).

2.
Risk Function
Define enterprise-wide frameworks, policies and standards, providing independent oversight and challenge to the business on risk management, and providing oversight of key risks using a proportionate risk-based approach.

3.
Internal Audit
Independently assure risk management across the organisation.

Principal risks and uncertainties facing the Group

The Own Risk and Solvency Assessment ('ORSA') is the ongoing process of identifying, measuring and assessing, managing and controlling, monitoring and reporting the risks to which the business is exposed.

The Group's ORSA cycle brings together interlinked risk management, capital and strategic processes. The Group has a robust system of governance for assessing and analysing its principal and emerging risk themes.

A principal risk is a risk or combination of risks that could seriously affect the strategic objectives, future performance, or reputation of the Group, including risks that may threaten the Group's business model, solvency or liquidity.

The principal risks presented here are aligned with the Group's strategic priorities and are kept under review by the Executive Committee and the Board Risk Committee. The view is dynamic and reflects the ongoing prioritisation of risk management activities across the business.

Impact	Mitigating actions
Strategic risk **The Group's ability to meet its external obligations is adversely impacted by failure to execute key strategic change programmes**	
Execution of migrations, transformation and cost efficiency programmes is essential to bringing our business together into an efficient Group-wide operating model. In some cases, the Group is reliant on its strategic partnerships with third parties to deliver these changes. These include, but are not limited to, investment management services from Aberdeen Group plc (formerly abrdn plc); custody and fund accounting services from HSBC plc and customer administration from TCS Diligenta. Failure to prioritise and have the right capability and capacity (internally or at the third party) to deliver and execute these programmes on time and within agreed costs could negatively impact benefits assumed in the Group's business plan. It could also cause significant disruption to the operation of necessary business processes and controls; and the Group is exposed to the risk of failing to deliver good outcomes for its customers, should failures occur in key programmes relevant to its products, propositions or service delivery.	Throughout 2024, the Group has continued to enhance its Change Management Framework with strengthened governance to support the safe and controlled mobilisation and delivery of change. The Group has deprioritised some of our change initiatives to maintain focus on delivering the key programmes that support a single Group-wide operating model; and we have enhanced risk monitoring and contingency planning. The Supplier Management Model also has robust governance and engagement arrangements to manage relationships with our strategic partners. This includes change prioritisation, capability and capacity planning. The Group continues to invest in its operating model to further strengthen the capability required to deliver and execute change effectively. Risk appetite, policies and standards for guarding against increased risk of potential harm to customer outcomes are embedded in the Risk Management Framework. As part of our work on Consumer Duty, this includes enhanced customer experience metrics and outcomes monitoring.

Impact	Mitigating actions
Strategic risk continued **The Group is impacted by changes in customer behaviour, economic or political conditions including wider geopolitical instability**	
The Group's strategic priorities are adversely impacted by changing customer behaviours resulting from changes in the political landscape, employment trends and rising cost of living anxieties; and changing customer expectations on product simplicity and technology-based service solutions. The Group is exposed to disruption from geopolitical instability that could impact the profitability of our products, the value and quality of investments and the resilience of the Group's operating model. Escalation of regional conflicts and increasing protectionist policies can result in increased cyber-attacks, drive inflationary pressures due to global policy changes and supply-chain disruption, and impact the macroeconomic environment which may impact our balance sheet and new business.	The Group has a continuous programme of customer research, customer outcomes monitoring and fair value assessments that were augmented as part of the Group's response to Consumer Duty. The Group continues to explore innovative solutions to improve and simplify the customer experience. This including partnering with innovative start-ups, and providing user experience and technical delivery insight for product and service offerings. The Group continues to monitor activity in the global environment. It regularly explores the impacts of potential scenarios informed by its annual stress testing programme. This supports ongoing assessment of business model resilience and effectiveness of the potential courses of actions available to respond to events. Further information on operational resilience is provided in the resilience principal risk category below.
Sustainability risk **The Group fails to understand and respond to risks associated with climate change and other environmental, social and governance ('ESG') factors**	
The Group does not effectively manage material sustainability risks which could impede its ability to meet external commitments, including those in its Net Zero Transition Plan, and undermine its reputation. Climate risk is significant for both the Group and our customers. To reduce the physical impacts of climate risk, the global economy needs to transition to a low carbon economy. Whilst we are on track to meet our 2025 targets under most scenarios, there is a risk of not meeting our 2030 targets. The Group is taking direct action but meeting our ambition to be a net zero business by 2050 is becoming increasingly dependent on action by governments and the wider economy. Anti-climate headwinds in major economies are being monitored by Executive and Board Committees as they are likely to impact global progress in relation to climate change in the medium to long term, which makes the Group less certain about its ability to achieve its 2030 targets.	The Group has a clear sustainability strategy in place which includes our response to climate change. This policy is reviewed and refreshed annually. Climate change risk is integrated in our Risk Management Framework. The Group leverages qualitative and quantitative scenario analysis to assess our risk exposure and has put in place a set of key sustainability risk metrics which are regularly monitored. There is ongoing focus on climate risk assessment by research and professional bodies. The Group also engages in constructive dialogue with both investee companies and asset management partners. The Group continues to engage with policymakers and market participants to inform our approach and actively drive the wider system change needed to address systemic climate and sustainability risks. In the short term, anti-climate headwinds are not expected to materially impact the Group's management of investment portfolios as sustainability expectations are incorporated within investment management agreements.
Operational risk **The Group or its partners are not sufficiently resilient**	
Severe disruption or failure in the provision of important business services exposes the Group to increased risk of harm to strategic priorities, including delivering good customer outcomes. This increases the risk of reputational damage, regulatory censure and, if prolonged, increased operating costs. Such disruptions could occur in-house or at one or more of our strategic partners or third parties on whom the Group is reliant for services and can be trigged by a range of factors (such as cyber, geopolitical or environmental).	The Group's Supplier Management Model has robust governance and engagement arrangements to manage relationships with its strategic partners and suppliers; and its Operational Resilience Framework is designed to prevent intolerable harm and supports compliance with the regulatory outcomes. The Group has implemented solutions to further protect customers from harm in the event of severe but plausible scenarios. The Group is also continually exploring ways to strengthen its cyber security, IT disaster recovery capabilities and to better equip the incident response teams. The Group continues to work closely with its outsource partners, third and fourth party suppliers to ensure alignment of risk appetite on impact tolerances for operational resilience. The Group regularly reviews important business services to ensure the approved levels of resilience are maintained.

Risk management continued

Impact	Mitigating actions
Operational risk continued **The Group is impacted by significant changes in the regulatory or legislative environment**	
Changes in the regulatory or legislative environment could impact the products we write, our distribution channels and the Group's capital requirements. Material new regulatory change or late identification of new regulations can compromise execution of key change programmes essential to the Group's strategic priorities which could negatively impact customer outcomes, the balance sheet and cause reputational damage. Incoming Solvency UK looks to better align prudential regulations with the UK's regulatory objectives post-Brexit. We expect further post implementation guidance as the PRA evaluates the outcomes in 2025, the impact of the further guidance on the balance sheet is uncertain.	The Group operates a Regulatory Change Management Framework to ensure we have an effective oversight of all regulatory developments. The Framework ensures that there is proactive horizon scanning, awareness of and ownership for any change required at an early stage; that an impact assessment is completed; and appropriate governance is in place to oversee the execution of the change. The Group regularly engages with regulators and policymakers to listen and contribute to discussions on a wide range of matters, including those that could have market-wide and systemic risks. We will continue to monitor developments across the political and regulatory environment during 2025 and use our voice and experience to influence thinking. Sensitivity testing and scenario analysis of the Group's business model and balance sheet is used to consider potential strategies to respond to changes in regulations. In its 2023 Annual Report, the Group recognised the significant undertaking to achieve compliance with IFRS17. During 2024, the Group continued its Finance transformation programme to further improve the IFRS17 processes and investment will continue in 2025.
Operational risk continued **The Group fails to retain or attract a diverse and engaged workforce with the skills needed to deliver its strategy**	
The Group requires talented, diverse and engaged people with the right skills and capability to deliver the strategy. In 2024, the Group transitioned to a new operating model aligned to business operations, supported by fully integrated finance, risk, human resources and change functions. Uncertainties emanating from this and any future refinements to the operating model may increase the risk of unplanned losses in critical skills and corporate knowledge. There is a risk that it will be harder to recruit the right capability for specialised or business-critical roles in a competitive market. This could increase the risk of disruption to business and customer processes and could adversely impact the delivery of such critical business change programmes (such as migrations or transformation).	There is ongoing monitoring of the capability and capacity required to support key programme delivery and to ensure the operating environment remains stable. To attract and retain colleagues from all backgrounds, the Group has created a shared sense of purpose and commitment to our strategy. The Group offers competitive terms and conditions, benefits, and flexibility to foster colleague engagement which is monitored regularly through employee engagement surveys that track colleague sentiment and enable prompt intervention on areas of concern.
Financial markets risk **The Group is exposed to adverse movements in the value of assets or liabilities caused by economic forces, downgrades or counterparty failures**	
Adverse market movements, downgrades and deterioration in the creditworthiness, or default of investments, derivatives, reinsurers or banking counterparties can affect certainty and timing of future cash flows and long-term investment performance for the Group and its customers. It increases the risk of immediate financial loss, and/or reduced capital, solvency, and liquidity positions that could affect our strategic priorities.	The Group has a well-defined risk appetite with appropriate risk limits and undertakes regular monitoring activities in relation to its market and credit risk exposures. It closely monitors and manages its excess capital position, and makes use of hedging, strategic asset allocation, portfolio trading and reinsurance to limit the risk sensitivity of our Solvency II balance sheet and surplus to market movements. The Group regularly monitors its counterparty exposures and has specific limits in place relating to individual counterparties, sector concentration, geographies and asset class. The Group operates a suite of controls over customer funds to ensure exposure to market risk is maintained within the customer's risk appetite. These controls include monitoring of investment manager and external fund performance, reviewing customer funds and making changes as required to manage market and investment risk.

Emerging risks and opportunities

The Group maintains a comprehensive library of emerging risks, which are distinguished from the current risks by amount of available information resulting in a higher level of uncertainty as to how and when the risk will crystallise and its impact to the Group.

The Group's Senior Management and Board take emerging risks and opportunities into account when considering potential outcomes. This determines if appropriate management actions are in place to manage the risk or take advantage of the opportunity.

Examples of key risks and opportunities discussed by Senior Management and the Board during 2024 are:

Impact	Mitigating actions
Artificial Intelligence ('AI')	
AI presents opportunities for process efficiency, better underwriting and pricing and improved customer services. However, it presents a range of risks, most notably a change in the competitive landscape; customer and reputational harm and compounding of external cyber threats through AI-fuelled attack vectors. There are new vulnerabilities from the rapid adoption of AI and increased data confidentiality and bias challenges.	The Group continues to develop and enhance its AI Framework to support safe adoption of AI to deliver business benefits. This includes appropriate stage gates as new technology and processes are deployed to ensure controls are fit for purpose given the novel nature of some of the risks associated with AI.
Nature risk	
The natural world is under pressure from global trends in consumption, structural inequalities and economic growth. The World Economic Forum ranks biodiversity loss as the second largest global risk over the next ten years. Nature loss is a systemic risk which can manifest in different ways. It is complex, interconnected with other global trends and risks and difficult to assess and quantify.	The Group is developing its assessment of nature risk to support investment portfolio decisions for both customers and shareholders. The Group became a signatory to the Finance for Biodiversity pledge in 2023 and continues to refine assessment methodologies and has begun taking action in line with pledge signatory requirements.
UK Pensions Investment Review	
The government is reviewing the pension system to deliver major pension consolidation, with the aim of increasing investment into more productive assets to provide better retirement incomes and economic growth. Whilst the Group is well placed to benefit from these changes and supports the delivery of improved customer outcomes, there remains significant uncertainty as to the outcome of the review, which could impact our business.	The Group continues to engage with political parties and industry bodies to foster collaboration. The Group is well placed to support deployment of savings into productive assets through Future Growth Capital ('FGC') – a UK dedicated Long-Term Asset Fund in partnership with Schroders.

Viability statement

In accordance with Provision 31 of the 2018 UK Corporate Governance Code, the Board is required to conduct an assessment of the viability of the Group over a specified time horizon.

Assessment process
In assessing the future viability of the Group, the Board has defined 'viability' as maintaining the capability to satisfy mandatory liabilities and meet the recurring uses of capital.

In doing so, the Board considered whether the definition of viability should reflect the success of the Group in delivering against its strategic priority to invest in the growth of the business on an organic and inorganic basis. It concluded that any such investment needs to comply with the Group's capital allocation framework and risk appetite, and that the Board retains flexibility to manage the level of investment to support the Group's strategic priorities. In the absence of new business growth, the Group maintains a significant cash generation capacity from its in-force business which remains resilient under stress, supporting longer-term viability.

The Board has determined that the three-year time horizon to December 2027 is an appropriate period for the assessment which aligns to the period covered by the Group's latest Board-approved Strategic Financial Business Plan ('the Plan'), and which includes the 2025–2026 period for which the Group has established its external targets.

In making its assessment and assessing the prospects of the Group over the short, medium and longer term, the Board considered a large range of information including:

- The Group's strategic and operational plans as set out in the Plan, approved by the Board in December 2024;
- The latest financial results for the Group;
- Financial projections of the Group's capital, liquidity and funding positions over the viability assessment period. These projections have considered both base assumptions and severe but plausible stress scenarios, reflecting the major risks to which the Group is exposed;
- The results of wider stress and scenario testing activity, including reverse stress testing, capturing non-financial risks as well as more onerous scenarios with a low likelihood of occurrence;
- The operation of the Group's Risk Management Framework, including any breaches of risk appetite;
- The principal risks and uncertainties impacting the Group, together with an assessment of emerging risks that may impact on the Group's future performance;
- The Own Risk and Solvency Assessment ('ORSA') process which provides a forward-looking assessment of the Group's risk and capital profile as a result of its business strategy, the Plan and the overall risk environment; and
- An assessment of the wider operating environment for the Group, including legal, regulatory, political, climate and competitive factors.

Assessment of viability
The Phoenix Group Plan is reviewed and approved by the Board on an at least annual basis and results in a set of strategic priorities, detailed financial forecasts across multi-year periods, risk assessments and associated resilience, and available contingent actions. Those strategic priorities are outlined in the Strategic Report of the Group's Annual Report and Accounts, and progress against the Plan is reviewed monthly by the Board.

The Board reviewed the results of stress testing to assess viability under severe but plausible scenarios, including four adverse stresses as follows, which are deemed to be representative of the key financial risks to the Group:

1. **Market stress** – a combined market stress broadly equivalent to a 1 in 10-year event, calibrated to the Phoenix Group Internal Model, incorporating a fall in equity, property values and yields, with a widening of credit spreads;
2. **Plausible downside stress** – a more onerous combined market stress reflecting tighter credit conditions and a deep recession driven by a further short-term increase in inflation and cost-of-living crisis, falls in equities, properties, increased credit spreads, a UK sovereign downgrade and credit asset downgrades;
3. **Lower than planned** levels of cash and capital generated by recurring management actions, aimed at assessing execution risk; and
4. **A two-year delay** in the planned key migration programmes, also aimed at assessing execution risk.

The calibration and assessment of the stresses is informed by the Group's Solvency II Internal Model. The projections take into account the impact of any appropriate Solvency II recalculation of transitional benefits and allow for refinancing of certain of the Group's debt obligations. In considering the projections, the Board has assessed the availability of mitigating actions to increase resilience.

The scenarios were applied to the Solvency II capital, liquidity and funding positions of the Group, and demonstrated that the Group could continue to meet its mandatory obligations, maintaining sufficient headroom and without any breach to regulatory capital requirements, while continuing to track towards the delivery of the Group's strategic priorities.

Additional stress testing
In addition, through the ORSA, Business Plan stress and scenario testing and wider financial resilience processes during the year, the Board has reviewed a wide range of stress and scenario testing which has provided additional insight with regard to the defined viability assessment period. The scope of this testing covers the Group's risk universe and includes scenarios such as:

- Additional severe downside economic scenarios with a low likelihood of occurrence;
- Operational disruption or failure of key third party service providers;
- Cyber-attack, and resultant denial of service to key systems or applications;
- Failure to execute and deliver key change activities within the Group; and
- Climate-related risks, including those related to a disorderly climate transition.

In doing so, the Board has considered the results of reverse stress testing that has been performed to analyse scenarios that have a low probability but where, if they occurred, have the potential to render the business model unviable. Reverse stress testing validates and improves, where necessary, mitigating actions in place to deal with threats to the Group's viability by starting at the point of business failure and working backwards to identify the sequence of events that would lead to that outcome. It supports the development of actions that can be implemented now to avoid the failure.

The scenarios assessed under both ORSA (including reverse stress testing) and the stress and scenario testing for the Business Plan demonstrated that the Group had the ability to withstand severe events as a result of robust risk management and a range of mitigating actions, thereby maintaining its viability over the Plan period.

Risk assessment
The Board reviewed the Group's principal risks and uncertainties as set out on pages 43 to 49 of the 2024 Annual Report and Accounts and considered the impacts of changes in the related impact assessments and the mitigating actions implemented. This included an assessment of the potential impacts of emerging risks on the Group's business during the viability assessment period.

As noted in the Risk Management section of the Annual Report and Accounts, the Group identifies, assesses and manages risk through the operation of its Risk Management Framework ('RMF'). The Board approves the RMF and monitors its operation against established risk appetites through regular reporting that comes from across the three lines of defence.

Whilst noting continued macroeconomic uncertainty and an evolving political and regulatory landscape, the Board will continue to monitor risk exposures relative to risk appetites to ensure the risks are proactively managed and do not present a material threat to the Group's viability.

2024 financial results
The latest financial results for the Group as included within the 2024 Annual Report and Accounts have been considered as part of the assessment. Key factors included:

- The Group's strong capital position with a Solvency II surplus of £3.5 billion and a Shareholder Capital Coverage Ratio of 172%, providing significant headroom above regulatory minimum capital requirements and the Group's risk appetite;
- The resilience of the Group's capital position and cash generation to movements in market factors, as indicated in the sensitivity analysis included on page 39, which is reflective of the Group's hedging approach; and
- Holding companies' cash of £1,117m at the end of 2024, as well as access to the Group's undrawn £1.5 billion unsecured revolving credit facility, provides assurance over the Group's ability to meet mandatory obligations as they fall due.

The impact of losses on an IFRS basis were considered as part of the assessment. It was noted that the Group's hedging approach prioritises the protection of the Solvency II capital position and therefore the dependable delivery of future cash generation. It is accepted that this results in volatility in the IFRS metrics but as the Board considers that IFRS metrics only partially reflect the underlying cash potential of the business – which is captured more fully under the Solvency II cash and capital metrics – this was not considered to represent a material threat to the Group's viability.

Concluding statement on viability
Based on the factors outlined above, the output of the Group's financial projections and its resilience under severe but plausible stressed conditions, and the management of the Group's principal risks and associated mitigating actions, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of assessment ending 31 December 2027.

Sustainability review

The Sustainability review provides an overview of the Group's approach to sustainability. It also includes the Group's Task Force on Climate-related Financial Disclosures ('TCFD') reporting, Streamlined Energy and Carbon Reporting ('SECR') statement and Non-financial and Sustainability Information ('NFSI') statement.

Our reporting

You can find out more about our activities, financial performance, sustainability strategy and our progress towards becoming a net zero business by 2050 by visiting our website:

www.thephoenixgroup.com

Sustainability Report

Our Sustainability Report covers our social and environmental sustainability progress in the People and Planet sections, including progress against our **Net Zero Transition Plan** ('NZTP') and targets. Broader disclosures including Human Rights and Modern Slavery, Diversity, Equity and Inclusion ('DEI'), and a summary of Governance topics are included in the Building a sustainable business section.

ESG Data Appendix

Our Environmental, Social and Governance ('ESG') Data Appendix summarises our ESG metrics and Sustainability Accounting Standards Board ('SASB') disclosures.

The Group has appointed KPMG to provide limited independent assurance over selected disclosures within this report marked with ^. The assurance engagement was planned and performed in accordance with the International Standard for Assurance Engagements ('ISAE') (UK) 3000 Revised, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. A limited assurance opinion was issued and is available in the 'Independent Practitioner's Limited Assurance Report' section on pages 2 to 3, which is available **here**.

In this section

Responding to current and upcoming regulation

We support the regulatory agenda for more efficient, improved non-financial disclosures and recognise the need for transparency about our impacts and dependencies on people and the planet. We have commenced preparatory work to meet upcoming standards that will affect the Group and our entities, including the International Financial Reporting Standards ('IFRS') issued by the International Sustainability Standards Board ('ISSB'), the Sustainability Disclosure Standards, and the EU Corporate Sustainability Reporting Directive ('CSRD'). This work is reflected in the format of this year's sustainability disclosures, with the integration of our TCFD-aligned reporting into this Annual Report and Accounts.

Read more on **pages 54 to 75**

Our approach to sustainability

Our purpose is helping people secure a life of possibilities. We want to help people journey to and through retirement while shaping a better future, and our sustainability approach focuses on two key areas: People and Planet.

We are committed to embedding sustainability throughout our business by integrating our sustainability strategy and best practice governance to maintain high standards of oversight, integrity and ethics.

Read more in our **Sustainability Report**

2024 highlights

People

We want to help people live better longer lives. This means tackling the pensions savings gap and supporting people to have better financial futures through promoting financial wellness and the role of good work and skills.

Innovative products
Launched new products to better meet the needs of our customers, such as the Standard Life Smoothed Return Pension Fund

c.1.4m
Motivated c1.4m people to act by checking in on their retirement savings, or finding out more about living and working longer through our Group brand campaign

c.£1.8m
Total value of community contributions excluding management costs[1,2]

Planet

We want to help shape a better future. This means delivering good outcomes for our customers, playing a key role in delivering a net zero economy by 2050 and understanding and taking action to manage our impact and dependency on nature.

52%
Achieved a 52% reduction in emissions intensity of our investment portfolio[3]

80%
Achieved an 80% reduction in the emissions intensity of our operations[4]

First
Believed to be the first pension provider to proactively align to the FCA's Sustainability Improvers™ label[5] for eight funds invested in our Sustainable Multi Asset default pension solution, improving outcomes for c.2m customers

Building a sustainable business

We are committed to embedding sustainability and best practice governance to maintain high standards of oversight, integrity and ethics.

94%
Our combined Group customer satisfaction score for digital

23
Our colleague engagement employee net promoter score ('eNPS')

39.7%
Our percentage of Senior Leadership that are women^

1 This includes cash donations, employee volunteering time, in-kind products/services per the B4SI framework.
2 Previously reported as 'Total Donations by Phoenix Group (£)'. See 2023 ESG Data Appendix for figures.
3 Reduction in the economic emissions intensity (scope 1 and 2) of our listed equity and credit portfolio (where we have influence and control) vs 2019 baseline.
4 Reduction in operational emissions intensity (scope 1 and 2 per FTE, market-based) vs 2019 baseline.
5 FCA's Sustainability Disclosure Requirements ('SDR'). Standard Life expects to implement this approach in early 2025.

Sustainability review continued
TCFD compliance summary

The Group has prepared the following summary and subsequent sections in line with the recommendations and recommended disclosures of the TCFD to provide stakeholders with information about how the impact of climate-related risks and opportunities are being managed by the Group.

TCFD compliance summary

We continue to disclose in line with the recommendations of the TCFD, in compliance with the FCA Listing Rule 6.6.6R(8). The Group has obtained limited assurance on certain figures presented in this report and in the Sustainability Report – further information on page 52.

Given the progress we have made with embedding the recommendations of the TCFD across the business and the increasing need for transparent reporting, we have opted to integrate our TCFD disclosure into our Annual Report and Accounts. The table below provides a summary of how we have complied with each of the recommendations of the TCFD framework. We have included references to other sections of the Annual Report and Accounts or the Sustainability Report, where further information relating to our compliance with each of the TCFD recommendations can be found.

In response to FCA Listing Rule 6.6.12G, we have also published a standalone **Net Zero Transition Plan** which sets out our approach to achieving net zero across our business by 2050. We recognise that there has been slow progress towards achieving the goals of the Paris Agreement globally and that there are a range of dependencies upon which our net zero by 2050 ambition relies, many of which are outside of our direct control. We continue to face challenges spanning data quality and coverage, action by others, and the geopolitical environment.

For more information see our **Sustainability Report**

Governance
Disclose the organisation's governance around climate-related risks and opportunities

Recommended disclosure	Summary of progress	Further information
a. describe the board's oversight of climate-related risks and opportunities	• The Board has oversight of the Group's overall approach to climate change including the Net Zero Transition Plan; the Board Sustainability Committee monitors performance against the Group's sustainability strategy, including climate; and the Group Board Risk Committee has oversight of climate-related risks and opportunities. • Climate risks continue to be identified and monitored via the Group's established Risk Management Framework. • A dashboard covering key climate risks is integrated into regular risk reporting for the Life Companies ('LifeCo') and Group Board Committees. • The responsibility for discussion of specific climate-related topics is delegated to Board Committees. The Committees provide a summary of discussion and challenge to the Board following each meeting. The Board met seven times in 2024.	Pages 56–57
b. describe management's role in assessing and managing climate-related risks and opportunities	• Management has clearly defined roles and responsibilities relating to the management, oversight and reporting of climate-related matters. • The Group's Chief Executive Officer, Andy Briggs, is the Executive Board Director responsible for implementation and delivery of the Group's overall strategy (including climate). • Senior Management Function holders ('SMFs') have been assigned responsibilities for climate-related financial risk under the Senior Managers and Certification Regime. • SMF responsibility for ensuring the appropriate identification, assessment, management and reporting of climate-related financial risks and opportunities that could impact the Group sits with the Group's Chief Financial Officer ('CFO') and the Group's Chief Risk Officer ('CRO').	Pages 57–58

Strategy
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material

Recommended disclosure	Summary of progress	Further information
a. describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	• The Group undertakes quantitative and qualitative analysis to identify and assess the climate-related risks and opportunities, both physical and transition, which could materially impact different areas of the business over short-, medium-, and long-term time horizons. • Short term: 0–1 year – this is consistent with the liquidity monitoring time horizon for setting capital requirements under Solvency UK; Medium term: 1–5 years – this is consistent with the Group financial planning process which considers the medium-term plans and strategy for the business; and Long term: over 5 years – this captures the long-term nature of the business and the risks that may emerge beyond the financial planning process. • The material risks and opportunities identified as likely to crystallise over the short, medium and long term are: climate risk exposure in the investment portfolio; emerging government policy, regulatory and legal changes; reputational damage if climate risks are not appropriately managed; disruptions to business operations from climate impacts; and changing demand for products, funds and solutions.	Pages 59–60
b. describe the impact of climate-related risks and opportunities on the organisation's businesses strategy, and financial planning	• The Group has assessed the impact of climate-related risks and opportunities on the business, strategy and financial planning. • The management of material climate-related risks and opportunities has been embedded into the business's strategy and financial planning process, recognising that this is an important process in delivering the Group's strategic ambition to meet more of the long-term savings and retirement needs of existing and new customers. • The Group's medium to long-term strategic planning incorporates the consideration of the financial impacts of climate-related risks and opportunities. This includes: the increased operational costs associated with regulatory compliance; the impact of physical and transition risk on Group assets; and shifts in consumer behaviours driven by changing preferences. • Our Net Zero Transition Plan sets out the strategic actions that the Group is taking across the three core pillars of our Climate Action Model: Invest, Engage, Lead to manage climate-related risks and opportunities across the business and deliver our net zero targets. Our customers are at the heart of our plan and our actions are aligned with delivering good customer outcomes.	Pages 59–60 Net Zero Transition Plan

Strategy continued
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material

Recommended disclosure	Summary of progress	Further information
c. describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	• Both quantitative and qualitative scenario analysis are used to model the impact of different temperature pathways on the business to gain insight into how climate-related risks may materialise over time. • The three quantitative scenarios are from the Network for Greening the Financial System ('NGFS') Phase IV: an orderly transition to net zero by 2050 which starts immediately, a delayed transition to net zero, and a fragmented world which has a mixture of high transition and physical risks. • Physical risk exposure is also assessed in sub-sections of the investment portfolio and qualitative scenarios used to assess the impact of potential extreme events on the business that are not easily quantifiable through financial modelling. • The analysis indicated no significant threat to the Group's business strategy or processes in the near term. However, they do indicate a potential reduction in investment returns and disruption to the operations and strategy of the business if action does not continue to be taken to manage and mitigate the risk. • There are a number of limitations/assumptions to the Group's scenario analysis approach, including the changing asset mix of the Group and the quality/coverage of data. Only a subset of climate outcomes have been assessed and there remain infinite possible pathways that could emerge and pose new possible risks to the Group.	Pages 61–65

Risk management
Disclose how the organisation identifies, assesses, and manages climate-related risks

Recommended disclosure	Summary of progress	Further information
a. describe the organisation's processes for identifying and assessing climate-related risks	• A number of tools are used to understand our climate risk exposures, including: annual stress testing; carbon footprinting exercises for our assets and operations; horizon scanning; and monitoring and reporting progress against climate risk metrics and targets. • The materiality of climate risks is assessed qualitatively on an ongoing basis, building on the processes noted above. Individual business areas ensure strategies are in place to manage climate risk given the materiality. • Climate-related risks continue to be monitored via the Group's established risk management processes.	Pages 66–67
b. describe the organisation's processes for managing climate-related risks	• Examples of how key components of our strategy and wider business processes are considering and actively reducing material climate risks include: decarbonising our investment portfolio; investing in climate solutions; stewardship; engaging with our customers; engaging with policymakers and regulators; decarbonising our operations and supplier base; scenario analysis; and the monitoring and measurement of climate metrics.	Pages 66–67
c. describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	• The Group Risk Management Framework ('RMF') sets out how we identify, assess, control, monitor, manage and report on the risks to which the Group is, or could be, exposed. This includes climate-related risks. • The RMF supports the identification of risks both quantitatively and qualitatively, and from both top-down and bottom-up perspectives at the Group-level. • The Group continually reviews the forward-looking landscape to ensure it sufficiently identifies, assesses, controls, monitors, manages, and reports on emerging risks. • The Group continues to develop its internal climate risk reporting to reflect market best practice and enable effective measurement of climate risk and tracking of progress made against the Group's net zero targets.	Pages 66–67

Metrics and targets
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

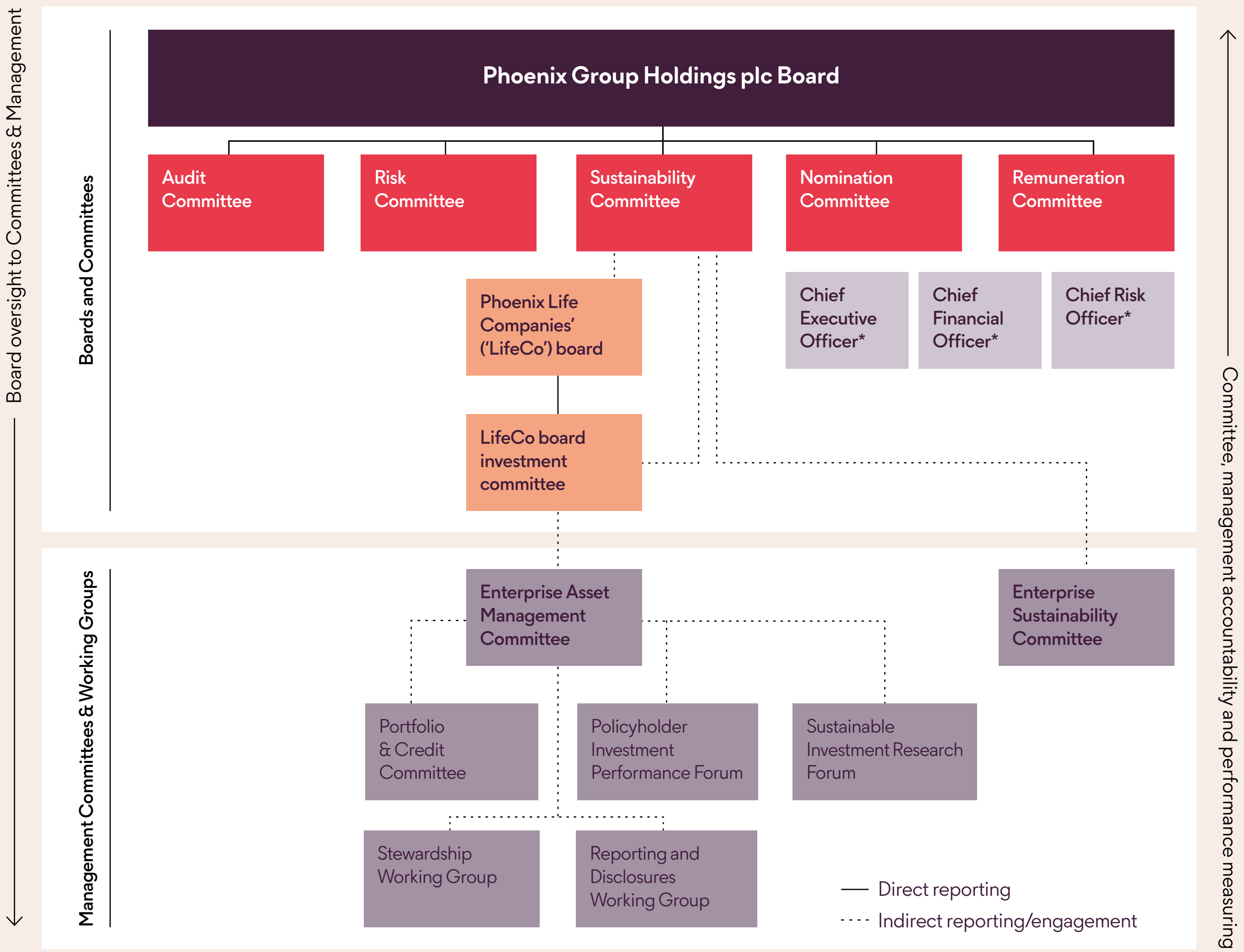
Recommended disclosure	Summary of progress	Further information
a. disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	• A number of metrics are used across the Group's investment portfolio and operations to help measure and manage exposure to climate risk. The following metrics are used to understand how aligned the Group's investment portfolio is to a net zero economy and how resilient it is to transition risk: absolute portfolio emissions; economic and revenue intensity; percentage of listed asset portfolio exposed to high-transition risk sectors; proportion of investee companies that have set science-based targets. • Operational emissions are tracked through intensity metrics per full time employee ('FTE') and the Group reports both market-based performance as well as location-based performance. In addition, a location-based per floor area metric is used to track the impact of efficiency initiatives undertaken within Group buildings. • Our Scope 3 (purchased goods and services and capital goods) have been modelled using spend data alongside average industry emissions factors and enhanced with supplier data.	Pages 68–75
b. disclose Scope 1, 2, 3 GHG emissions and the related risks	• The Group's absolute Scope 1, 2 and 3 emissions calculated at year-end 2024 are as follows: – Investment portfolio emissions: 12.4 MtCO_2e^ (Scope 3 category 15 – Scope 1 and 2 of our investee companies). – Operational emissions: 11,011 tCO_2e (Scopes 1, 2 and Scope 3 categories 3, 6, 7, 8, 13 only). – Supplier base emissions: 57,000 tCO_2e^ (Scope 3 category 1 and 2). – Total indirect Scope 3 emissions, excluding investments: 65,798 tCO_2e^ (Categories 1, 2, 3, 6, 7, 8, 13) • A phased approach has been taken to measuring the emissions baseline of the Group's investment portfolio. Total AUA covered in our baseline is £198 bn, which is 70% of our total AUA. The baseline will continue to be expanded to cover the assets in scope of our 2030 interim target.	Pages 68–75
c. describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	• Targets have been set across the Group's investment portfolio, operations and supplier base to help navigate progress towards meeting the Group's net zero by 2050 ambition. • Interim net zero targets include: – Investments: 25% reduction in investment portfolio emissions intensity by 2025; and at least a 50% reduction by 2030 (where we have control and influence) relative to 2019 baseline – Operations: net zero operations by 2025 relative to 2019 baseline – Supplier base: 50% reduction in the carbon intensity of the supplier base by 2030 relative to 2022 baseline • We believe we will be on track to achieve our 2025 interim targets for listed equity and credit assets and our own operations under most scenarios, if we implement the actions to which we have committed. • Our ability to meet our 2030 and 2050 targets is less certain. It is likely we will need to take further action and will become increasingly dependent on decarbonisation in the wider economy and actions by others, in particular government, regulators and companies in high transition risk sectors.	Pages 68–75

Sustainability review continued
Climate-related financial disclosures

Governance

We have a clear governance framework in place to ensure a foundation for action and accountability on climate-related risks and opportunities. The framework continues to evolve to reflect the growing significance of climate change and the increasing sophistication of the way we manage its impact on our business. To an increasing extent, the Group's governance framework also integrates the governance of nature-related risks and opportunities.

Our climate governance framework



* These are the individuals accountable for climate assisted by Management Committees and working groups in making day-to-day climate-related decisions and escalating and reporting upwards as and when required.

Group Board oversight

The Board recognises that managing the impact of climate-related risks and opportunities on the business is a strategic priority. As such, the consideration of climate change is embedded within our governance framework and processes. The Board has oversight of the Group's strategic approach to climate change (including risks and opportunities) and setting the Group's risk appetite. The Board has a robust governance structure to assist in the discharge of its responsibilities through delegations within approved terms of reference.

The Board and its Committees have defined roles and responsibilities relating to the management, oversight and reporting of climate-related matters. Cross-committee membership and engagement between the Committees is key to driving consistency with how climate-related matters are addressed across the Group's governance framework.

Board of Directors' skills and competencies

See **page 117** for details of the Board's skills and expertise relating to sustainability, including climate

Board Committees with climate-related governance responsibilities

The following Board Committees have defined roles and responsibilities relating to the management, oversight and reporting of climate risk and opportunities:

- The Group Board Sustainability Committee has oversight of the Group's sustainability strategy, including monitoring performance against climate-related targets.
- The Group Board Audit Committee has oversight of the adequacy and effectiveness of the systems of internal control, of climate-related and non-financial reporting and external disclosures.
- The Group Board Risk Committee has oversight of climate-related risks and opportunities, by assessing the effectiveness of our Risk Management Framework, strategy, risk appetite, risk profile and compliance with prudential regulatory requirements, including transition, litigation and physical risk and other relevant sustainability risks.
- The Group Audit, Risk and Sustainability Committees established joint bi-annual meetings from 1 January 2024 to ensure a more harmonised and collaborative approach in relation to sustainability reporting. The main focus of these meetings is to review sustainability reporting, internal and external assurance, climate risk and the implementation of new regulation.
- The Group Board Remuneration Committee ensures appropriate ESG elements (including climate-related targets) are included within the Group remuneration framework.
- The Phoenix LifeCo board approves the investment, asset and liability management strategies for all Life Company assets, and seeks to include ESG considerations such as climate change where applicable. A nominated Non-Executive Director from the Life Companies Board is also a standing attendee at Group Board Sustainability Committee meetings.
- The Phoenix LifeCo board investment committee discusses sustainable investment, stewardship and ESG policies. It engages with the Group Board Sustainability Committee in relation to execution of the Group's Sustainable Investing strategy to drive a consistent approach to the execution of the sustainability strategy across the Group and to ensure appropriate ESG reporting on material investment matters.

Key Group Board and Group Board Committee climate-related activity and outcomes

Number of meetings, key areas of focus and outcomes

See **pages 118 to 160** for details on the work of each Group Board Committee and the key areas of focus and outcomes

Training activity

Deep-dive sessions were provided to Group Board Committees on a range of topics including in relation to the Group's Net Zero Transition Plan; risks of greenwashing; climate-related reporting in financial disclosures; Taskforce on Nature-related Financial Disclosure ('TNFD'); sustainable, transition or productive investments; as well as climate litigation and associated potential risks.

Management oversight

Key individuals and Committees at the management level play an important role in our climate governance framework. They support the Board with decisions relating to assessing and managing climate-related risks and opportunities.

Individual accountability

The Group's Chief Executive Officer ('CEO'), Andy Briggs, is the Executive Board Director responsible for implementation, delivery and reporting to the Board on the Group's overall sustainability strategy, including climate change, which forms part of the Group strategy. As delegated by the CEO, the Director of Corporate Affairs and Brand is accountable for leading and overseeing delivery of the Group sustainability strategy as agreed with Group and Life Co boards; and ensuring appropriate accountabilities and risk and controls oversight are in place to achieve the business's sustainability objectives.

Individual responsibility for ensuring the appropriate identification, assessment, management and reporting of climate-related financial risks and opportunities that could impact the Group sits with the Group's Chief Financial Officer ('CFO') and the Group's Chief Risk Officer ('CRO'), both appointed as Senior Managers responsible for climate-related financial risk under the UK Prudential Regulation Authority's and Financial Conduct Authority's Senior Managers and Certification Regime. As part of wider financial reporting responsibilities, the Group CFO is responsible for reporting metrics and targets and external disclosures. As part of wider risk responsibilities, the Group CRO is responsible for ensuring that climate-related risks are incorporated into the existing Risk Management Framework.

As delegated by the Chief Investment Officer, the Chief Credit Officer is accountable for the sustainable investment management of Phoenix Group assets in accordance with sustainable investing governance, and responsible for the delivery of the Sustainable Investing Programme in line with regulatory requirements and items aligned to the Group's Net Zero Transition Plan in accordance with the delivery timescale approved with the programme/Board as appropriate.

Sustainability review continued
Climate-related financial disclosures

The CEO of Pensions and Savings, is responsible for effectively overseeing and embedding sustainability within our customer servicing, communications and propositions in line with the Group sustainability strategy, ensuring accuracy and transparency of disclosures as we transition and evolve to mitigate the risk of greenwashing. They also have the responsibility to ensure the continued delivery of good customer outcomes as the Group transitions and evolves in line with the sustainability strategy and objectives.

Other individuals within the Group's Executive team have accountability for other aspects of the wider sustainability strategy which interact with the climate strategy.

Climate-related performance measures form a component of the Group's Executive Directors' variable pay.

See Directors' Remuneration report on **page 144** for more detail

Management-level forums
Executive management is assisted in making day-to-day decisions and/or reporting to the LifeCo and Group-level Boards and Committees on climate-related matters by a number of Management/operational-level governance forums and working groups which do not have decision-making authority within the business. The climate-related responsibilities of these forums are set out in the table.

Key Management forum climate-related activity and outcomes
Key areas of focus and outcomes
The climate-related activity undertaken by our key Management forums supports and feeds directly into the activity and outcomes at a Board level.

See **pages 118 to 160** for details of activity and outcomes at Board level

Training activity
See reference to Board deep dives on **page 132**

Management-level forums with climate-related responsibilities

Forum	Climate-related responsibilities
Enterprise Sustainability Committee	To support effective decision making by Executive and Senior Management in relation to the implementation and oversight of the Group's sustainability and climate strategies and associated initiatives.
Enterprise Asset Management Committee	To support effective decision making by Executive and Senior Management in relation to the direction and oversight of the Group's investment strategy (including the strategic asset allocation framework and sustainable investment and asset liability management strategies) and asset management activities undertaken for policyholder and shareholder funds, ensuring alignment with sustainability strategies and relevant risk appetites.
Portfolio and Credit Committee	To support effective decision making by Executive and Senior Management in the oversight of the credit portfolio and execution of the Group's investment strategy through oversight of ESG investment decisions and credit risk management activities.
Policyholder Investment Performance Forum	To review the investment performance of policyholder assets to ensure it is transparent and in line with customers' reasonable expectations. This includes consideration of sustainable investment data, metrics and analytics to support the delivery of sustainability objectives, where this is built into the investment case.
Sustainable Investment Research Forum	To support effective decision making by Executive and Senior Management in relation to sustainable investment research, frameworks and standards, including risk and opportunity analytics, sustainability data, scenario analytics, evolution of investment targets, and thematic research (including nature).
Other working groups	A number of working/steering groups (as shown on page 56) operate to support on matters in relation to climate, nature, sustainability and stewardship of the Group's investment portfolio.

Strategy

We have identified and assessed the impact of climate-related risks and opportunities on our business, strategy and financial planning over short-, medium- and long-term time horizons. Our Net Zero Transition Plan defines our approach to meeting our climate targets and mitigating climate risks.

Identifying climate-related risks and opportunities
As a long-term savings and retirement business, our customers can be invested with us over many years to and through retirement. As such, we recognise our fiduciary duty to identify and manage the potential climate-related risks and opportunities that may impact the business and our customers over time. We undertake quantitative and qualitative analysis to identify and assess how climate-related risks and opportunities could materially impact the Group's strategy and financial resilience over the following time horizons:[1]

- **Short-term: 0–1 year.** This is consistent with the liquidity monitoring time horizon that we use for setting capital requirements under Solvency UK.
- **Medium-term: 1–5 years.** This is consistent with our financial planning process which considers the medium-term plans and strategy for the business.
- **Long-term: over 5 years.** This captures the long-term nature of our business and the risks that may emerge beyond the financial planning process.

The identification and management of climate-related risks is embedded in the Group Risk Management Framework. This includes the identification of risks from both a top-down and bottom-up perspective. Recognising that risks and opportunities evolve and emerge over time, we continue to review and improve our approach to managing climate risk in our Group Risk Management Framework. Further details are included in the Risk management section on page 66.

Scenario analysis
We use quantitative and qualitative scenario analysis to model the impact of different temperature pathways on our business to gain insight into how climate-related risks may materialise over time. The output of this modelling, alongside research and analysis, informs our strategic response to transfer, accept, control or mitigate our exposure to the risk.

We also analyse the opportunities that the transition to a net zero economy presents (over the short, medium and long term) to ensure that we are equipped to maximise these opportunities to support good outcomes for our customers and shareholders. The outputs of this analysis are set out on pages 62 to 65.

We have developed a set of metrics to help us measure, track and manage the potential financial impact of climate-related risks and opportunities. These are set out in the Metrics and targets section on pages 68 to 75.

1 Our climate risk analysis uses different time frames from those used in financial reporting. Accordingly, the references to short, medium and long term here are not indicative of the meaning of similar terms used in our other disclosures.

Sustainability review continued
Climate-related financial disclosures

Overview of material climate-related risks and opportunities and impact on our business, strategy and financial planning

The following table summarises the material climate-related risks and opportunities faced by the business over short-, medium- and longer-term time horizons, and the impact on our strategy.

Material risk/opportunity identified	Relevant strategy pillar	Potential impact of risk/opportunity on our business, strategy and financial planning	Impact over time horizon
Climate risk exposures within our investment portfolios	Invest / Engage	**Risk** • Investments in sectors or companies which are adversely exposed to a transitioning economy lose value or are downgraded, and investments prove ineffective resulting in loss. • Increased frequency and/or severity of extreme weather events impact the value of physical assets or the value of companies with high exposures to these risks. • The systemic impacts of climate change play out across the global economy leading to widespread market losses and devaluations. **Opportunity** • Introducing decarbonising benchmarks provides an opportunity to deliver good customer outcomes. • Investing in climate solutions to reduce emissions and increase climate change resilience supports good customer outcomes.	Short Medium Long
Changing demand for products, funds and solutions	Invest / Engage	**Risk** • Loss of market share should investment solutions be perceived as not meeting evolving customer needs. **Opportunity** • Innovating to create low carbon products for our customers drives growth. • Attracting and retaining customers by supporting their needs to decarbonise their investment portfolios, for example through net zero-aligned investment products and funds.	Short Medium Long
Emerging government policy, regulatory and legal changes	Invest / Engage	**Risk** • A breach of evolving legislative or regulatory requirements may expose us to litigation or regulatory sanction and damage our brand. • Governments fail to act in line with net zero by 2050 which impacts our ability to meet our 2030 and 2050 net zero targets. **Opportunity** • Engaging with companies and governments to drive the transition to net zero by 2050 can help support the business's commercial objectives and deliver good customer outcomes.	Short Medium Long
Reputational damage if climate risks are not appropriately managed	Invest / Engage / Lead	**Risk** • Reputational damage leads to loss of trust among customers. Customers decide to leave, leading to loss of market share.	Short Medium
Disruptions to our business operations and supplier base	Lead	**Risk** • High delivery costs of implementing low carbon solutions for premises. • Disruption to our suppliers from climate-related impacts affect the services provided to the Group. **Opportunity** • Implementing energy efficiency measures and low carbon solutions can reduce exposure to volatile energy prices and lead to cost savings for the business.	Short Medium Long

Our strategic approach to managing climate-related risks and opportunities

We believe that embedding the management of material climate-related risks and opportunities across our business helps us to deliver our core purpose: to help people secure a life of possibilities by supporting our customers' journey to and through retirement, while investing in a better future for us all.

We consider the financial impacts of climate-related risks and opportunities in our medium to long-term strategic business planning and on our annual operating costs, by taking into account increased operational costs associated with regulatory compliance, or shifts in customer preferences driven by environmental concerns.

The management actions that we are taking to ensure the Group remains resilient to the impacts of identified material climate risks and opportunities are set out on page 67 of the Risk management section. We maintain an ongoing focus on improving how climate risk analysis informs business decisions.

Our Net Zero Transition Plan sets out the strategic actions that the Group is taking across the three core pillars of our Climate Action Model: Invest, Engage, Lead to manage climate-related risks and opportunities across the business and deliver our net zero targets. Our customers are at the heart of our plan and our actions are aligned with delivering good customer outcomes.

Our Sustainability Report provides an overview of our progress against our Net Zero Transition Plan, as well as the actions taken in 2024 to support the delivery of the Group's climate strategy.

See **page 4** for more information on the Group's business strategy

For more information see our **Sustainability Report**

Further detail on our Net Zero Transition Plan can be found **here**

Scenario analysis

Scenario analysis is a critical tool for stress-testing our strategy and the resilience of the business to climate risks. We assess how climate-related risks and opportunities may play out over a range of possible climate scenarios to understand our potential exposure to risks and to identify the management actions available to manage the risks over time.

Scenario analysis helps us to assess the impact of the following risks and opportunities identified in our risk analysis on page 60:

- Climate risk exposures within our investment portfolios.
- Changing demand for products, funds and solutions.
- Emerging government policy, regulation and legal changes.
- Reputational damage if climate risk is not appropriately managed.
- Disruption to our business operations and supplier base.

Scenario analysis use across the Group

We continue to build on our progress in developing our approach to climate scenario analysis with a focus on producing decision-useful outputs, noting there remain material challenges experienced across the industry.

We use both quantitative and qualitative climate-related scenario analysis to meet different business needs across the Group:

- **Stress testing our investment portfolio:** We use scenarios which consider both transition and physical risk to assess the potential quantitative impacts on different assets classes, model possible decarbonisation pathways, and support the design of investment strategies and our stewardship activities. Due to the uncertain and long term nature of climate change, such modelling is subject to a wide variety of limitations (see page 65). In order to support decision making and improve the robustness of the results, qualitative judgement is required to supplement the quantitative analysis, whilst taking caution given limitations remain.
- **Own Risk and Solvency Assessment ('ORSA'):** We use both quantitative and qualitative scenario testing to assess the potential financial implications of different climate pathways on the ongoing viability of the business and on resilience of the balance sheet, and to provide insight into risks associated with the Group's objectives.
- **Business resilience:** We stress test the ability of the Group to continue to operate under extreme weather events such as heatwaves and floods.

During 2024 we performed a range of scenario analysis which considered various climate pathways both quantitatively and qualitatively.

External providers are used in the production of quantitative analysis. These providers offer a restricted list of scenarios, which is therefore a key factor in the choice of scenarios for the Group. It is important to note these scenarios represent a small set of possible climate outcomes and there remain infinite possible pathways that could emerge.

Sustainability review continued
Climate-related financial disclosures

Transition risk analysis
Three scenarios from the NGFS Phase IV were chosen to represent a possible range of climate outcomes with varying pace of global transition to a low carbon economy. These range from a transition to net zero starting immediately and unfolding in an orderly fashion to achieve a temperature rise of below 1.5°C by 2050, to a delayed transition with globally misaligned climate ambitions leading to emissions growth causing irreversible climate change and high physical risk.

The analysis was performed on the Group's investment portfolio, testing the impact on each asset class, and our exposure across geographies, sectors and holdings across individual counterparties. For illustrative purposes, this report shows the quantitative results for our equity portfolio under an 'Orderly transition – Net zero 2050' scenario only.

The analysis assumes a static asset allocation throughout the projection period 2025–2050 and does not take into account actions to manage climate risk, or adaptation and abatement actions to reduce climate change impacts.

The scenario analysis results highlight potentially material exposures to transition risks across each of the three scenarios, indicating the impacts of climate change have the potential to materially reduce investment returns and increase volatility for customers and shareholders, if the Group does not continue to take action to manage and mitigate the risk. These actions include decarbonising our investment portfolio, ensuring effective stewardship of our assets and investing in climate solutions. Further details of the actions taken are outlined in the Risk management section on page 67.

The analysis also highlights that the impact of climate risk on asset values can differ significantly between regions, sectors and individual counterparties within each asset class for each scenario.

Regional deep dive
The chart below illustrates the impact of an 'Orderly transition – Net zero 2050' scenario on the Group's equity portfolio, with the greatest impact seen in our Asia Pacific equities. The modelling assumes that due to greater GHG emissions in the Asia Pacific region our holdings become increasingly exposed to carbon prices and require more abatement actions to reduce emissions in line with an orderly transition. This implies that mitigating actions should consider the exposure to highly impacted regions, however, given known limitations care should be taken with the results.

Indicative impact from transition risk on the Group's equity portfolio by region

Scenario	Orderly transition – Net zero 2050		
Asset value impact by region	**2025**	**2035**	**2050**
UK	● Positive	● Very Low	● Medium
North America	● Positive	● Moderate	● Medium
Europe	● Low	● Moderate	● High
Asia Pacific	● Moderate	● Medium	● High

Indicative climate change impact

● Positive	Above 0.5%	● Low	-0.5% to -2.5%
● Very Low	Below 0.5%	● Moderate	-2.5% to -5%
		● Medium	-5% to -10%
		● High	Below -10%

Note: Results are based on the NGFS Phase IV Net zero 2050 scenario, and adaption and abatement actions have not been allowed for in the scenario.

Sectoral deep dive
The chart below illustrates the impact of an 'Orderly Transition – Net Zero 2050' scenario on a sample of sectors within the Group's equity portfolio. The results show there are a number of sectors materially impacted by climate change, with energy and materials being the most negatively impacted and the utilities sector most positively impacted over the long term. This implies that mitigating actions should consider our exposure to high impact sectors, however, given known limitations care should be taken with the results. In addition, individual counterparty analysis shows a wide level of variability in individual asset returns within sectors, of -100% up to +550%. This highlights the importance of not divesting from whole sectors and looking through to individual holdings to better understand potential climate impacts within sectors.

Indicative impact from transition risk on the Group's equity portfolio by sector

Scenario	Orderly transition – Net zero 2050		
Asset value impact by sector	**2025**	**2035**	**2050**
Energy	● Moderate	● High	● High
Industrials	● Low	● Moderate	● High
Materials	● High	● High	● High
Utilities	● Positive	● Positive	● Positive
Real estate	● Moderate	● Medium	● High
Consumer staples	● Low	● Medium	● High

Indicative climate change impact

● Positive	Above 0.5%	● Low	-0.5% to -2.5%
● Very Low	Below 0.5%	● Moderate	-2.5% to -5%
		● Medium	-5% to -10%
		● High	Below -10%

Note: Results are based on the NGFS Phase IV Net zero 2050 scenario, and adaption and abatement actions have not been allowed for in the scenario.

The Group has introduced decarbonising benchmarks that aim to proactively identify and tilt towards companies operating across all sectors which are better-placed to manage the risks and opportunities from the transition to net zero. These use a range of forward-looking metrics including projected carbon performance, an assessment of the quality of management of GHG emissions and of risk and opportunities related to the low carbon transition.

Across the less orderly transition scenarios we expect the impact on the investment portfolio to be more material and accelerated however, it is important to highlight that the scenarios do not account for the significant limitations of the external scenario models used by providers in capturing physical risks, tipping points and the cascading effect of these tipping points. As such, the following physical risk scenario analysis was performed to assess the impacts on sub-sections of the investment portfolio.

Sustainability review continued
Climate-related financial disclosures

Physical risk analysis
Analysis has been performed to assess the potential physical risk to our real estate portfolio (both directly held real estate assets and real estate loans) from different climate scenarios, using S&P's Climanomics platform. The platform makes use of four scenarios underpinned by climate change projections used by the Intergovernmental Panel on Climate Change. These range from a low emissions scenario with a pathway to 1.5°C, to a high emissions scenario with no changes to climate policies leading to a greater than 4°C global mean temperature rise (relative to pre-industrial levels).

The assessment measures the potential future cost of a response to different risk hazards over the short, medium and long term on our real estate assets. The risks considered cover both chronic and acute physical risks including the impact of flooding (fluvial, pluvial and coastal), temperature extremes, drought, wildfire and tropical cyclones. The impacts of these hazards can differ according to the type of building at each location. For example, there may be increased future cost through clean-up or repair, interruption to business, or increased cooling or heating costs. The potential future costs calculated are the cumulative cost in each decade, i.e. ten years of aggregated costs.

The results below show the aggregated impact across c.£4 billion of directly held real estate and c.£1 billion of real estate loans under the four scenarios in each decade from 2030 through to 2050. The results for the real estate loans portfolio reflect our participation in the financing of the underlying properties and capture our attributed share of emissions, which will typically be a smaller percentage than directly held assets. As such the scale of possible future costs for real estate loans is lower than the directly held real estate assets.

The overall results indicate there is an increasing relationship between the cost and severity of risk factors over time. In later decades, physical risks are more severe than historic levels which increases potential future costs. Similarly in higher emissions scenarios physical risks further increase in severity leading to potentially higher future costs.

For other parts of our portfolio such as listed equity and credit we have begun to explore the potential physical risk impacts to those asset classes. We plan to continue developing this analysis during 2025 and beyond.

Cost from physical risk on directly held corporate real estate assets

Scenario	Estimated cost from physical risk in each decade		
Low-high physical risk	**2030**	**2040**	**2050**
Low (RCP2.6)	Lower	Medium	Higher
Medium (RCP4.5)	Lower	Medium	Highest
Medium-High (RCP7.0)	Lower	Medium	Highest
High (RCP8.5)	Lower	Higher	Highest

Representative Concentration Pathways (RCPs) are trajectories of greenhouse gas concentrations used for climate modelling in the IPCC Fifth Assessment Report (IPCC 2013).

Approximate cost

Lower	0% to 5%	Higher	10% to 15%
Medium	5% to 10%	Highest	15% to 20%

Cost from physical risk on corporate real estate loans

Scenario	Estimated cost from physical risk in each decade		
Low-high physical risk	**2030**	**2040**	**2050**
Low (RCP2.6)	Lower	Medium	Higher
Medium (RCP4.5)	Lower	Medium	Higher
Medium-High (RCP7.0)	Lower	Medium	Higher
High (RCP8.5)	Lower	Medium	Highest

Approximate cost

Lower	0% to 1%	Higher	2% to 3%
Medium	1% to 2%	Highest	3% to 4%

Note: The assessment of potential future cost does not currently consider our ability to manage or mitigate these costs and does not include any view of future action which may be taken to do so. The analysis assumes the current mix of assets remains constant and holds both property and loan values constant over the time horizon. Further work will be completed in 2025 to analyse the underlying risks in more detail, and to consider how to integrate any emerging information into our 'Strategy' and 'Risk management'.

Qualitative scenarios
Qualitative scenarios are used to assess the impact of potential extreme physical risk events on the Group's investment portfolio that are not easily quantifiable through financial modelling. The following qualitative scenario was assessed in 2024:

Major flooding
A major flooding scenario was chosen to represent an extreme physical risk event. This scenario explores the potential impacts and scenario responses that could be taken if the Group is exposed to an extreme physical climate event whereby major flooding is caused by rising sea levels. It focused on understanding the potential exposure to the Group's investment portfolio and how this might impact the Group's investment strategy.

The qualitative impacts and scenario responses were assessed through a series of workshops involving subject matter experts in Risk, Asset Management and Sustainability teams. The analysis highlighted that the Group expects flooding risk to be more material to assets held within the Asia Pacific region, relative to North America and the UK, and at a sector-level real estate and industrials were deemed to be most materially impacted. We recognise that further work is required to understand the Group's exposure to physical climate risk and therefore what the implications are for the Group's strategy which currently primarily focuses on managing transition risk.

Limitations in scenarios and modelling
We are conscious of the limitations related to scenario analysis and we take these limitations into account when assessing what the implications of scenario analysis are for the business. We will continue to ensure that actions taken to manage climate risk are implemented at the appropriate pace and support the delivery of good outcomes for our customers and shareholders.

Scenarios
- How climate risk will emerge, the speed at which it will emerge, and when it will emerge are all highly uncertain. Only a subset of possible climate outcomes have been assessed and we acknowledge an infinite range of possible climate pathways could emerge, each of which could impact the Group's business model, balance sheet resilience and our customers in a range of ways.
- There are limitations to how physical risks are captured within quantitative modelling, particularly relating to the impacts of tipping points and the systemic effects of climate risk events on the wider economy.
- The scenarios used are not considered to be upper or lower limits for potential climate outcomes and impacts could be far in excess those estimated.

Impacts
- The impacts of the climate scenarios on our investment holdings do not account for potential abatement and adaptation actions that companies and governments may take as the scenarios unfold. If and how these actions may emerge are highly uncertain so they have been excluded to allow an assessment of more extreme versions of the pathways.
- The impacts of the scenarios are highly sensitive to the underlying assumptions, including the future trajectory of carbon prices which are inherently uncertain.

Data
- The Group has sourced scenario data from a leading data provider, however data is more readily available for investments in listed counterparties than private markets.
- Look-through data has been used to identify the underlying investments in respect of some of our funds invested in collective investment vehicles. Data coverage in the climate models used for scenario analysis currently stands at c.70%. Our ability to increase the coverage further is limited by the granularity/functionality of data providers.

Other limitations
- Asset modelling assumes the asset mix of the Group remains constant throughout the projection period.
- The modelling does not account for possible management actions that may be taken to decarbonise the portfolio.

Conclusions and next steps
The results of the scenario analysis performed this year were not deemed to significantly threaten the strategic objectives of the Group. However they do indicate that climate change has the potential to materially reduce investment returns and increase volatility for customers and shareholders over time, if the Group does not continue to take action to manage and mitigate the risk.

In certain asset classes we have levels of flexibility as to how and where to invest and could, theoretically, decarbonise certain parts of our investment portfolio in a short period. However, we recognise that narrowing the investable universe in this way is unlikely to be aligned with delivering good customer outcomes and managing other risks (such as concentration risk), and nor would it contribute to real economy decarbonisation.

The Group will continue to assess the impact of possible climate pathways. This will help inform the appropriate pace of actions taken in managing climate risks and assess the implication on the Group's strategic decisions if the global transition does not follow a net zero 2050 pathway, considering external factors including the impact of the United States' anti-climate headwinds.

Climate stress and scenario testing will continue to be developed and performed to identify and manage further potential exposures and identify possible mitigating actions. Given the uncertainty with the materialisation of physical risks and modelling limitations, the Group is developing a climate physical risk roadmap to better identify and understand the impact of physical risks (flooding, subsidence, sea level rise, wildfire, etc.) on our investment portfolio in order of materiality. As part of this development, we plan to explore extending our physical risk analysis to other asset classes, such as illiquid credit. We will also review data providers to seek enhancements to the physical risk data points within the scenario modelling, whilst continuing to build on our own qualitative judgements.

Sustainability review continued
Climate-related financial disclosures

Risk management

Our Risk Management Framework ('RMF') supports the identification, measurement, assessment, management and reporting of the impact of climate risk and is fundamental to achieving our climate ambition. We continue to enhance our risk management approach to reflect both our increased understanding of climate risks and evolving market practice.

Our developing approach to managing climate risk

Climate risk is considered a subset of wider sustainability risk, which is defined as the risk of financial failure, poor customer outcomes, reputational damage, loss of earnings and/or value arising from a failure to manage the impacts of environmental, social and governance matters on the Group's customers, financials and strategy.

The Group's understanding of climate and wider sustainability risks continues to evolve as new risks emerge. This has led to an evolution of the RMF to consider climate risk as part of wider sustainability risk management instead of on a standalone basis. Climate risk is a key sustainability risk to the Group and is therefore a material component of this new sustainability risk approach. The Group is conscious of other sustainability risks, including nature, and will continue to evolve components of the RMF to appropriately manage the impact of these material emerging risks.

To reflect this approach, a Sustainability Risk category has been established in the Risk universe. Within this category, risk policies have been developed and implemented to cover key sources of climate and sustainability risk across the business and strategy. Sustainability-related enhancements have also been made to the suite of quantitative and qualitative tolerances and triggers which support the monitoring of risk appetites.

For more detail on the Group's Risk Management Framework see **page 44**

Risk identification, assessment, management and reporting

Identification and assessment of material risks
The identification of climate-related risks has been embedded into the components of the RMF which support the identification of risks both quantitatively and qualitatively, and from top-down and bottom-up perspectives.

The materiality of climate risks are assessed on an ongoing basis, and differs between business areas. Individual areas must ensure their strategies suitably allow for climate risk proportionately to the materiality of other risks they face. This will inform how and when to make climate risk-driven decisions over time.

We use the following tools, which have a combination of internal and external inputs, to understand our climate risk exposures and assess materiality:
- Annual stress and scenario testing programme
- Carbon footprinting exercises for our assets and operations
- Horizon scanning
- Monitoring and reporting progress against climate risk metrics and targets

The key material climate risks are listed in the Strategy section on **page 60**

Specific capital is not currently held for climate risk, but we assess the appropriateness of our capital held via scenario analysis. In addition, the Group's Internal Model Governance Policy requires that the impact of climate-related risks is given specific consideration when developing and reviewing Solvency UK methodology and assumptions. This approach to capital will continue to evolve as internal and industry approaches become more established.

Limitations
As the availability of tools and systems develop, the Group is mindful of several limitations when utilising this information to make informed decision such as:
- Data quality
- Data coverage
- Sophistication of models for scenario analysis and modelled climate outputs
- Methodology differences between the different data sources and tools
- Changing regulatory landscape

Risk management within the business

In addition to incorporating climate risk into the Group's RMF, the management of climate risk has been embedded into a variety of key processes to ensure effective day-to-day management of the risk. The mitigating actions that the Group is taking to address material climate risks are set out in the table below. Our Net Zero Transition Plan sets out the Group's overall strategic approach to managing climate risks across the business.

Material risks	Mitigating actions
Risk Climate risk exposures within our investment portfolios	• We use scenario analysis to stress test our investment portfolio against a range of scenarios. This help us to understand our exposure to transition and physical risks. • We aim to decarbonise our investment portfolio to mitigate our customers' exposure to climate risk, with the objective of improving portfolio resilience to potential climate-driven market shocks and reducing the risk of assets within the portfolio becoming stranded. • We use stewardship approaches to engage and support investee companies to transition their businesses in line with net zero by 2050. This helps reduce our exposure to climate risk. We also engage with our asset management partners on climate change, seeking alignment with our objectives. • By investing in climate solutions, we ensure our customers' and shareholders' funds have exposure to assets that will support and be resilient to the transition to net zero by 2050.
Risk Emerging government policy, regulatory and legal	• We engage with decision makers, collaborate with peers and deliver thought leadership to overcome barriers and play our part in addressing systemic climate risk. This also informs our own decision making and management of climate risks.
Risk Reputational damage if climate risks are not appropriately managed	• We ensure the ongoing monitoring and measurement of climate metrics. This informs the management actions we take to manage climate risk. • We have set net zero targets and ensure that the actions we take to deliver them support good customer outcomes. • We ensure the implementation of anti-greenwashing controls across the business. • We have a supplier risk management and oversight process in place. Suppliers must be able to demonstrate that they operate/provide services that satisfy the Group's risk appetite to be onboarded and must continue to demonstrate this on an ongoing basis.
Risk Disruptions to our business operations and supply chain	• We are taking action to decarbonise our own operations to mitigate our exposure to transition risks. • We assess the business's resilience to physical climate risk on an ongoing basis to ensure that the Group can continue to operate under extreme weather events.
Risk Changing demand for products, funds and solutions	• We engage with our customers to understand their changing needs and preferences and to help them understand the impact of their investments. • To meet the majority of customers' needs and to 'take care of responsible investing for them' we offer easy, sustainable investment options, such as our Sustainable Multi Asset default workplace solution, focused on growing customers' money over the long term while investing to support more positive sustainability outcomes.

For more information on specific actions that the Group has taken in 2024 read our **Sustainability Report**

Risk reporting
Climate risk reporting is an evolving process and a key priority for the Group to ensure all stakeholders are taken along on the journey and that risk is managed effectively over the coming years.

The Group continues to develop its internal climate risk reporting to reflect the evolution of market best practice, and to enable effective measurement of climate risk and tracking of progress made against the Group's net zero targets across our operations, supplier base and investment portfolio.

Industry methodology and guidance on climate risk measurement is evolving and the Group continues to evaluate the changing landscape and how this will impact ongoing climate risk assessment and reporting against external targets.

Sustainability review continued
Climate-related financial disclosures

Metrics and targets

We have set near-term targets and developed a suite of metrics to help us to navigate our progress towards meeting our net zero by 2050 ambition[1]. We believe we are on track to achieve our 2025 interim targets under most scenarios if we implement the actions we have committed to. Our ability to meet our 2030 and 2050 targets is less certain and it is likely we will need to take further action and we will become increasingly dependent on decarbonisation in the wider economy and action by others.

Our investment portfolio

Investment metrics framework

We use the financed emissions methodologies developed by the Partnership for Carbon Accounting Financials ('PCAF') insofar as possible. PCAF is a partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose greenhouse gas ('GHG') emissions associated with their loans and investments. Our 2024 position reflects asset values as at YE2024, and carbon emissions largely from calendar year 2023 (the latest year for which emissions data is readily available). Our primary metrics to analyse our investment portfolio emissions are absolute financed emissions and economic emissions intensity. Economic emissions intensity is used as the basis for our externally reported investment portfolio targets. To support the interpretation of these metrics, we also disclose data quality scores and data coverage at an asset class level. In addition, we have a suite of investment metrics which help us to better understand our exposure to transition risk, and to determine how aligned our investment portfolio is to net zero.

Information on our exposure to climate risk is in the Scenario analysis section on **pages 62 to 64**

1 Third-party assurance is provided for a subset of our climate-related metrics, the scope of assurance is determined by regulatory requirements and market best practice. See our ESG Data Appendix for a full list of our metrics.

Investment portfolio targets framework

We believe science-based targets are vital if we are to respond to the climate challenge and have engaged with a wide range of standards and framework setting initiatives including Glasgow Financial Alliance for Net Zero ('GFANZ'), Net Zero Asset Owner Alliance ('NZAOA'), PCAF and Science-Based Targets initiative ('SBTi'). Our targets are aligned with the target-setting protocol developed by the NZAOA and we are not currently seeking validation of our targets by the SBTi. We will not use carbon offset credits to achieve our 2025 and 2030 investment portfolio decarbonisation targets.

Key progress in 2024

- Achieved a 52% reduction in the carbon intensity of our listed equity and credit portfolio relative to our 2019 baseline. This indicates we are on track to achieve our 2025 target under most scenarios if we implement the actions we have committed to.
- Expanded our carbon emissions baseline to include equity release mortgages (accounting for c.2% of our total AUM), which are responsible for 0.01 $MtCO_2e$^ at YE2019, <0.1% of our baseline portfolio emissions. Our carbon emissions baseline at YE2019 remains at 24.6 $MtCO_2e$ and now covers 92% of the assets within the scope of our 2030 target.
- Broadened the scope of reporting to consider the Scope 3 emissions of all investee companies in our listed asset portfolio. The Scope 3 emissions of our investee companies is 88 $MtCO_2e$ at YE2024, 70% of which is from four sectors: industrials, energy, financials and materials.
- Developed our suite of forward-looking climate investment risk metrics to form a more detailed picture of net zero alignment across the investment portfolio.
- Conducted the first stages of a formal review of progress against our 2030 target, to evaluate our strategy's ongoing alignment to our fiduciary duties by referencing the status of the global transition.

Next steps

- Extend our carbon emissions baseline to include alternative assets, increasing our portfolio coverage towards 100% of the scope of our 2030 decarbonisation target.
- Finalise our review of progress against our 2030 target, and potentially set more granular sub-portfolio internal targets to drive decarbonisation activity.
- Further enhance the reporting of the Scope 3 emissions of investee companies in our listed asset portfolio, and understand where we could drive further decarbonisation activity.
- Continue to develop our suite of climate investment risk metrics, with a particular focus on forward-looking measures which help us to better understand our decarbonisation performance against a net zero glide path.

Investment portfolio targets[2]

2025

25%

reduction in the carbon intensity of our listed equity and credit portfolio (where we have control and influence)[3]

2030

50%

reduction in the carbon intensity of all assets (where we have control and influence)

2050

Net zero

across our investment portfolio

2 Our investment portfolio decarbonisation targets relate to the Scope 1 and 2 emissions of our investee companies relative to a 2019 baseline.
3 See glossary for definition of control and influence.

Measuring our carbon footprint baseline

We have selected YE2019 as our baseline position against which we measure progress. As a pre-COVID-19 pandemic year this reflects a more comparable level of global economic activity emissions. Our primary source of counterparty carbon emissions data is Institutional Shareholder Services ('ISS'), an established sustainability data vendor. Our analysis captures the Scope 1 and Scope 2 emissions of our investee companies, and we have separately conducted analysis to consider the Scope 3 emissions of our investee companies.

Expanding our carbon footprint baseline to include equity release mortgages leaves absolute emissions at YE2019 24.6 $MtCO_2e$ unchanged. The total AUA (as at YE2024) now covered in our carbon footprinting results is £198 billion, which is 70% of our total AUA. Our carbon footprint results cover 100% of the scope of our 2025 target, 92% of the scope of our 2030 target, and 70% of the scope of our 2050 target.

Analysing our investment portfolio emissions

Absolute emissions

We have experienced a 32% reduction in total absolute emissions across the investment portfolio in 2024, from 18.1 $MtCO_2e$ (YE2023) to 12.4 $MtCO_2e$^ (YE2024), and a 50% reduction relative to the baseline, from 24.6 $MtCO_2e$ (YE2019) to 12.4 $MtCO_2e$^ (YE2024). The reduction in absolute emissions for our investment portfolio is driven by both decarbonisation activity undertaken by our investee companies and a result of investment allocation changes from the introduction of decarbonising benchmarks in our equity portfolio. We have also observed a fall in actual data coverage for our listed credit portfolio due to process automation which has an affect on reported emissions, see further details on page 70. We are therefore prudent in the inference we can draw from this year's reduction in absolute emissions.

The absolute emissions profile of our investment portfolio is primarily driven by sovereign debt (c.49%), listed equity (c.35%) and listed credit (c.12%). Other asset classes that we have footprinted (illiquid credit, real estate, and equity release mortgages) collectively make up less than c.4% of our absolute emissions.

Note: Due to the time-lag in sourcing climate data, prior disclosures reported investment portfolio GHG emissions from earlier financial periods. Since the YE2023 reporting cycle, reporting capability was upgraded to enable investment portfolio emissions disclosures to relate to the latest financial year. The result is that there hasn't been reporting against YE2020 and YE2022.

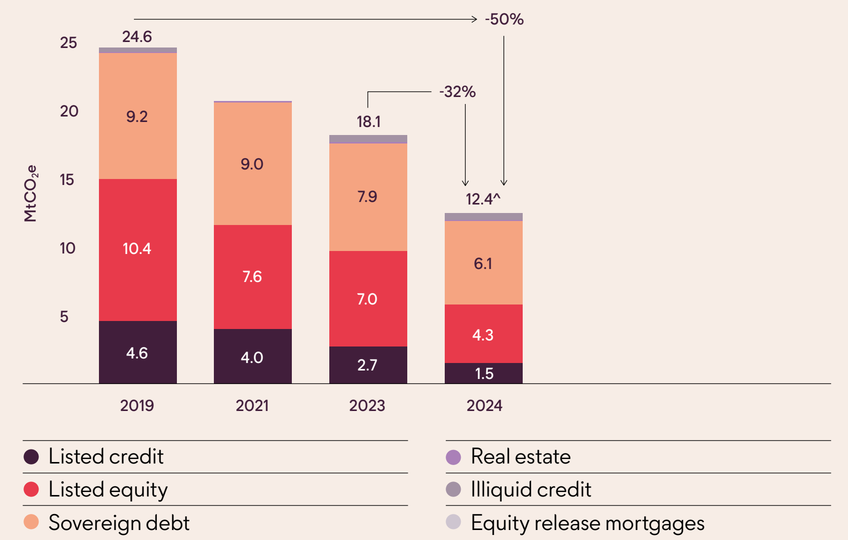
Note: We have not included figures for equity release mortgages for years 2021 and 2023 on the charts given the proportion of emissions associated with this asset class is so small it would not have a material impact on these years.

We will continue to expand the baseline to cover remaining assets as the quality and coverage of data improves and best practice frameworks evolve. The table below shows the coverage of our carbon footprint baseline at YE2024.

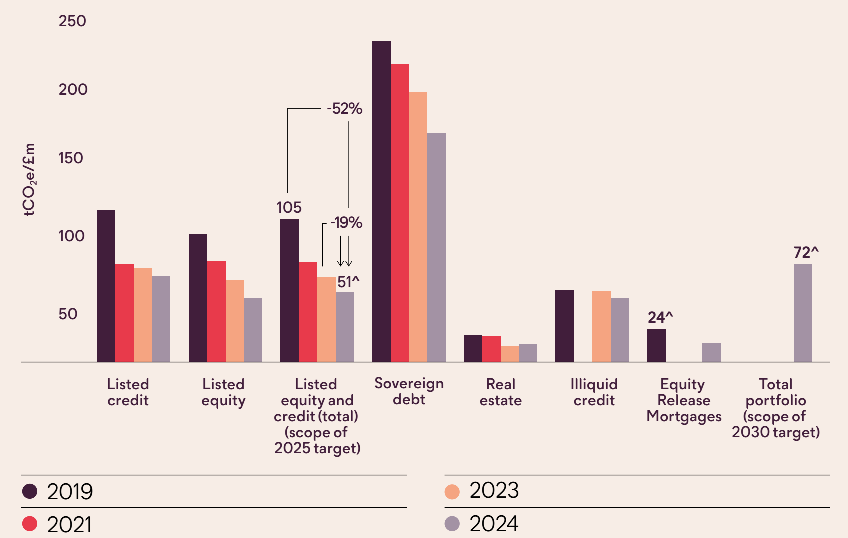
Asset class		AUA as at YE24 (£bn)
Included in carbon footprinting results	Listed equity and credit	135
	Sovereign debt	37
	Real estate	5
	Illiquid credit	8
	Equity release mortgages	5
	Cash	9
Currently not included in carbon footprinting results	Collectives outside of influence and control	69
	Alternatives	18
Total		**284[1]**

1 This represents Total Life Company assets excluding amounts classified as held for sale. Adjustments for off-balance sheet AUA, assets held in Wrap Self-Invested Personal Pension products, and onshore bond products enable a reconciliation to the Group AUA of £292bn.

Absolute emissions of our baselined investment portfolio



Economic emissions intensity of our baselined investment portfolio



Sustainability review continued
Climate-related financial disclosures

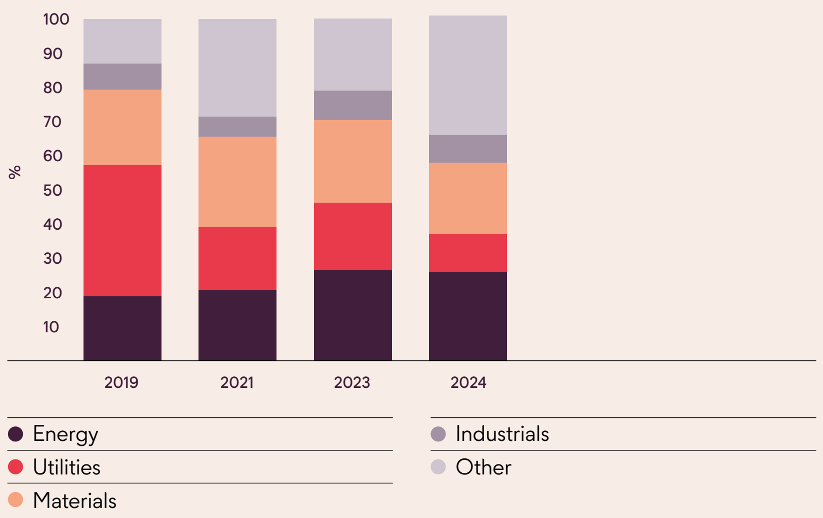
Emissions intensity
Economic emissions intensity is an important measure for portfolio investors as this enables comparison between portfolios of different sizes and between different time periods. We observe a 19% reduction in the economic emissions intensity of our listed asset portfolio between YE2023 and YE2024, which brings the total reduction observed since the baseline YE2019 position to 52%. This is driven by a fall in absolute emissions combined with an increase in the Enterprise Value Including Cash ('EVIC') component of the intensity calculation, which is a measure of a company's capital base. An increase in company value since YE2023 is in line with expectations given market performance over this period.

In 2024 we enhanced our processes to automate the production of climate metrics for our listed asset portfolio, resulting in a more robust and mature production environment that leverages other reporting and disclosure processes. One of the observed implications of this enhancement is a reduction in data sourced from investee company's actual data (and an increase in estimated data) for our listed credit portfolio (compared to YE2023), which we will look to improve in 2025. We recognise therefore that future movements in climate metrics (including economic emissions intensity) could be impacted by improving actual data coverage, and so we are prudent with what inference we can draw from the YE2024 results.

We are on track to meet our decarbonisation target of a 25% reduction in economic emissions intensity for the listed asset portfolio by 2025, however we recognise that there are scenarios in which the target may still not be achieved. We also recognise that the economic emissions intensity metric may change year-on-year, primarily due to volatility in the EVIC component of the calculation and evolution of methodology and process.

We also calculate emissions intensity on a revenue basis for our listed asset portfolio in line with TCFD guidance. Revenue emissions intensity provides insight into a company's carbon efficiency per dollar of revenue earned and is a particularly useful metric for comparing companies within sectors. We observe a 18% reduction in revenue emissions intensity for listed credit from YE2019 to YE2024, and a 41% reduction for listed equity over the same time period. Revenue emissions intensity increased between YE2023 and YE2024 due to the partial unwind of the increased sales revenues that our investee companies in the energy sector experienced during the energy crisis.

Sector exposure as % of listed asset absolute emissions



Analysis of the Scope 3 emissions of investee companies
We believe that considering the Scope 3 emissions of our investee companies enables a more complete view of the carbon profile of our investment portfolio. We use ISS as our primary source of Scope 3 emissions data. Our share of the Scope 3 absolute emissions of all investee companies in our listed asset portfolio is 88 $MtCO_2e$ as at YE2024, based on reported numbers (where available) and estimated data. Almost three quarters of this is from investee companies in four sectors: industrials, energy, financials and materials. This far exceeds the financed emissions for which we are responsible under Scope 1 and 2. This is because Scope 3 emissions capture the upstream and downstream activities of the company. As this is our first year of reporting this metric, we will explore drivers of change in subsequent reporting periods. Whilst methodologies continue to improve, we recognise that there are still significant limitations to Scope 3 emissions data, which is dependent on high-quality and transparent reporting by investee companies.

Understanding our exposure to climate risk
Our exposure to high transition risk sectors
We identify four industry sectors as being particularly vulnerable or susceptible to transition risks due to policy, technology or market changes – energy, utilities, materials and industrials. c.17% of our listed asset portfolio (by AUA) is invested in these high transition risk sectors, and collectively they account for c.65% of listed asset portfolio emissions. Whilst lower than the YE2023 position our exposure remains elevated, indicating that the high transition risk sectors we have identified continue to be responsible for a significant proportion of our portfolio emissions.

In addition to our analysis of high transition risk sectors, we have applied a screen to our listed asset portfolio to identify investee companies which generate greater than 20% of their revenues from the fossil fuel value chain, including production, exploration, distribution and services. The proportion of our listed asset portfolio exposed to the fossil fuel industry has decreased from 10% at YE2023 to 9% at YE2024.

Analysis of our top ten emitting counterparties
The profile of our listed asset portfolio's top ten emitting counterparties is similar between YE2023 and YE2024. They make up 4% of listed asset AUA but 35% of listed asset absolute emissions. Two of our top ten emitting investee companies have approved science-based targets.

Our exposure to physical risk
Whilst our current analysis indicates we are more materially exposed to transition risk in our investment portfolio, we do have exposure to sectors and geographies which are materially susceptible to physical risk. We have conducted analysis to assess potential physical risk within our real estate portfolio, using the S&P Climanomics platform.

See Scenario analysis section on **page 64** for more detail

Measuring the alignment of our investment portfolio to net zero by 2050
We measure the 'climate alignment' of our investment portfolio to track whether it is aligning with net zero by 2050, and to support our engagement with investees on their net zero targets and transition plans. As at YE2024, 53% of our listed asset portfolio is invested in counterparties that have committed to set or already set approved science-based targets (based on their affiliation with the SBTi).

Whilst evaluating an investee company based on whether it has affiliated itself with the SBTi gives a useful sense of alignment to net zero by 2050, it is one of several metrics that could be used. We recognise that SBTi may not be an appropriate methodology to follow for some companies in some sectors, particularly where a standardised methodology may not provide the flexibility required. We continue to develop our suite of forward-looking climate investment risk metrics to form a more detailed picture of net zero alignment across the investment portfolio.

Data quality and coverage
Change in data coverage
Our data coverage metric represents the proportion of our investments that we have been able to successfully calculate financed emissions for. We calculate a data coverage metric for each asset class included in the baseline and expect this to improve over time as data availability continues to improve. In 2024 we automated the production of climate metrics for our listed asset portfolio, resulting in a more robust and mature production environment that leverages other reporting and disclosure processes. We observed a reduction in data coverage for our listed credit portfolio (compared to YE2023), however, processes will be further enhanced in 2025 to improve data coverage for this asset class. As at YE2024, total portfolio data coverage is 89%.

Data quality score by asset class

Date	Listed equity	Listed credit	Sovereign debt	Real estate	Illiquid credit	Equity release mortgages	Total
2019	1.5	1.9	2.0	3.6	2.6	5.0	1.8
2021	1.4	2.3	2.0	3.4	–	–	1.9
2023	1.3	1.3	2.0	3.0	2.8	–	1.7
2024	1.4	1.5	2.0	3.0	2.7	5.0	1.7

Change in data quality score by asset class
Our ability to report accurate emissions information is dependent on the quality and transparency of the reporting of our investee companies. We use the PCAF data quality hierarchy to assess the quality of emissions data of individual companies, where a score of 1 represents the highest standard of disclosed and verified emissions and a score of 5 represents the lowest standard based on industry estimates. Our total data quality score is broadly unchanged from last year. Whilst reported climate data is generally of a higher standard than modelled data, there are challenges with the consistency, transparency and coverage of reported climate data which limits the true accuracy of the carbon profile of the portfolio. Climate reporting is still relatively nascent and even high-quality data has its limitations. As a result, whilst our total data quality score (for assets included in our baseline analysis) is relatively high, we are prudent with what inference we can draw. The metric results reported are best estimates.

There remain limitations in the quality and coverage of climate data and best practice methodologies are still evolving across all metrics. We also recognise the inherent challenge with double counting financed emissions and emissions in the real economy.

Decarbonisation actions
We have taken several actions in 2024 to decarbonise our investment portfolio to support good customer outcomes.

For more information see our **Sustainability Report** and **Net Zero Transition Plan**

Sustainability review continued
Climate-related financial disclosures

Our operations

Operational metrics and targets framework

We continue to align our operational metrics and targets with best practice in evaluating exposure to climate-related risks and opportunities. We review and enhance our metrics as data, methodologies, industry guidance and best practice develop.

We track our operational emissions through market-based[1] intensity metrics per FTE as this accounts for renewable energy purchasing as a carbon reduction method. We also report location-based performance for completeness and it also helps us to track the impact of efficiency initiatives undertaken within our buildings. Our 2025 operational emissions targets cover Scope 1 and 2 emissions from occupied premises and Scope 3 emissions from our business travel.

2024

75–85%

Maintain 75–85% intensity reduction vs 2019 baseline in operational carbon emissions – Scope 1 and 2 per FTE (market-based)

2025

Net zero

Achieve net zero absolute operational emissions – Scope 1, Scope 2 and Scope 3 category 6 (business travel) emissions (market-based)

Key progress in 2024

- We have achieved a 80% reduction in our emissions intensity (Scope 1 and 2 per FTE (market-based)) against our 2019 baseline. This represents a slight increase compared to 2023 due to a reduction in FTE numbers.
- We are on track to achieve our 2025 target; however, we recognise that high integrity carbon offsets will be required to offset hard-to-abate residual emissions in the short term.
- Building electricity and gas consumption was reduced in real terms by 14%.
- Absolute Scope 1 and 2 emissions (market-based) reduced by 14% from 2023 and 73% from 2019.
- We updated our methodology for calculating business travel emissions to include hotel emissions data.

Next steps

- We are taking steps to reduce our business travel emissions through better access to real time data, improving colleagues' understanding of the impact of different forms of travel through our multi-year business travel emissions reduction programme, and incentivising lower emission travel options.
- We will continue to review opportunities to reduce our operational emissions through our Eliminate-Reduce-Substitute-Compensate model.

Measuring our operational emissions

Emissions intensity

The Group's chosen operational intensity metrics are GHG emissions per occupied floor area (m^2) and per FTE in occupied premises. The metrics only cover Phoenix Group occupied areas of buildings where emissions are considered Scope 1 and 2, and where 12 months of data is available in the current reporting year, meaning some sites were excluded from this calculation. To calculate the intensity for both occupied floor area and FTE per occupied premises, the total Scope 1 and 2 emissions for these buildings are divided by the occupied floor area and FTEs respectively.

For more information see our SECR on **page 81**

Absolute emissions

We use the GHG Protocol Corporate Accounting and Reporting Standard together with International Energy Agency ('IEA') and DEFRA UK Government Conversion Factors as the basis to report on any GHG emissions in tonnes of carbon dioxide equivalent ('tCO_2e'). We have now included hotel data in our calculations of business travel emissions, which increases data quality and allows us to take more targeted action to reduce our emissions in this category.

For more information see our SECR on **page 80**

Analysing our operational emissions

Operational emissions intensity (market-based approach)

Our Scope 1 and 2 emissions market-based intensity metric per FTE intensity has increased from 0.29 tCO_2e (YE2023) to 0.34 tCO_2e^ (YE2024). This is primarily due to the reduction in FTE numbers for the Group. Despite this the Group has still achieved a 80% reduction in emissions intensity since YE2019 and is therefore within the target reduction range for 2024.

Operational emissions intensity (location-based approach)

The emissions intensity per floor area (m^2) (location-based) increased from 51 tCO_2e/m^2 in YE2023 to 59 tCO_2e/m^2 in YE2024. The driver of this change has been a decrease in the occupied premises in scope. The emissions intensity per FTE (location-based) remained largely the same at YE2024 compared to YE2023. The Group has achieved overall reductions from the 2019 baseline of 42% and 67% respectively.

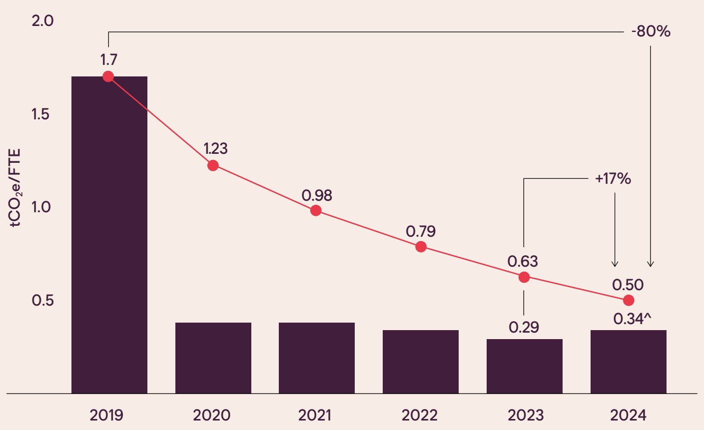
Absolute emissions

Absolute Scope 1 and 2 emissions (market-based) have reduced by 14% against 2023, whilst Scope 3 category 6 (business travel) emissions have decreased by 16%.

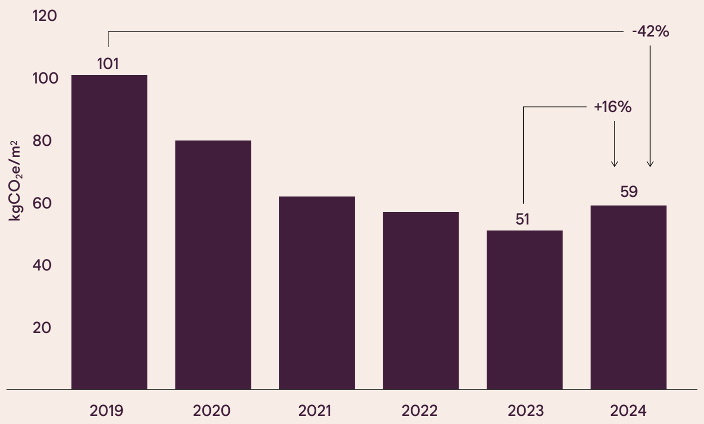
For more information see our SECR on **page 80**

1 Refer to Assured Data Methodologies and Assurance Statement 2024 for definition of market-based vs location-based.

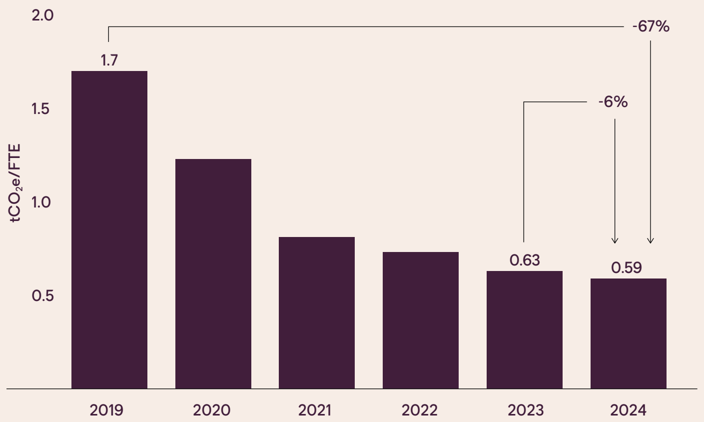
Emissions intensity metric for Scope 1 and 2 emissions per FTE (market-based) – accounting for renewable energy purchasing as a carbon reduction method



Emissions intensity metric for Scope 1 and 2 emissions from occupied premises per floor area (location-based)



Emissions intensity metric for Scope 1 and 2 emissions per FTE (location-based)



— Target

Decarbonisation actions

We continue to operate our certified environmental management system to ISO 14001 standards, which require evidence of continual improvement. We have taken a strategic approach to energy reduction by developing company-wide policies to eliminate carbon emissions were possible. We do this by prioritising the most cost-effective and impactful solutions. Our biggest impact has been achieved through the introduction of a comprehensive comfort policy which standardises settings such as the temperatures and timings across our entire estate. We also continue to invest in building system improvements such as replacing lighting, lifts and ventilation equipment, as well as improvements to building technology such building management system components.

For more information see our SECR on **page 81**

Developing our approach to offsetting

We are developing our approach to offsetting our residual operational emissions to meet our target of net zero operational emissions by 2025. Our approach follows the mitigation hierarchy set out by the **Oxford Offsetting Principles**, prioritising emissions reductions first. To offset any residual emissions, we will procure carbon credits from high integrity nature-based removal projects that meet the highest industry standards. These standards include the International Carbon Reduction and Offset Alliance's ('ICROA') **Code of Best Practice** and the **Core Carbon Principles** ('CCP') developed by the Integrity Council for the Voluntary Carbon Market ('ICVCM').

Sustainability review continued
Climate-related financial disclosures

Our supplier base

Supplier base metrics and targets framework
We continue to review and enhance our supplier metrics taking into account examples of emerging best practice in evaluating exposure to climate-related risks and opportunities.

We have developed a controls and methodology framework that ensures a robust approach to the calculation and monitoring of progress against our key metrics. The framework is reviewed annually and, if appropriate, updated.

The Group has refined its supplier targets to give greater clarity on how we are measuring and communicating our progress towards achieving a net zero supply chain by 2050, as set out in our **Net Zero Transition Plan**.

2025

Top 10

highest emitting suppliers to have set science-based targets, in line with a net zero trajectory[1]

2030

50%

reduction in the carbon intensity of the supplier base[2]

2050

Net zero

supply chain[3]

Key progress in 2024
- Achieved our target of 90% of material suppliers committed/aligned to SBTi or Race to Zero campaign.
- Our supplier base absolute emissions (tCO_2e) have decreased by 21% from the 2022 baseline year.
- The carbon intensity of our supplier base has decreased by 28% from 2022.
- We completed our first climate risk assessment of the material supplier population.
- We repositioned our ESG Supplier Standards to support the delivery of our 2030 target.

Next steps
- We will engage the top ten highest emitting suppliers by spend to work with them on creating their own science-based targets and supporting their progress towards net zero.
- We will communicate our ESG Supplier Standards to the material supplier population.
- We will embed ESG throughout the procurement process and upskill our category teams to consider material ESG factors, in line with our Standards, during supplier selection.

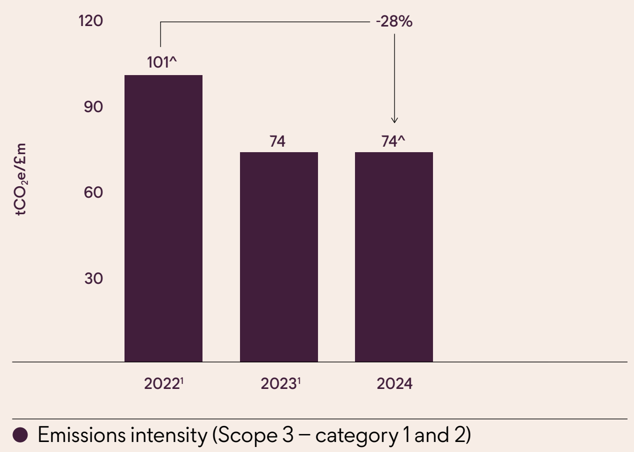
Measuring our supplier base emissions
The Group undertook an exercise to enhance the underlying primary data sources and emission factors that feed into the calculation of the supplier base's carbon emissions. Data was integrated from multiple sources to calculate the supplier base's emissions, including: supplier Scope 1, 2 and 3 emissions data from public disclosures (upstream only); supplier revenue; invoiced spend reports; supplier carbon data collected by the Group's ESG third-party data collection partner; and UK Government Standard Industrial Classification ('SICS') codes and the associated emission factors provided by DEFRA (and the University of Leeds). These inputs are combined in an Extended Environmental Input-Output ('EEIO') model, where spend is multiplied by emission factors to calculate supplier emissions.

The Group has revised its methodological approach to the calculation of Scope 3 category 1 and category 2 emissions resulting in restated emissions for YE2022 (69,861 tCO_2e as restated, 91,673 tCO_2e as published in the 2023 Climate Report) and YE2023 (60,100 tCO_2e as restated, 124,943 tCO_2e as published in the 2023 Climate Report).

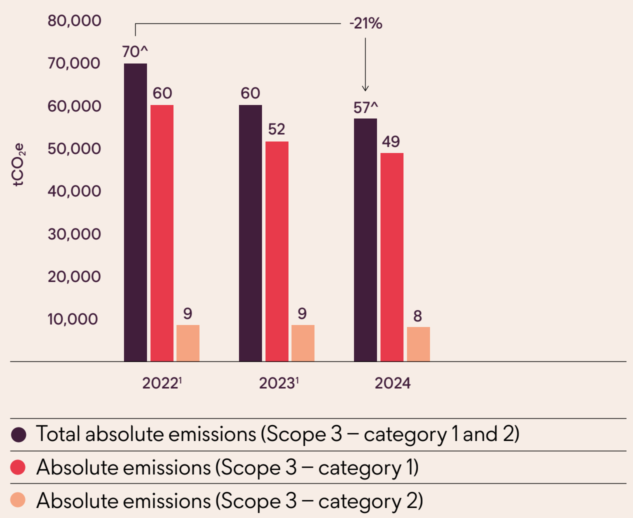
While the Group has made significant improvements in its methodology used to calculate its Scope 3 categories 1 and 2 emissions, as described in our **Assured ESG Data Methodologies and Independent Practitioner's Limited Assurance Report**, there are some limitations in the availability and quality of underlying spend data used to calculate these emissions and we have only included spend data from sources we consider reliable. We recognise that Scope 3 categories 1 and 2 emissions are not based on our complete spend data and are working to improve this data coverage for future years.

1 Our ten highest emitting suppliers in 2024 accounted for 35% of the supplier base's absolute emissions.
2 The supplier base is the composition of suppliers that directly provide the Group with goods and services. It does not include fourth parties or sub-contractors. The Group's baseline year is 2022.
3 The supply chain, otherwise known as the value chain, is the series of stages involved in producing a product or service that is sold to and consumed by the Group. To achieve a net zero supply chain by 2050, the Group will work with its direct suppliers on their net zero journeys and targets. The Group is dependent on its suppliers, their supply chains and the global economy as a whole decarbonising in line with net zero by 2050.

Emissions intensity of supplier base (location-based)



Absolute emissions of supplier base



1 According to the GHG Protcol, category 1 refers to emissions from purchased goods and services, and category 2 refers to emissions from our capital goods purchases.

Analysing our supplier base emissions
The Group achieved a 28% reduction in the supplier base emissions intensity (tCO_2e/£m), relative to the baseline, from 101 tCO_2e/£m^ (YE2022) to 74tCO_2e/£m^ (YE2024); and a 21% reduction in the absolute supplier base total emissions (tCO_2e), relative to the baseline, from 69,861 tCO_2e^ (YE2022) to 57,000 tCO_2e^ (YE2024). These reductions are primarily driven by decarbonisation in the real economy and our suppliers making progress against their individual net zero goals and aspirations.

The Group's supplier base emissions are concentrated within our Business Process Outsource, Technology and Professional Services categories. Our top 50 highest emitting suppliers account for c.69% of all emissions across the supplier base, which comprises c.1,300 active suppliers, and our ten highest emitting suppliers in 2024 accounted for c.35% of the supplier base's absolute emissions.

Data quality and coverage
The Group has a 76% coverage by spend of supplier-specific emission factors. The Group's carbon accounting of category 1 and category 2 emissions only covers the supplier base (our direct suppliers). The Group does not measure or report the emissions arising from the suppliers of our suppliers or our suppliers' support partners.

Decarbonisation actions
The Group revised its ESG Supplier Standards in 2024. The standards require suppliers to make a number of climate-related commitments, including the adoption of a decarbonisation target aligned to best practice. Prior to onboarding, suppliers must confirm if they comply with the ESG requirements outlined in the Standards.

Read the Group's ESG Supplier Standards **here**

Our actions to reduce our supplier base emissions will focus on the suppliers that materially impact our net zero targets and broader ESG aspirations. We have set a target for the ten highest emitting suppliers to have set science-based targets by 2025, in line with a net zero trajectory by 2050 at the latest. We will engage with those suppliers on creating their own science-based targets and support their progress towards net zero.

For more information see our **Sustainability Report** and **Net Zero Transition Plan**

Sustainability review continued
TNFD progress summary

This section summarises the Group's position against the recommendations of the Taskforce on Nature-related Financial Disclosures ('TNFD'), providing stakeholders with an initial view of how the Group is starting to measure and manage nature-related dependencies, impacts, risks and opportunities. These disclosures have been provided on a voluntary basis and have not been subject to external third-party assurance. This preparatory work builds on the pilot of the TNFD beta framework v.0.3 that the Group completed in 2023.

Governance
Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.

Recommended disclosure	Summary of progress
a. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	• The Board Sustainability Committee has oversight of the Group's sustainability strategy, including its nature ambitions. • The Board Risk Committee has oversight of the Group's Risk Management Framework, including emerging sustainability risks such as nature-related risk.
b. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	• The Group's CEO is the Executive Board Director responsible for the implementation of the Group's sustainability strategy, including nature. • As delegated by the CEO, the Director of Corporate Affairs and Brand is accountable for defining and overseeing delivery of the Group sustainability strategy as agreed with Group and Life Company Boards; and ensuring appropriate accountabilities and risk and controls oversight are in place to achieve the business' sustainability objectives. • Management is assisted in making decisions on nature-related matters by a number of Management-level forums, including the Enterprise Sustainability Committee and Enterprise Asset Management Committee.
c. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	• The Group's Human Rights Policy aligns with the United Nations Guiding Principles on Business and Human Rights ('UNGPs'). The Policy ensures that the rights of all stakeholders are taken into account, including in the Group's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.

Strategy
Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.

Recommended disclosure	Summary of progress
a. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	• Using the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services ('IPBES') drivers of nature loss framework and inputs from Exploring Natural Capital Opportunities, Risks and Exposure ('ENCORE') and the Science Based Targets Network ('SBTN') sector materiality tools we have assessed aggregate listed equity and listed credit portfolios, where we have control and influence, for nature-related impacts, dependencies and associated risks. • Outputs from our initial top-down analysis supported additional qualitative and judgement-based assessment to identify land-use change and freshwater withdrawal and use as priority impact pressures for further impact exposure and risk assessment. • The impact pressure of land-use change extends across multiple different biomes (defined as large-scale ecosystems characterised by specific climatic conditions, vegetation types and associated wildlife). Our assessment work has focused on tropical forests as a priority biome due to their importance for carbon sequestration, biodiversity, global weather patterns, water cycles and links to a number of human rights issues. We also see regulatory requirements increasing in response to tropical deforestation.
b. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	• We recognise that the continued loss of nature and the need to restore natural systems represent both potentially significant risks and opportunities for our investment portfolios and supplier base. Alongside climate change and human rights, nature-related factors are considered to be part of a range of existing and emerging sustainability risk factors being integrated into our Risk Management Framework. • We have leveraged the Network for Greening the Financial System ('NGFS') transmission channels framework to assess risk transmission mechanisms for financial institutions and develop our understanding of how nature-related factors pose different risks to the business. We see nature-related factors having potential implications across multiple categories of risk. Looking forward, further analysis and assessment is required to develop our understanding of the extent of potential implications of these risks within different contexts including investment strategy and risk and opportunity management processes. • We have identified emerging potential transition risks associated with policy and regulatory changes for both deforestation (for example, EU Deforestation Regulations) and freshwater withdrawal and use. Looking forward, outputs from further exploratory portfolio assessment on priority nature topics, taking into account transition and physical risks, will inform the integration of nature across existing organisational frameworks and strategies, including the Group Risk Management Framework and Sustainable Investment Strategy. • We will consider how nature should be integrated into our Net Zero Transition Plan update planned for 2026.
c. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	• We are continuing to develop our approach to assessing nature-related risks and opportunities and to better understand the implications for the Group and its investment strategy. We are continuing to monitor the availability, evolution and potential application of nature scenarios.
d. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	• As part of our initial exploratory assessment of listed equity and listed credit investment portfolios we have explored potential definitions for priority geographic areas for both freshwater withdrawal and use as well as tropical deforestation. For example, The World Resources Institute ('WRI') Aqueduct tool provides a useful definition of water stress and maps global regions to current and future water stress assessments under different scenarios, which we may use to help identify priority locations for water risk assessments. We have also considered different approaches to identification of countries of elevated deforestation risk that can provide an initial long list of priority countries of interest. • In 2024 we carried out initial assessments of available asset location data for our investee companies. Work to continue this assessment is ongoing and we will continue to consider different data providers to better identify assets in priority locations within our investment portfolio. In addition, we continue to assess tools that support integration of state of nature, ecosystem service and impact and dependency data layers with asset location and other asset-specific data. • Early insights from this work indicate that asset location data is becoming more widely available across a number of different data providers and that we are able to link geospatial locations of assets to priority areas such as areas experiencing increasing water stress. However, there are still limitations regarding data coverage and quality, necessitating further work to better understand how we can systematically integrate asset location data and what use-cases can be supported from further analysis. • We do not currently have any direct operations in priority locations but recognise that we do have exposure through our investment portfolios and suppliers.

Sustainability review continued
TNFD progress summary

Risk & impact management
Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.

Recommended disclosure	Summary of progress
a. (i) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations. a. (ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	• Through 2024 we have taken exploratory steps to build upon our TNFD pilot testing of the Locate, Evaluate, Assess and Prepare to act ('LEAP') framework. LEAP is an assessment framework developed by the TNFD to support entities looking to adopt the TNFD disclosure framework with carrying out assessments of their exposure to nature-related impacts, dependencies, risks and opportunities. A key conclusion from our pilot is that the locate step of LEAP is not an appropriate entry point for our nature-related assessments due to the very large number of counterparties in investment portfolios and in turn the potentially large number of business assets that portfolio counterparties own and operate. As a consequence, we have added an initial evaluation step before asset location, in effect creating an ELEAP assessment framework. An overview of our approach to portfolio assessment is set out below: **Initial evaluation** • Top-down prioritisation: Development of a method for priority nature impact pressure and ecosystem service dependency identification using ENCORE and SBTN sector materiality tools in combination with qualitative judgement overlay. The method was applied to listed equity and listed credit portfolios and provided a map of investment exposure of aggregate portfolios to all impact pressures and ecosystem dependencies as defined by ENCORE. • While a high-level assessment of listed equity and listed credit portfolio exposure to nature-related dependencies has been conducted using ENCORE, we recognise that there is a very close alignment of both physical climate and physical nature risk assessment. We are exploring options for integrated climate and nature physical risk assessments for our investment portfolios and so the disclosures below relate to impact pressure and risk assessments only. • Land-use change and freshwater withdrawal and use were identified as initial priority impact pressures for further assessment. Within these priority topics we identified the most exposed sub-industry groups to determine priority sub-industries and aggregate portfolio investment value at potential risk within these. **Locate** • Bottom-up asset location: Within priority sub-industry groups we explored different data available to allow us to identify investee company links to priority areas, such as areas of water stress and priority deforestation risk countries through use of asset location data for direct operations and revenue exposure/trade flows data where available. (Note that exploratory work on asset location data availability and use of input/output models within impact and risk assessment is early stage and ongoing.) **Second evaluation** • Bottom-up evaluation: This stage involved development of an assessment methodology for both tropical deforestation and for freshwater withdrawal and use to identify potential scale and severity of aggregate portfolio impacts across listed equity and listed credit holdings within prioritised sub-industry groups drawing on publicly available guidance, for example provided by TNFD, Deforestation Free Finance and Ceres' Investor Water Toolkit. • In addition to impacts exposure evaluation we also considered indicators linked to investee company risk mitigation actions. For example, the number of companies classified in sub-industries associated with high water withdrawal and use and with assets located in areas of water stress was determined, providing an indication of investment value at potential risk to this impact pressure. We then applied a company response rating for freshwater withdrawal and use risk mitigation. Impact exposure and risk mitigation assessment in this way provided aggregate portfolio-level evaluation but can also be used for ranking investee companies. • Data and tools availability and quality are still being assessed and so outputs from portfolio evaluation and analysis covered by the above steps are considered to provide supporting information for emerging risk identification and prioritisation. **Assess** • Risk measurement and financial materiality: Progress on the Assess phase is very early stage due to limitations that we identified from the previous locate and evaluate steps of portfolio exposure and risk identification. At this stage risk measurement and financial materiality assessment at the asset or parent company level have not been possible. We will continue to develop our approach and methods in 2025 and have set out some key elements of our 2025 workplan and ambitions in the Metrics and targets section c. **Prepare to act** • Nature integration: The qualitative disclosures contained in this 2024 TNFD aligned report are intended to be an initial step to inform stakeholders of our progress on assessing nature-related factors to date. Further understanding the implications of nature-related impacts, dependencies, risks and opportunities will be the focus in the near term. Findings and insights from our work and from future work will continue to feed into decision making across all relevant aspects of the business and will support identification of appropriate and value-accretive integration with investment and supplier management processes.

Recommended disclosure	Summary of progress
b. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.	• We are in the identification and assessment phase of nature-related impacts, dependencies and risks across the business. Initial steps linked to adapting our processes include but are not limited to: – **Risk Management Framework**: integrating nature-related risks into the Group Risk Management Framework – **Engagement**: engagement with our asset management partners to better understand their evolving approach to nature-related impact, dependency, exposure and risk assessment and how they are managing risks and opportunities within our portfolios – Continued engagement with investee companies on nature-related themes through Nature Action 100 – Integration of nature-related factors where relevant within priority companies for climate engagement – **Exclusions**: inclusion of nature-related factors in annual review of high-impact business activities for potential exclusion and restriction – **Investment due diligence**: integration of emerging nature factors within in-house credit investment due diligence
c. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.	• We continually review the forward-looking landscape to ensure we sufficiently identify, assess, control, monitor, manage, and report on emerging risks. As such, nature risk has been identified as a key emerging sustainability risk for the Group and is being integrated within our Risk Management Framework.

Metrics and targets
Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.

Recommended disclosure	Summary of progress
a. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.	• Development of metrics to measure the Group's exposure to key nature-related risk and opportunities is ongoing. We have completed an initial exploratory assessment of listed equity and listed credit portfolios based on metrics that are supported by currently available data. The metrics selected are broadly aligned with TNFD assessment metric guidance where possible.
b. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.	• To date metrics used have been based on high-level indications of potential impact exposure and company risk management responses to provide initial insights into portfolio investment value at potential risk for initial priority nature impact pressures. • We recognise that additional metrics will be developed as data availability improves. For example, we anticipate that disclosure of standardised quantitative freshwater withdrawal and use volumes will improve in terms of comparability and coverage with increased mandatory and voluntary reporting on this topic by investee companies, particularly in areas of high water stress. To date we have developed metrics linked to the number of assets located in areas of water stress for companies operating in high-priority sub-industry groups along with assessments of the quality of risk management in place. In time, impact exposure metrics linked to quantitative measures of volumes of freshwater withdrawn and used may be developed that allow us to overcome limitations linked to estimated volumes data.
c. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	• Looking forward we will look to build upon the exploratory portfolio assessment activities summarised above. In line with Finance for Biodiversity Pledge requirements, the Group has established priority nature ambitions that aim to identify further feasible and viable options for integrating nature within investment decision making. These include to: – Develop initial investment position statements in relation to priority nature topics by YE2025. – Develop initial sovereign debt asset class portfolio exposure and risk assessment methodology by YE2025. – Continue with and further develop ongoing monitoring and assessment of asset manager partners' integration of nature factors into investment decision making and stewardship activities across listed equity, credit, sovereign debt and private markets strategies. – Conduct horizon scan for emerging nature-related risks for potential inclusion within in-house credit investment due diligence by YE2025. – Deliver periodic education and training sessions with relevant Board and Management-level governance forums.

Sustainability review continued
SECR

Streamlined Energy and Carbon Reporting ('SECR') statement

This is the Group's SECR statement[2] on its UK and global energy consumption and GHG emissions for the financial year 1 January 2024 to 31 December 2024, and the 2023 comparative year.

Methodology

The Group has used the GHG Protocol Corporate Standard (revised edition) and emissions factors from the International Energy Agency ('IEA'), DEFRA UK Government Conversion Factors, and Association of Issuing Bodies ('AIB') European Residual Mix as the basis to report on any GHG emissions in tonnes of carbon dioxide equivalent ('tCO_2e'). This expresses multiple greenhouse gases in terms of carbon dioxide based on their global warming potential (including methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulphur hexafluoride).

Emissions considered relate to activities both in the UK and globally for which the Group is responsible and include as applicable: combustion of any fuel and operation of its facilities; fugitive emissions released from refrigerants purchased (based on refrigerant top-ups); and annual emissions from the purchase of electricity, heat, steam or cooling by the Group for its own use. In addition, the Group estimates Scope 3 emissions associated with employee homeworking (using the EcoAct Homeworking Emissions Whitepaper 2020) and employee commuting, as well as business travel from other third-party owned/operated sources, including air, taxi and rail travel. Emissions from hotel stays have also been reported from 2024 for completeness.

Reported data relates to occupied premises in the UK, Ireland, Germany, Austria, and Bermuda, where the Group is responsible for energy consumption. The operational control approach has been used to define our reporting boundary (Scope 1 and 2), as described in the GHG Protocol, to our GHG emissions. Therefore, the businesses we report on are the Group, and its wholly owned and operated subsidiaries, and exclude joint ventures and associates. We consider all locations where the Group is responsible for the utility costs and able to tangibly influence our energy supplier to be within our 'operational control' as Scope 1 and 2. For locations that fall out with this boundary, emissions are reported under Scope 3 (category 8 or 13, depending on whether the Group is the end user of energy).

The Group reports Scope 2 emissions using the GHG Protocol dual-reporting methodology, stating two figures:

- A location-based method that reflects the average emissions intensity of the national electricity grids from which energy is drawn.
- A market-based method that reflects emissions from electricity specific to each supply/contract. Where electricity supplies are known to be from a certified renewable source, a zero emissions factor is used. Otherwise, residual mix factors are used, or location-based factors where residual mixes are unavailable.

Market-based emissions remain the primary measure of GHG emissions for the Group, above location-based, to focus on the actual carbon impact of energy consumption. This recognises the organisation's actions to promote sustainable procurement and improve environmental outcomes.

Energy consumption and greenhouse gas emissions[1]

Table 1: Absolute energy consumption in GWh

Consumption (GWh)[2] from:	2024	2023
Building electricity	19.0	22.6
Building natural gas	14.4	16.2
Business travel[3]	0.2	0.1
Homeworking electricity	1.4	1.6
Homeworking natural gas	21.7	24.3
Total consumption	**56.7^**	**64.8**

1 Energy Units: 1 GWh = 1,000,000 kWh.
2 GHG emissions and energy consumption statement pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the SECR Regulations).
3 Business travel (GWh) only includes direct energy that is the Group's direct responsibility (corporate cars), and not any indirect travel (e.g. air, taxi, rail, etc.) due to lack of applicable conversion factors for this data. However, emissions from these sources are still included in Table 2.

Table 2: Absolute GHG emissions in tonnes of CO_2e

Emissions[1] (tCO_2e) from:	2024		2023	
	(Market-based)	(Location-based)	(Market-based)	(Location-based)
Scope 1 – Combustion of fuels, business travel (in company owned and operated vehicles), and fugitive emissions of refrigerant gases	2,111^	2,111	2,433	2,433
Scope 2 – Electricity purchased for landlord shared services and own use (heat, steam and cooling not applicable)	0^	2,457^	23	3,856
Scopes 1 + 2 – Mandatory carbon footprint disclosure	**2,111^**	**4,568**	**2,456**	**6,289**
Scope 3 – Category 3: Fuel and energy related activities (T&D)	290	290	310	310
Scope 3 – Category 6: Business travel[2]	2,310	2,310	2,746	2,746
Scope 3 – Category 7: Employee commuting (incl. homeworking emissions)	4,507	4,309	5,083	4,884
Scope 3 – Category 8: Upstream leased assets	951	722	762	1,579
Scope 3 – Category 13: Downstream leased assets	842	1,058	0	242
Scopes 1 + 2 + 3 – Voluntary carbon footprint	**11,011**	**13,258**	**11,357**	**16,050**
Carbon offsets purchased	**2,039**	**2,039**	**1,870**	**1,870**

1 Emissions factors – IEA (for location-based Scope 2 and Scope 3 T&D losses), AIB (for market-based residual mix factors for non-renewable electricity), and DEFRA (fuels, refrigerants and travel). There is a significant time lag in the availability of IEA factors – 2024 factors will not be published until late 2025. Therefore all 2024 consumption data are converted using the factors arising in 2020 (except business travel which uses DEFRA factors as published in 2024).
2 Business Travel – Hotel stays have been reported for the first time in 2024 to provide a complete view of business travel; not reported for 2023.

Commentary on the Group's performance

In 2024, the Group consumed 33.4 GWh of energy globally (the sum of building electricity, building natural gas and business travel, as shown in Table 1), approximately 98% of which was from UK operations. This is a slight decrease in global energy consumption compared with 2023. Furthermore, 23.1 GWh of energy consumption from employee homeworking has been estimated in 2024, of which 90% occurred within the UK. This is a slight decrease compared to 2023, which has been primarily driven by a small increase in office attendance and a decrease in the number of FTEs.

The Group's GHG emissions (location-based Scope 1 + 2) have continued to decrease year-on-year, by 27% in 2024. The Group has consolidated its occupied areas further by sub-letting spaces within a number of sites. The associated emissions for these sites have been apportioned into Scope 3 category 13, resulting in a significant increase of 337% for this category. Moreover, the Group has further reviewed and clarified its operational boundary, shifting some additional sites and emissions from Scopes 1 and 2 into Scope 3 category 8. However, this has been offset by historical estimations in previous reporting being revised upwards, resulting in a decrease of 54% for this category in 2024. Business travel has also seen a small decrease of 16% largely due to a reduction in air travel emissions. This is despite the addition of hotel stay emissions to our Scope 3 category 6 emissions in 2024.

The Group continues to procure approximately 100% of its directly obtained electricity from certified renewable sources, which is why market-based Scope 2 emissions are zero in Table 2. Our supplier of natural gas continues to purchase gold standard certified carbon offsets. Whilst exact data is unavailable, this is estimated as 2,039 tCO_2e in 2024. These offsets do not count towards the Group's emissions reductions.

Energy intensity metrics

The Group's chosen operational intensity metrics detail GHG emissions per occupied floor area (m^2) and per FTE in occupied premises (Table 3). The methodology to establish whether buildings should be included in the intensity metric only covers occupied areas of buildings where emissions are considered Scope 1 and 2, and where 12 months of data is available in the current reporting year, meaning some sites were excluded from this calculation. To calculate the intensity for both occupied floor area and FTE per occupied premises, the total Scope 1 and 2 emissions for these buildings were divided by the applicable occupied floor area and FTEs respectively. In 2024, both the m^2 and FTE intensities have increased, largely due to a decrease in the total FTEs and floor occupied areas in scope, which are the denominators for these calculations.

Table 3: Phoenix Group's chosen intensity measurement

Emissions (kilogrammes and tonnes) of CO_2e per chosen intensity metric:	2024		2023	
	(Market-based)	(Location-based)	(Market-based)	(Location-based)
Scope 1+2 emissions from occupied premises per floor area (kg CO_2e/m^2)	34^	59	24	51
Scope 1+2 emissions from occupied premises per full-time equivalent employee (tCO_2e/FTE)	0.34^	0.59	0.29	0.63

Decarbonisation actions

The Group aims to prioritise its spending based on the potential carbon impact of projects across the operational estate. As our offices need to stay operational throughout the year, work is phased over a number of years, meaning that energy and carbon savings fluctuate depending on the extent of works conducted in any particular year.

The following is a selection of key projects and actions undertaken by the Group in 2024:

1. Introduced a comfort policy, which included adjustments to our building management systems ('BMS') to alter the temperatures and timing of operations, across our entire estate.
2. Upgraded our BMS to improve the sensors and valves, which will improve energy efficiency, across our following three sites: Wythall, Telford, Glenogle Road (Edinburgh).
3. Continued to expand lighting improvement through replacing and installing more LEDs across our flagship office, Standard Life House.
4. Reviewed office equipment and replaced poor performers with more efficient alternatives. This included some building services, such as lifts and heating, ventilation and air conditioning equipment, as well as softer interventions such as kitchen equipment, across two sites (Standard Life House and Glenogle Road).

We continue to review opportunities on an ongoing basis to achieve carbon savings through the Group's Eliminate-Reduce-Substitute-Compensate model.

Non-financial and sustainability information statement

As required by the Companies Act 2006 sections 414CA and 414CB, this table outlines our non-financial and sustainability information statement with a reference to relevant policies and additional documents.

This section primarily covers our non-financial information as required by the regulations, other related information can be found as follows:

For further details on our Business model see **pages 16 to 19**

For further details on our climate-related financial disclosures see our TCFD compliance statement on **pages 54 to 55**

For further details on our principal risks and how they are managed see **pages 46 to 49**

Environment

Our policies

The Group aims to reduce the impact on the environment from our operations, and our Environmental Management System certified to ISO 14001 is intended to help us achieve this. We aim to minimise emissions that contribute to climate change, including our direct emissions and working collaboratively with our suppliers. We are taking steps to decarbonise our investment portfolio, ensuring effective stewardship of our assets, and investing in climate solutions. We are collaborating with decision makers and peers to driver wider system change, and engaging customers and colleagues on climate action.

In our Environmental Policy we commit to:

1. Compliance with relevant environmental regulations and standards and other obligations.
2. Protection of the environment.
3. The prevention of pollution and the management of our environmental impacts.
4. Continual improvement regarding our environmental performance.

We have a range of additional policies including:

- our Environment Risk Policy
- our approach to ESG integration
- our sustainability strategy
- our sustainable investing risk policies.

In addition, we review all Group risk policies on an annual basis to consider sustainability matters and ensure high standards are maintained.

Due diligence

Andy Briggs, Group CEO, is responsible for embedding sustainability within the Group, in line with the strategy set by the Group Board. The Group CEO reports directly to the Board on all sustainability activity across the business including the Environmental Policy. We will monitor and review our environmental performance against our environmental commitments set out in our policy and the net zero requirements.

We report on our environmental performance annually and review the policy to ensure it remains relevant and appropriate. Our goal is to achieve a net zero supply chain by 2050, and assess our material suppliers on climate-related risk.

Outcomes

Read more about our net zero and climate-related reporting commitments and KPIs on pages 52 to 53 and our sustainability actions in our **2024 Sustainability Report** and **Stewardship Report**. Our GHG emissions and energy consumption disclosure can be found in the **ESG Data Appendix**.

For further information

- **Our sustainability policies:** www.thephoenixgroup.com/our-impact/responsible-business/reports-policies/
- For further reading on sustainability governance see page 45 of our **Sustainability Report:** https://www.thephoenixgroup.com/media/vbdlv5xk/sustainability_report_2024.pdf

Colleagues

Our policies

The Group's People Policy defines risk as the risk of reduction in earnings and/or value, through financial or reputational loss from inappropriate staff behaviour or industrial action issues. Loss can also be incurred through failure to recruit, retain, train, reward or incentivise appropriately skilled staff to achieve objectives and/or through failure to take appropriate action as a result of staff under performance. Our Group approach to support the health and wellbeing of colleagues is a key enabler to build an inclusive, attractive, and safe working environment that can adapt and respond quickly to change. A key priority for our business is to create a workplace that is diverse, inclusive and reflective of our customers and communities, where colleagues can bring their whole selves to work.

The table below outlines our gender diversity metrics at 31 December 2024[1]:

Board members[1]	Female	5	38%
	Male	8	62%
Senior managers[2]	Female	25	42%
	Male	35	58%
All employees[3]	Female	3,449	49%
	Male	3,531	51%
Senior managers and their direct reports[4]	Female	52	47%
	Male	58	53%

1 Companies Act 2006, s.414C(8)(c)(i).
2 Companies Act 2006, s.414C(8)(c)(ii).
3 Companies Act 2006, s.414C(8)(c)(iii).
4 Provision 23, UK Corporate Governance Code, see page 112.

Due diligence

Adherence to the People Policy is managed by the Group People Function via quarterly control assessments. Control testing is integrated as part of the Risk Management Framework and People controls are currently tested on a quarterly basis, over 36 months. There were no material issues raised during the year. All colleagues are required to complete annual computer-based health and safety training. Arrangements are in place to manage on-site facilities across all sites, ensuring the working environment is compliant and fit for purpose.

We have a range of tools and resources available to support our colleagues, their dependents, family members and loved ones to help look after their personal health and wellbeing.

Outcomes

Other relevant colleague engagement, including Diversity, Equity and Inclusion data can be found on pages 112 to 113 as well as in the 'Supporting our colleagues' and 'Diversity, Equity and Inclusion' sections of our **2024 Sustainability Report**.

For further information

- **Health and wellbeing approach:** www.thephoenixgroup.com/careers/wellbeing/
- **Reward and benefits:** www.thephoenixgroup.com/careers/reward-benefits/
- **Diversity, Equity and Inclusion:** www.thephoenixgroup.com/about-us/our-team/diversity-equity-inclusion/

Social and community

Our policies

Customers

The Group's Customer Outcomes Risk Policy sets the minimum operating standards relating to the management of customer outcomes risk across the organisation that could impact the delivery of good customer outcomes and cause foreseeable harm.

The Group is committed to continuously improving communications and support, ensuring customer vulnerabilities are carefully considered to allow them to make informed decisions.

Robust processes and controls are in place to facilitate ongoing oversight and monitoring of customer outcomes and ensuring we continue to deliver fair value on our product and proposition design in line with regulatory requirements.

Suppliers

Our ESG Supplier Standards reinforce our commitment to embedding sustainable best practice into our supplier base, so that our partners are aligned with the Group's values and commitments. We are looking to all our partners and suppliers to implement requirements and targets which reflect our own standards . By working with partners that share our values and ambitions around sustainability, we can establish long-term relationships that are both mutually beneficial and which help to protect the interconnected interests of people and planet. We have focused on the environmental, social and governance commitments which are connected to the most material issues in our supplier base, represent best practice, and will have a significant positive impact in terms of long-term behaviour change. The Supplier Code of Conduct ('Code of Conduct') applies to all suppliers which provide goods or services to us and/or any of our subsidiaries. The terms of the Code of Conduct are in addition to any other commercial or contractual terms or obligations agreed and outline the minimum conduct standards to which suppliers must adhere when doing business with us, as well as supporting operational resilience and strategic growth.

Communities

We aim to make a positive and lasting difference to the communities in which we are based, addressing social issues identified. Through our commitment to being a responsible business our colleagues can participate in a range of community-based activities, utilising their collective time, skills and resources. All colleagues across the UK and Ireland are entitled to three days' volunteering during business hours for individual activities or team volunteering. We match fundraising donations colleagues make to approved registered charities across the year, in line with our community approach. We also give our colleagues the opportunity to donate to registered charities across the UK and Europe through the payroll giving scheme Give as You Earn where they can support their chosen charities.

Due diligence

Our Data Protection Officer oversees and monitors compliance with the GDPR and DPA 2018 and manages the Group Privacy Notice and owns the Data Protection Risk policy. Our Chief Information Security Officer oversees the delivery of and compliance to our Information Security policy, utilising capabilities such as Threat Intelligence, Penetration Testing and Vulnerability Management to identify and control cyber risks. The Group manages a comprehensive programme of continuous testing and improvement to our Information Security Framework collaborating with industry experts and authorities to embed best practices throughout.

Complaint activity including those referred to the Financial Ombudsman Service and the Pensions Ombudsman is monitored, and we also resolve a significant proportion of complaints across the Group in fewer than three days.

Outcomes

Information on our customer satisfaction scores and initiatives can be found on page 33 of our **2024 Sustainability Report**.

Information on relevant supplier and communities metrics can be found in our **2024 Sustainability Report**.

For further information

- **Privacy policy:** www.thephoenixgroup.com/site-services/privacy-hub
- **ESG Supplier Standards:** https://www.thephoenixgroup.com/media/2nhfdqyr/esg-supplier-standards_dec2024.pdf

Human rights

Our policies

We recognise our responsibility to respect human rights and do this in accordance with:

- the International Bill of Human Rights; and
- the International Labour Organization's ('ILO') Core Conventions.

As an asset owner, we also align with the Organisation for Economic Co-Operation and Development ('OECD') Guidelines for Multinational Enterprises, a set of responsible business conduct standards for multinational enterprises, as well as the OECD guidance on responsible business conduct for institutional investors.

We are committed to fully aligning with the United Nations Guiding Principles on Business and Human Rights ('UNGPs'), the authoritative global framework on business and human rights, and our ambition is to encourage other organisations to do the same.

Our Group-wide Human Rights Policy applies to all entities, business units and operations and we expect all employees to adhere to the policy in their work. We are committed to working with our partners to multiply our impact and we expect our suppliers, contractors, asset managers and investee companies to be aware of our policy and respect human rights in their business operations.

We are committed to updating our Human Rights Policy at least every three years.

Due diligence

During 2022 we appointed a human rights consultant to review our alignment to the UNGPs by conducting an assessment and identifying opportunities for improvement.

As a result, we developed a three-year roadmap to address gaps, which we have been progressing over 2023 and 2024. We continue to identify and assess the salient human rights issues that we intend to prioritise for further action across our operations and areas of our value chain as part of our due diligence processes. This process includes a portfolio-level human rights assessment and an assessment of human rights risks in countries of operations and high-risk business relationships on an ongoing basis.

Outcomes

During 2024 The Group effectively resolved all colleague disputes and as a result has not been subject to any adverse employment tribunals judgements or awards. We report on our salient human right issues, actions, and progress to align with the UNGPs through our **2024 Sustainability Report** and **Modern Slavery Statement**.

For further information

- **Phoenix Group 2024 Modern Slavery Statement:** https://www.thephoenixgroup.com/media/ru1jahi0/modern-slavery-statement-2024.pdf
- **Phoenix Group 2023 Human Rights Policy:** https://www.thephoenixgroup.com/media/c5sos5qs/human-rights-policy.pdf

Anti-bribery and corruption

Our policies

The Group has a zero-tolerance policy to bribery and corruption in all its forms. The Group is committed to countering bribery and corruption and has suitable policies and procedures in place. This includes, for example:

- a Group Financial Crime Prevention Policy that covers Anti-Bribery and Corruption risk;
- mandatory training for our employees covering compliance with the Bribery Act;
- a Code of Ethics for ethical behaviour and general standards; and
- a Group Stewardship policy which details our stewardship approach.

The Group's Financial Crime Prevention policy addresses risks such as money laundering, terrorist financing, fraud, bribery and corruption risks and the facilitation of tax evasion.

The Group also operates a Speak Up policy, prompting colleagues to disclose information where they believe wrongdoing, malpractice or risk exists across any of the Group's operations. The Group has a zero-tolerance for individuals experiencing detriment as a result of raising Speak Up concerns.

Due diligence

Colleagues are required to complete annual computer-based training in all aspects of financial crime prevention and are also required to complete a Gifts and Hospitality Register which is overseen and managed by the Financial Crime Team.

Outcomes

The Group's governance processes for financial crime prevention, anti-bribery and anti-corruption, ethics and compliance training, whistleblowing and speaking up can be found on our **Group website**.

For further information

- **Governance:** www.thephoenixgroup.com/investors/governance/
  Anti-bribery statement: www.thephoenixgroup.com/investors/governance/anti-bribery/

Chair of the Group Board's introduction to governance

The development of our culture remains a top priority

Sir Nicholas Lyons
Chair of the Group Board

Board highlights 2024

Board activities during 2024

Read more on **page 95**

Board performance review

The 2024 Board performance review was facilitated internally by the Chair of the Group Board and the Group Company Secretary.

Read more on **page 103**

The Code

Read more about compliance with the 2018 Code on **page 90**

Board education sessions

These provide both insight and outcomes that the Board implemented.

Read more on **pages 106 to 107**

Board engagement with the wider workforce

The Board as a whole was able to meet Phoenix Group colleagues in three focused sessions in February, June and October 2024. In February, the Board met leaders of Phoenix Colleague Representation Forum ('PCRF') to discuss Company culture and gauge life at Phoenix Group, now that the first year of our 3-year strategic journey is complete.

Read more on **pages 101 to 102**

Culture

The Big Three and how the Board assesses and monitors culture.

Read more on **pages 96 to 97**

Dear Shareholder,

I am delighted to introduce our Corporate governance report for 2024. The following pages set out the Company's approach to governance and how the Board and Committees operated during 2024. During the year, the Board has overseen the completion of the first year of our 3-year strategic journey. In addition, the Board was excited to appoint Nicolaos Nicandrou as Group Chief Financial Officer ('CFO'). This is discussed throughout this report, along with the other Board and Committee changes.

Governance

A key governance focus in 2024 was ensuring that the Group Board worked closely with the Life Companies and Standard Life International boards. I have regular meetings with the Life Companies' chair, John Lister and the Standard Life International chair, Aidan Brady, as do both the Group Board Audit and Risk Committee Chairs. The subsidiary audit and risk committee chairs regularly attend the equivalent Group Committees to discuss relevant outcomes from their discussions. Minutes from those board meetings are shared at each equivalent Group meeting to ensure the appropriate challenge and focus where required.

The Group Board has taken part in additional Board calls and education sessions throughout 2024, where updates between Board meetings were beneficial. The Group Board has also streamlined and enhanced its governance framework relating to sustainability reporting. From 2024, joint Audit, Risk and Sustainability Committee meetings were held to ensure that their respective duties on sustainability reporting and climate risk were discharged efficiently and to eliminate duplication.

Private sessions are held regularly after each Board meeting with all Non-Executive Directors ('NEDs'). Board dinners allow fuller discussion on how we can best strategically support Management and in turn, our shareholders.

During 2024, an emerging focus for many FTSE boards, including Phoenix Group, was the use of Artificial Intelligence ('AI') across our business and sector. This presents both risk and opportunities, which the Group Board will continue to monitor, making measured decisions at the appropriate time.

The Code

The Board is pleased to confirm it complies with all the 2018 UK Corporate Governance Code provisions (the '2018 Code'). In respect of the 2024 UK Corporate Governance Code (the '2024 Code'), the provisions for which come into effect from Full Year 2025 or Full Year 2026, a wholesale review has been undertaken and Phoenix Group is satisfied with its implementation of the 2024 Code to date.

Board activities during 2024

The Board announced a progressive and sustainable ordinary dividend policy in March 2024 and has recommended a Final dividend of 27.35 pence per share, bringing the total 2024 dividend to 54.00 pence per share.

The Board's focus during the first year of our 3-year strategic journey has included monitoring several ongoing projects that support our long-term strategy and the 2024 business plan, since the announcement of its new financial framework in March 2024. Any variances and headwinds against levers have been carefully monitored by the Executive Committee ('ExCo'). Consumer Duty, though a Life Companies' board priority, has been monitored at Group level to ensure that we provide our customers with the best possible outcomes. To that end, our customer strategy was also a topic of focus for the Group Board during 2024.

Phoenix Group is a heavily regulated organisation and our relationship with our UK and overseas Regulators remains a top priority for the Board. We receive regular updates from our Regulatory Relationships Director, who provides their views and any impact this can have on the execution of our strategy. The Group Board also receives feedback from subsidiary board members on the relationship with BaFin, Central Bank of Ireland ('CBI') and the Bermuda Monetary Authority ('BMA'). In addition, Brid Meaney was appointed Group Chief Risk Officer ('CRO') with effect from 19 August 2024 and has brought a fresh perspective to our risk team and how it best supports the business, whilst working closely with our Regulators.

Board changes

The Board announced on 13 May 2024 that Rakesh Thakrar would step down as Group CFO. Following his handover to the Interim Group CFO, he stepped down from the Board on 8 September 2024. Rakesh joined Phoenix in 2001 and held various strategic and finance positions within the Group, before being promoted to Group CFO in 2020. The details of his post-employment remuneration with the Company can be found in the Directors' Remuneration report on page 158. I would like to thank Rakesh on behalf of the Board for his dedication to Phoenix Group over such a long service period. The Board initiated a formal process to find a permanent successor, considering both internal and external candidates during 2024.

Stephanie Bruce joined the Company with effect from 17 June 2024 as Interim Group CFO and a member of ExCo. She provided significant support during the transition period and her professional leadership has been commended by the Board.

The Board was delighted to welcome Nicolaos Nicandrou as a Director of the Board in the role of Group CFO and ExCo member with effect from 2 December 2024, subject to regulatory approval. Nicolaos has extensive financial services, life insurance and executive leadership experience within the FTSE 100, most recently from his role as Chief Executive Officer of Prudential Asia & Africa, the largest division of Prudential plc, having previously held the role of Chief Financial Officer of Prudential plc for eight years. I would like to personally thank Stephanie Bruce for the diligent handover she provided to Nicolaos to support his success at Phoenix Group.

John Pollock retired from the Board on 31 December 2024. John had been a member of the Board and Chair of the Group Risk Committee from 1 September 2016. The Board has thoroughly enjoyed working with John, his diligence, challenge and technical knowledge have been invaluable. The Board was pleased that Mark Gregory, a member of the Group Board since 1 April 2023, was appointed to that role with effect from 4 December 2024. The succession plan had been ongoing for some time and Mark has been a member of this Committee since his appointment, ensuring a smooth handover.

We announced on 14 March 2025 that Sherry Coutu will join the Board and Remuneration Committee with effect from 1 May 2025. Sherry is an experienced FTSE 100 remuneration committee chair. Her biography can be found on page 87.

Shareholder & stakeholder engagement

Appointment of Group CFO

Following the announcement of Nicolaos Nicandrou as Group CFO, a shareholder consultation was conducted with our top 20 shareholders covering 70% of the share register. Both fund managers and corporate governance representatives from a broad range of shareholders were invited to engage on his appointment, including his remuneration. The letter to shareholders outlined the rationale for his remuneration package (as provided in the Directors' Remuneration report on page 136).

During 2024, the Board and other Committee Chairs met with our largest shareholders, representing approximately 38% of the Company's issued share capital. As Chair of the Group Board, I undertook the Group's annual institutional roadshow during February 2025, which is intended to reinforce the dialogue with our major shareholders, particularly concerning corporate governance matters. I met with eight of Phoenix Group's largest shareholders who in aggregate own approximately 20% of the Company's issued share capital.

The meetings covered a range of topics, including the appointment of Nicolaos Nicandrou as Group CFO, strategic progress and outlook of the Company, the Board's performance review and the recent share price performance.

Culture

The development of our culture remains a top priority and has become a greater focus as we complete the first year of our 3-year strategic journey and the implementation of the 2024 Code. Phoenix Group was pleased to launch The Big Three in 2024, see page 96.

Board performance review

Following an external Board performance review in 2023, the Board performance review in 2024 was facilitated internally by myself, supported by the Group Company Secretary. The review was enhanced from the previous internal review in 2022 to include individual formal evaluations. It found the Board to be capable, with thoughtful challenge and supportive of Phoenix Group's culture, see pages 103 to 104.

Annual General Meeting ('AGM')

I look forward to welcoming shareholders to our AGM, which will be held at Floor 9, 20 Old Bailey, London EC2M 7AN on 13 May 2025. This will be an in person meeting, providing the opportunity for shareholders to speak and ask questions. Further details can be found in the Notice of AGM, which will be published in due course and made available on our website.

The Board was pleased with the support from Phoenix Group's shareholders throughout 2024 and we hope to receive similar support in 2025. As ever, the Board is here to engage and respond to any questions our shareholders or stakeholders may have.

Sir Nicholas Lyons
Chair of the Group Board

2025 priorities

During 2025, the Board intends to focus on:

- Risk management & internal controls to support the business.
- Further embedding our culture.
- Continuing the open and transparent relationship with the Regulators.

Board leadership and Company purpose
Our Board of Directors

Leading from the top to drive governance and a clear purpose

The Board comprises the Chair of the Group Board, the Group Chief Executive Officer, the Group Chief Financial Officer, one Aberdeen Group plc (formerly 'abrdn plc' now trading as 'Aberdeen' Nominated Director, one MS&AD Insurance Group Holdings, Inc. ('MS&AD') Nominated Director and eight Independent Non-Executive Directors.

2024 Board changes

- Rakesh Thakrar stepped down from the Board on 8 September 2024
- Nicolaos Nicandrou was appointed to the Board on 2 December 2024
- John Pollock retired from the Board on 31 December 2024
- Sherry Coutu will join the Board on 1 May 2025

Committee membership key

A Audit
N Nomination
Re Remuneration
Ri Risk
S Sustainability

Sir Nicholas Lyons
Chair of the Group Board

Appointed:
31 October 2018 to 1 September 2022, reappointed on 1 December 2023

Committee: N
Chair of the Nomination Committee

Career and experience
Nicholas has wide-ranging experience across the financial services industry, both in executive and non-executive roles. He started his career at Morgan Guaranty Trust Company of New York UK (later JP Morgan LLP), where he held various roles in Debt and Equity Capital Markets and then in Mergers & Acquisitions. He later moved to Salomon Brothers and then to Lehman Brothers International Limited where he was a Managing Director and Co-Head of their European Financial Institutions Group and then Global Co-Head of Recruitment, Training and Career Development for the whole of Lehman Brothers. Nicholas has extensive Non-Executive Director ('NED') experience, including Chair of Miller Insurance Services LLP, Senior Independent Director of Pension Insurance Corporation plc and Catlin Group Limited and NED of Friends Life Group Limited and Convex Group Limited. Nicholas is a member of the Chartered Insurance Institute.

Key skills and competencies
- Seasoned business leader with experience and understanding of insurance and the financial services industry, including the regulatory environment.
- Strong communicator, bringing a sharp focus to people leadership, succession planning and development.
- Experience in the governance of large-scale business operations, leading mergers and acquisitions and managing complex projects which are skills key to the fulfilment of Phoenix Group's vision and purpose supporting his role as an experienced Chair of the Group Board.

Current external appointments
NED at Convex Group Limited and Alderman in the City of London.

Andy Briggs, MBE
Group Chief Executive Officer ('CEO')

Appointed:
10 February 2020

Career and experience
Andy joined Phoenix Group in 2020 with over 30 years of experience in the insurance industry. He has held senior executive roles across multiple business areas in the industry including: CEO of UK Insurance and Global Life and Health at Aviva plc; CEO of Friends Life Group Limited; Managing Director of Scottish Widows; CEO of the Retirement Income Division at Prudential plc and Chair and President of the Association of British Insurers ('ABI'). Andy is a Fellow of the Institute of Actuaries.

Key skills and competencies
- Sound executive leadership and a considered approach to strategy, demonstrated through continued delivery of the Group's operating model. Andy has a strong history of high-profile M&A work in his previous roles.
- Broad knowledge of the global insurance industry which helps inform views on long-term strategic direction.
- Proactive approach to understanding stakeholder priorities, which closely aligns to Phoenix Group's core social purpose and strategy, including work on developing initiatives such as Midlife MOT, financial and digital inclusion.

Current external appointments
President of the ABI and a member of the Business in the Community Leadership Council.

Nicolaos Nicandrou
Group Chief Financial Officer ('CFO')

Appointed:
2 December 2024, subject to regulatory approval

Career and experience
Nicolaos joined Phoenix Group on 2 December 2024 with over 30 years of financial services experience. He most recently held the position of Chief Executive Officer at Prudential Asia & Africa, and prior to this was Group CFO of Prudential plc.

Nicolaos has held several senior finance and executive leadership roles during his career including CFO of Aviva UK Life, Group Financial Control Director of Aviva plc and Chair of the European Insurance Industry CFO Forum. He is a Non-Executive Director ('NED') of Kingdom of Saudi Arabia Insurance Authority and a member of the Institute of Chartered Accountants of England & Wales.

Key skills and competencies
- Experienced in leading significant transformational and infrastructure projects which assists with oversight of the implementation of the Group's evolved financial framework, driving progress towards being the UK's leading retirement savings and income business.
- Detailed knowledge of financial markets as leader of Phoenix Group's financial strategy, which supports achievement of strong financial results in line with the financial framework of Cash, Capital and Earnings.
- Extensive financial services experience and strong awareness of the global life insurance sector enabling informed contributions to discussions on long-term strategy.

Current external appointments
NED and member of the Audit Committee of Kingdom of Saudi Arabia Insurance Authority.

Karen Green
Senior Independent Director ('SID')

Appointed:
1 July 2017

Committee: N Re Ri S
Chair of the Sustainability Committee

Career and experience
Karen has over 30 years of financial services experience. She has held a number of senior executive roles including Chief Executive Officer of Aspen UK (comprising the principal insurance and reinsurance companies of the Aspen Insurance Holdings, a NYSE listed specialty re-insurer), Principal of MMC Capital Limited (now Stonepoint Capital LLC) and Director of Corporate Development of GE Capital Europe Limited. Karen has significant Non-Executive Director ('NED') experience, including Chair of the Remuneration Committee at Admiral Group plc, a former Council member and Chair of the Investment Committee at Lloyd's of London, and NED and SID Designate[1] at Great Portland Estates plc.

Key skills and competencies
- Significant experience in the insurance industry which supports oversight of Phoenix Group's activity, aligned with market expectations and stakeholder needs.
- A strong background in strategic planning and corporate development including M&A which facilitates informed oversight and constructive challenge of the development and execution of Phoenix Group's growth strategy.
- A balanced sounding board, with significant leadership experience and understanding of the Phoenix Group allowing the provision of well qualified support to the Chair of the Group Board and Board as a whole as SID.

Current external appointments
NED and Chair of the Remuneration Committee at Admiral Group plc, Board member and Chair of the Audit Committee of Tucano Holdings Jersey Ltd (the TMF Group), SID and Chair of the Audit and Risk Committees at Miller Insurance Services LLP and Ben Nevis Cleanco Ltd (the Miller broking group), NED and SID Designate[1] at Great Portland Estates plc, Adviser at Cytora Limited and Trustee of Wellbeing of Women.

1 With effect from 4 April 2025.

Eleanor Bucks
Independent Non-Executive Director ('NED')

Appointed:
1 December 2023

Career and experience
Since 2021, Eleanor has been Chief Investment Officer of Lloyd's of London. Prior to this, she was at Legal & General plc holding several senior roles including: Chief Operating Officer of Legal & General Capital, Managing Director of Direct Investments and Real Assets and Chief Investment Officer of Legal & General Retirement. Eleanor serves as Chair of Lloyd's Investment Platform ICAV and has held executive directorships as Chair of Legal & General Investment Management's Alternative Investment Fund Manager and Director of Legal & General's Single-Family Build-to-Rent business. Eleanor is a Fellow of the Institute of Actuaries.

Key skills and competencies
- Seasoned investment professional, experienced in leading high performing investment teams and setting investment strategy for both insurance and pension funds.
- Deep understanding of the life insurance sector and the investment approaches that underpin those businesses, which brings an external perspective and supports the delivery of robust, constructive challenge and guidance during Board discussions.

Current external appointments
Chief Investment Officer of Lloyd's of London.

Sherry Coutu, CBE
Independent Non-Executive Director ('NED')

Appointed:
1 May 2025

Committee: Re

Career and experience
Sherry has a wealth of business and entrepreneurial experience, having founded several technology companies and invested in both tech start-up companies and venture capital firms. Throughout her career, Sherry has held senior leadership positions including Chief Executive Officer at Interactive Investor International plc and UK Managing Director at ISI Emerging Markets Group and has supported numerous companies in their transformation journeys.

Sherry has significant experience as a NED from a combination of technology, investment, innovation, education and financial services organisations that empower their customers. Her experience includes roles as NED at London Stock Exchange Group plc, Senior Independent Director ('SID') and Chair of the Remuneration Committee at RM plc and Raspberry PI and NED and Chair of the Remuneration Committee at Pearson plc and Zoopla plc before it was bought by private equity.

Key skills and competencies
- Established Remuneration Committee Chair with experience in different industries and regulated environments which enables well-informed and productive discussions at the Remuneration Committee, whilst always being mindful of Phoenix Group's stakeholders.
- Deep understanding of the role posed by technology, Artificial Intelligence and cyber within the business environment, which offers a unique insight into the ways in which Phoenix Group can capitalise on opportunities internally and keep abreast of risks whilst navigating a rapidly changing landscape.

Current external appointments
NED and Chair of the Remuneration Committee at Pearson plc, SID and Chair of the Remuneration Committee at Raspberry Pi, Chair of Trustees at Founders4Schools and Trustee of National Numeracy.

Board leadership and Company purpose continued
Our Board of Directors

Mark Gregory
Independent Non-Executive Director ('NED')

Appointed:
1 April 2023

Committee: A N Ri
Chair of the Risk Committee

Career and experience
Mark has 25 years of experience in the financial services industry. Most recently, Mark was Chief Executive Officer ('CEO') of Merian Global Investors Limited ('Merian'). Preceding this, he held roles at Legal & General Group plc including Group Chief Financial Officer, CEO of Savings and Managing Director of With Profits, at Asda Limited as the Divisional Director for Finance and the Business Development Director and at Kingfisher plc as a Senior Financial Analyst. His NED experience consists of roles as NED and Chair of the Risk Committee at Direct Line Insurance Group plc and NED at Entain plc and Merian. Mark is an associate of the Institute of Chartered Accountants in England & Wales.

Key skills and competencies
- A wealth of executive finance experience and acumen and a deep knowledge of the insurance industry, particularly life and general insurance, which contribute to his effectiveness as Chair of the Risk Committee and a member of the Audit Committee.
- Highly qualified to appraise strategy development and execution having led corporate projects and transactions with added appreciation of the retail sector and customer service activity.
- Valuable experience in establishing and delivering strategy whilst managing risk appetite and compliance, which contributes to his effectiveness as Chair of the Risk Committee.

Current external appointments
NED and Chair of the Risk Committee at Direct Line Insurance Group plc, NED of Churchill Insurance Company Limited, UK Insurance Limited and Westdown Park Management Company Limited.

Hiroyuki Iioka
Non-Executive Director ('NED')

Appointed:
23 July 2020

Shareholder Nominated Director

Career and experience
Hiroyuki is the appointed representative of one of Phoenix Group's major shareholders, MS&AD Insurance Group Holdings Inc. ('MS&AD'). He has over 37 years of experience and is currently Senior General Manager for the International Business Planning Department at MS&AD. Previously he was General Manager for the Asian Life Insurance Business Department at Mitsui Sumitomo Insurance Company Limited (Japan) and Assistant General Manager for MSIG Holdings (Europe) Limited (UK). Hiroyuki's NED experience includes roles as NED of ReAssure Group plc, Mitsui Sumitomo Insurance (London Management) Limited (UK) and an Alternate NED of Challenger Limited (Australia). Hiroyuki is a Chartered Member of the Securities Analysts Association of Japan and Certified International Investment Analysts.

Key skills and competencies
- Commercial business leader, providing an international business perspective, with strong global insurance and financial services industry experience.
- Responsible for general management, including managing efficient and effective operations and business development within the financial services industry.

Current external appointments
Senior General Manager of International Business Planning Department for MS&AD Insurance Group Holdings, Inc. and Alternate NED of Challenger Limited (Australia).

Katie Murray
Independent Non-Executive Director ('NED')

Appointed:
1 April 2022

Committee: A N
Chair of the Audit Committee

Career and experience
Katie has over 30 years of experience gained across the financial services industry and is currently Group Chief Financial Officer ('CFO') of NatWest Group plc, having also acted as Deputy Group CFO. Prior to this, Katie spent a number of years at Old Mutual plc, where she held various senior executive roles including Group Finance Director of Old Mutual Emerging Markets, Director of Finance – Group Chief Accountant and Head of Group Planning and Analysis. She was also a Senior Audit Manager at KPMG LLP. Katie is a member of the Institute of Chartered Accountants in Scotland.

Key skills and competencies
- Vast financial services experience means that she is well placed to provide valuable and technical input in both Board discussions and in her capacity as Chair of the Audit Committee.
- Current business leader with recent and relevant financial experience and deep understanding of industry complexities.
- Valuable knowledge and executive director experience within global financial services organisations.
- Plays an active role in the development and reporting for climate reporting across the financial services sector.

Current external appointments
Group Chief Financial Officer of NatWest Group plc.

Belinda Richards
Independent Non-Executive Director ('NED')

Appointed:
1 October 2017

Committee: Re Ri

Career and experience
Belinda has extensive financial services and strategy experience from a 30-year career. She was Senior Partner and Global Head of Merger Integration and Separation Advisory Services at Deloitte LLP. Prior to this, Belinda was Vice President of Post-Acquisition Integration and Separation Services at Ernst & Young LLP and Principal of Corporate Finance and Strategic Advisory Services at KPMG LLP. Her NED experience includes roles as Chair of the Audit Committee of Avast plc and William Morrison Supermarkets plc, Senior Independent Director of Grainger plc and NED of Aviva Life & Pensions UK Limited and Friends Life Group Limited.

Key skills and competencies
- Highly qualified to appraise corporate growth opportunities, integration processes and the post-acquisition environment allowing the provision of robust challenge and guidance in relation to the Phoenix Group's strategy.
- Extensive leadership experience and technical perspective enabling contribution to Risk and Remuneration Committee discussions and debate.

Current external appointments
NED at The Monks Investment Trust plc, NED and Chair of the Sustainability Committee of Olam Food Ingredients (Singapore).

David Scott
Non-Executive Director ('NED')

Appointed:
11 May 2023

Shareholder Nominated Director

Career and experience
David is the appointed representative of one of Phoenix Group's major shareholders, Aberdeen Group plc ('Aberdeen'). He has over 35 years of financial services experience and is currently Chief Enterprise Technology Officer at Aberdeen. His previous roles include Chief Security and Resilience Officer and Group Digital & IT Strategy Director at Aberdeen, Group Operations & IT Director at Bankhall Investment Management and Head of IT at Aegon Asset Management UK. David's NED experience includes roles as NED of Origo Services plc and Chair of the University of St Andrews Students' Association. He is a Fellow of the Institute of Directors, a Full Professional Member of the British Computer Society, and a Chartered IT Professional.

Key skills and competencies
- Expert understanding of the current and future role of technology across the financial services industry, and the impact of disruptive trends and resultant transformation.
- Knowledge of leading and driving enterprise technology strategies and operating models, innovating and digitising for the future, which is invaluable to Phoenix Group's aim of organic growth.
- Understanding of operations, strategic development and implementation and customer experience which relates closely to the Phoenix Group's objectives.

Current external appointments
Chief Enterprise Technology Officer at Aberdeen Group plc.

Maggie Semple, OBE
Independent Non-Executive Director ('NED')

Appointed:
1 June 2022

Committee: Re S
Designated NED for Workforce Engagement

Career and experience
Maggie is currently a business owner and co-founder of three businesses; The Experience Corps, Maggie Semple Ltd and I-Cubed Group Ltd. Prior to this, Maggie acted as Director of Learning Experience at the New Millennium Experience Co and Director of Education and Training for the Arts Council England. She began her career in education as a teacher and later an education inspector and has received an OBE for her services to learning. Maggie's NED experience includes roles as NED of PwC Business Restructuring Services, JN Bank UK Limited, McDonald's Restaurants Limited and as an Ambassador of the Black British Voices Project.

Key skills and competencies
- A combination of experience and passion for sustainability, ethics and inclusivity which brings a breadth of knowledge across the broad ESG agenda and informs development of operations and strategy in this area.
- Brings a strong sense of social purpose and depth of perspective to Board considerations and distinguished stakeholder engagement with a highly personable style, as is evident in her role as Designated NED for Workforce Engagement.

Current external appointments
NED of JN Bank UK Limited and Crest Nicholson Holdings plc; HR Committee Member at the University of Cambridge; and Ambassador of British Black Voices Project.

Nicholas Shott
Independent Non-Executive Director ('NED')

Appointed:
1 September 2016

Committee: A N Re S
Chair of the Remuneration Committee

Career and experience
Nicholas brings recent and relevant financial services experience having retired from Lazard & Co Limited in 2021, where he spent over 30 years. There he held various positions including: European Vice Chairman and Head of UK Investment Banking. In his early years, Nicholas worked in the national newspaper sector in various management positions such as General Manager of the Evening Standard and Sunday Express and Group Marketing Director of Express Newspapers. Nicholas is a Special Adviser to the Chair and Board of the Daily Mail and General Trust plc and has been a NED for the Home Office.

Key skills and competencies
- Extensive M&A experience in multiple sectors through investment banking, enabling the provision of support and insight to the Board. He is also Chair of Phoenix Group's M&A Advisory Group.
- Knowledge of a broad range of investor and stakeholder perspectives, providing insight that enables him to lead well-informed and productive discussions at the Remuneration Committee.

Current external appointments
Special Adviser to the Chair and Board of the Daily Mail and General Trust plc.

Our business, led by the ExCo

The executive management of the Group is led by the Group CEO, who is supported by the ExCo. During 2024, ExCo played a key role in driving Phoenix Group's year of significant progress, striving to help people secure a life of possibilities. The roles and responsibilities of each member of the ExCo can be found on:

www.thephoenixgroup.com

Andy Briggs
Group Chief Executive Officer

Nicolaos Nicandrou
Group Chief Financial Officer

Arlene Cairns
Life Chief Financial Officer & Group Performance Director

Andy Curran
Chief Executive Officer, Standard Life

Mike Eakins
Group Chief Investment Officer

Dean Galligan
Chief Capital Officer

Tom Ground
Chief Executive Officer, Retirement Solutions

Claire Hawkins
Director of Corporate Affairs & Brand

Brid Meaney
Group Chief Risk Officer

Jackie Noakes
Chief Operating Officer

Sara Thompson
Chief People Officer

Colin Williams
Chief Executive Officer, Pensions & Savings

Quentin Zentner
Group General Counsel

Kulbinder Dosanjh
Group Company Secretary (Secretary to ExCo)

Board leadership and Company purpose continued
UK Corporate Governance Code
Compliance with the UK Corporate Governance Code 2018 ('the 2018 Code')

The Board is responsible for ensuring high standards of corporate governance. Throughout 2024, the Board believes that Phoenix Group Holdings plc applied the Principles and complied with the Provisions of the 2018 Code. An update on the action taken against the two areas identified for enhancement in the 2023 Annual Report in relation to the 2018 Code is provided below:

2023 areas for enhancement – completed

Provision or Principle	Enhancement during 2024
L. Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively.	Individual evaluation formed part of the formal internal Board review during 2024 and will continue to form part of the formal internal Board reviews going forward.
41. There should be a description of the work of the Remuneration Committee in the Annual Report, including: what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy.	The Company provided an intranet announcement to the wider workforce detailing how executive remuneration aligns with the wider workforce pay policy following the AGM on 14 May 2024. Maggie Semple became a member of the Remuneration Committee on 1 January 2024 which has allowed her to discuss the alignment of Directors' pay with the wider workforce and any changes on remuneration outcomes in her role as Designated NED for Workforce Engagement and her work with the PCRF. Maggie will be working closer with the PCRF during 2025 on culture and reporting bi-annually to the Board in order to connect with her role as a member of the Remuneration Committee.

The review confirmed that all areas of the 2018 Code have been upheld through the work of the Board and its Committees. The below table confirms where disclosures to evidence this approach can be found in line with UKLR 6.6.6(5):

Board leadership and Company purpose

A.	An effective board promoting long-term success for the company, value for shareholders and contributing to society more widely.	Pages 86 to 89
B.	Purpose, values, strategy and culture	Pages 96 to 97
C.	Performance measures and controls	Pages 34 to 35, 43 to 49, 93 and 123
D.	Stakeholder engagement	Pages 98 to 100
E.	Wider workforce	Pages 96 to 97, 98 to 100, 101 to 102 and 120

Division of responsibilities

F.	The role of the Chair	Page 91
G.	Board composition and division of responsibilities	Pages 86 to 89, 91, 92 and 113
H.	Directors' responsibilities and time commitment	Pages 94 and 113
I.	Support information and resources available to the board	Page 93

Composition, succession and evaluation

J.	Board appointments, succession planning and diversity considerations, including senior management	Pages 82, 108 to 113
K.	Board skills, experience and knowledge	Pages 82, 86 to 89, 92, 113
L.	Board performance review	Pages 103 to 104

Audit, risk and internal control

M.	Independence and effectiveness of Internal and External Audit functions	Pages 118 to 133
N.	Fair, balanced and understandable assessment of company's position and prospects	Pages 50 to 51, 118 to 125, 166 to 170
O.	Risk management and internal control framework	Pages 43 to 49, 123 and 128 to 130

Remuneration

P.	Remuneration and its alignment to strategy, company purpose and values	Pages 134 to 165
Q.	Executive and senior management remuneration	Pages 134 to 165
R.	Independent judgement and discretion when authorising remuneration outcomes	Pages 134 to 165

As part of the preparations for the introduction of the 2024 Code at Full Year 2025 and Provision 29 at Full Year 2026 the Group Company Secretary supported a full review of the Group's compliance with the 2024 Code and identified the below areas for enhancement to ensure compliance during 2025.

Areas for enhancement

Provision or Principle	Action currently undertaken	Enhancement for 2025
2. The Board should assess and monitor culture and how the desired culture has been embedded.	The Board Sustainability Committee assists the Board with oversight of corporate culture through its regular reporting cycle.	Enhancing how the culture has been embedded will be further developed. A culture dashboard was introduced in 2024 for the ExCo and Board to review periodically. The dashboard received input from several functions and reports against the Company's internal culture model (The Big Three) as well as data points suggested by the Financial Reporting Council's ('FRC') Guidance on Board Effectiveness. From 2025, Maggie Semple, Designated NED for Workforce Engagement ('DNED') will report to the Board bi-annually on her reflections on how culture is being embedded from her work with the PCRF to further support the assessment and monitoring of culture.
29. The Board should monitor and review the effectiveness of the company's risk management and internal control framework and a description of how this has been done, along with details regarding the effectiveness of the material controls and action taken to improve any material controls which have not operated effectively, should be included in the Annual Report.	The Board reviews the effectiveness of the Group's system of risk management and internal controls annually.	Continued embedding of IFRS 17 through enhanced modelling and automation, and process and control improvements. Enhancing the testing of internal controls will be completed during 2025 so that the Board can comply with Provision 29 of the 2024 Code, ahead of its effective reporting date from 1 January 2026.

Division of responsibilities
Division of responsibility on the Board

Clear roles and responsibilities to drive forward our purpose and strategy

The Directors understand their role both as individuals and as a collective, to ensure the long-term success of the Company and achievement of Phoenix Group's purpose. The Board ensures the appropriate division of responsibilities on the Board and that there is no existence of unfettered power or over-reliance on any one person. The independence of Directors not only supports good governance, but also facilitates diversity of thought and inclusion on the Board.

The Board considers all NEDs to be independent, except for the Shareholder Nominated Directors and the Chair of the Group Board, who was independent on appointment.

Division of responsibilities on the Board

Chair of the Group Board
(independent upon appointment)

- Leadership and effective operation of the Board.
- Leading the Board in driving the strategy, desired culture and values of the Group. Assessing and monitoring how the Phoenix Group culture has been embedded.
- Setting the Board agenda, working with the Group Company Secretary to ensure effective meetings.
- Leading, whilst ensuring effective challenge from all members of the Board on all agenda items.
- Leading the development of and monitoring the effective implementation of policies and procedures for the induction, training and education sessions for the Board.
- Leading the highest standards of corporate governance.
- Effective shareholder engagement.
- Ensuring an orderly succession process for the Group CEO and the Board as a whole.

Group Chief Executive Officer

- Overall performance and day-to-day management of the Group.
- Leading on embedding the desired culture, values and purpose of the Group throughout.
- Operational matters relating to:
  - business strategy and management;
  - investment and financing;
  - risk management and controls;
  - recommending remuneration policies and succession plans to the relevant Board Committees for employees below Executive Board level;
  - regulation;
  - sustainability;
  - communication; and
  - HR policies.

Senior Independent Director

- Acting as a sounding board for the Chair of the Board.
- Chairing Board meetings in the Chair's absence.
- Supporting on governance matters, including the annual Board performance review and the Chair's performance review by the NEDs.
- Serving as an intermediary between the Chair and the other Executive Directors as necessary.
- Being available to shareholders whose concerns are not resolved through the normal channels or when such channels are inappropriate.
- Ensuring an orderly succession process for the Chair.

Independent Non-Executive Directors

- Assessing, challenging and monitoring Management's delivery of the strategy, within the risk and governance structure set by the Board.
- Measuring, monitoring and assessing culture.
- Robustly challenge items brought to any committee they are a member of, applying their skillset and expertise (see pages 86 to 89).
- Co-operating with the Regulators and any other applicable regulatory authority.

Designated Non-Executive Director for Workforce Engagement

- Developing an annual communication programme with the PCRF to collate employees' views.
- Acting as the primary Board feedback mechanism between colleagues across the Group and the Board and raising relevant matters, or issues of concern, highlighted by engagement with the workforce.
- Participating in ExCo and Life Companies' boards when culture is discussed.

Shareholder Nominated Directors
(not independent in line with the UK Code)

- A relationship agreement between Phoenix Group and MS&AD includes the right for MS&AD to appoint a representative NED to the Group Board, provided that MS&AD continues to hold 10% or more of Phoenix Group's shares.
- A relationship agreement between Phoenix Group and Aberdeen includes the right for Aberdeen to appoint a representative NED to the Group Board, provided that Aberdeen continues to hold 10% or more of Phoenix Group's shares.

Full descriptions of the Board's roles and responsibilities are available on Phoenix Group's website **www.thephoenixgroup.com**

Division of responsibilities continued
Division of responsibility on the Board

Andy Briggs is the President of the Association of British Insurers and a member of the Business in the Community Leadership Council.

Independence
During the year, the Nomination Committee assessed the independence of the NEDs to ensure that they are able to properly fulfil their roles on the Board and provide constructive challenge to the Executive Directors.

Conflicts of interest
A register of conflicts of interest is maintained by the Group Company Secretary. Each Director has a duty under the Companies Act 2006 to avoid a situation in which they have or may have a direct or indirect interest that conflicts or might conflict with the interests of the Company. If any Director becomes aware of any situation which might give rise to a conflict of interest, they must, and do, inform the rest of the Board immediately and the Board is then permitted under the Company's Articles of Association to authorise such conflict. This information is then recorded in the Company's Register of Conflicts, together with the date on which authorisation was given. Each Director certifies, at least annually that the information contained in the Register of Conflicts is correct and completes an annual questionnaire to ensure any conflict of interest has been disclosed. From 2025, the Company's Register of Conflicts will be presented to the Board on a quarterly basis for Directors to review.

When the Board decides whether or not to authorise a conflict, only the Directors who have no interest in the matter are permitted to participate in the discussion and a conflict is only authorised if the Board believes that it would not have an impact on the Board's ability to promote the long-term success of the Company. Additionally, the Board may determine that certain limits or conditions must be imposed when giving authorisation. At 31 December 2024, no actual conflicts have been identified which have required approval by the Board. However, the situations that could potentially give rise to a conflict of interest have been identified and duly authorised by the Board and are reviewed at the beginning of each meeting. Due care and process is, of course, applied in respect of the two Shareholder Nominated Directors for Aberdeen and MS&AD and when the Group CEO declares any conflict relating to his appointments on subsidiary boards of Phoenix Group.

Outside directorships
Executive Directors are encouraged to serve as NEDs of external companies, dependent upon time commitment in accordance with the 2024 Code. Andy Briggs is the President of the Association of British Insurers and a member of the Business in the Community Leadership Council. Nicolaos Nicandrou is a non-executive director of Saudi Arabia Insurance Authority.

Re-appointment of Directors
In accordance with the 2024 Code, all Directors offer themselves individually to shareholders for initial election or re-election annually, unless retiring immediately following the AGM.

Independent advice
All Directors have access to the advice and services of the Group Company Secretary in relation to the discharge of their duties on the Board and any Committees they serve on. Furthermore, any Director may take independent professional advice at the Company's expense. During the year, no Directors sought to do so. The Company arranges appropriate insurance cover in respect of legal actions against its Directors and has also entered into indemnities with its Directors as described in the Directors' report on page 166.

Our governance framework

The Board provides strong challenge to Management through a robust governance framework enabling cohesion of our purpose, strategy, values and culture. We maintain high standards of corporate governance to enable the successful delivery of our strategy.

Phoenix Group Holdings plc Board
Chair of the Board, Sir Nicholas Lyons

The Board's role is to provide leadership, promoting the long-term sustainable success of the Company, generating value for shareholders and positively contributing to wider society, within a framework of prudent and effective controls, which enables risk to be assessed and managed. It establishes Phoenix Group Holdings plc's strategy, leading the development and setting of its culture.

Matters Reserved for the Board and each Committees' Terms of Reference can be found at: www.thephoenixgroup.com

Our governance framework ensures that the Board is effective in both making decisions and maintaining oversight of those Committees it delegates to. The Chair of each Committee reports into the Board at the end of each Board meeting cycle.

Nomination Committee
- Recommends Board appointments.
- Reviews Board and Committee composition.
- Reviews Board and senior executive succession planning.
- Recommends Life Companies' board appointments.
- Oversees nomination, induction and evaluation of the Board.
- Oversees the diversity, equity and inclusion of the Board and senior appointments.
- Monitors skillset of the Board in line with the Group's strategy.

Committee report on **page 108**

Audit Committee
- Monitors the integrity of financial reporting.
- Reviews of significant reporting judgements.
- Assesses the effectiveness of the Group's internal controls system.
- Maintains an appropriate relationship with the External Auditor.
- Reviews the Internal Audit programme and any recommendations.
- Reviews ESG reporting.
- Monitors Speak Up.

Committee report on **page 118**

Risk Committee
- Reviews the risk appetite and high-level risk matters ensuring they are appropriate for the Group as a whole.
- Assesses the effectiveness of the Group's Risk Management Framework.
- Oversees the appropriateness of the Group's capital and liquidity requirements.

Committee report on **page 128**

Sustainability Committee
- Agrees the Sustainability Strategy.
- Reviews ESG reporting.
- Monitors culture, and diversity, equity and inclusion ('DE&I').

Committee report on **page 131**

Remuneration Committee
- Sets and reviews the Group's remuneration framework.
- Recommends Executive Directors' remuneration and policy.
- Reviews Chair, executive, senior management and SMF remuneration.
- Assesses the impact of the Group CRO report on any undue risk taken by individuals or the Group and applying its discretion.
- Reviews performance related share schemes.
- Reviews wider workforce remuneration related policies.

Committee report on **page 134**

ExCo supports the Group CEO in discharging his responsibilities in managing Phoenix Group's business day-to-day. In addition, a Market Disclosure Committee reports into the Group CEO and has oversight of Phoenix Group's disclosure obligations in accordance with the Listing Rules.

Board support
All Board Directors have access to the advice and services of the Group Company Secretary to support the discharge of their duties and on matters of governance.

The Group Company Secretary supports the Chair of the Group Board, ensuring that the Directors receive accurate, timely and clear information. Appropriate policies, processes, time and resources are available to the Board to ensure its effective and efficient operation.

The Group Company Secretary ensures that accurate records of Board and Committee meetings are prepared on a timely basis enabling unresolved concerns of Directors to be duly recorded. No concerns were recorded during 2024.

Division of responsibilities continued
2024 Board and Committee meeting attendance

The Board met formally seven times during 2024, including a two-day strategy setting meeting. The Board regularly holds calls outside of the formal Board schedule to facilitate education sessions or provide support or feedback to Management on matters between meetings if required. The NEDs met with the Chair of the Group Board on at least seven occasions without Executive Directors present, which normally takes place after each Board meeting.

The Chair works closely with the Group Company Secretary and Group Executive Directors to plan appropriate and well-informed agendas, ensuring time is given to strategic matters and full challenge can be provided by the Board.

Planning Board meeting agendas:

- The Group Company Secretary meets with the Group CEO to discuss the first draft of the Board agenda following the previous ExCo meeting. Meeting agendas stem from the annual planner, which is approved by the Board at the end of each year and sets out the regular items and expected topics of discussion for the following year. Management, following consultation with the Group Company Secretary, may add items to the agenda which are notified to the Group CEO for approval.
- This agenda is then taken to the Chair of the Group Board who meets with both the Group CEO and Group Company Secretary to provide feedback. Actions from the previous meeting, the Board planner, strategic items and stakeholder matters, for example our regulatory relationships, are discussed to ensure the agenda is appropriately balanced.
- The Board planner is reviewed in that meeting and updated in anticipation of the next agenda. A similar process is followed by the Group Company Secretary or their designate for each of the Board Committee meetings.

The following Board and Board Committee attendance table details all formal Board and Board Committee meetings held during 2024. Board members are expected to attend all formal Board meetings with the aim of 100% attendance.

The Nomination Committee has confirmed its satisfaction with the time and commitment given to the Phoenix Group Board and its Committees by all Directors.

	Board	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee	Sustainability Committee
	Actual/Max	Actual/Max	Actual/Max	Actual/Max	Actual/Max	Actual/Max
Chair						
Sir Nicholas Lyons	7/7	–	–	–	6/6	–
Executive Directors						
Andy Briggs (Group CEO)	7/7	–	–	–	–	–
Rakesh Thakrar (Group CFO)[1]	4/4	–	–	–	–	–
Nicolaos Nicandrou (Group CFO)[2]	1/1	–	–	–	–	–
Non-Executive Directors						
Karen Green[3]	7/7	–	2/2	5/5	6/6	5/5
Eleanor Bucks	7/7	–	–	–	–	–
Mark Gregory[4]	7/7	8/9	8/8	–	–	–
Hiroyuki Iioka	7/7	–	–	–	–	–
Katie Murray	7/7	9/9	–	–	6/6	–
John Pollock	7/7	9/9	8/8	–	6/6	–
Belinda Richards	7/7	–	8/8	5/5	–	–
David Scott	7/7	–	–	–	–	–
Maggie Semple[5]	7/7	–	6/6	5/5	–	5/5
Nicholas Shott	7/7	9/9	–	5/5	6/6	5/5

1 Rakesh Thakrar stepped down from the Board on 8 September 2024.
2 Nicolaos Nicandrou was appointed as a Director of the Board and Group CFO on 2 December 2024, subject to regulatory approval.
3 Karen Green became a member of the Risk Committee on 13 September 2024.
4 Mark Gregory was unable to attend an Audit Committee meeting due to an unforeseen clash of meetings. He read all papers and provided comments to the Chair of the Audit Committee prior to the meeting.
5 Maggie Semple stepped down as a member of the Risk Committee on 12 September 2024.

Board activities

During 2024, in addition to the scheduled meetings, the Board calendar is supplemented with an annual two-day strategy session along with additional education sessions. Details of the education sessions delivered can be found on pages 106 and 107.

Regular quarterly items

- Group CEO report.
- Group CFO report.
- Asset Management update.
- Project updates.
- Regular Board Committee reports.
  - Group Internal Audit updates (via Audit Committee).
  - Regulatory updates (via Risk Committee).
  - Liquidity management update.
  - DE&I report (via Sustainability Committee).
  - People and Culture report (via Sustainability Committee). From 2025 this will also be part of the Group CEO report.
- Life Companies' board reports including Consumer Duty updates.
- Designated NED for Workforce Engagement report.
- Legal, governance and regulatory updates.

Other key matters considered during the year

	Q1	Q2	Q3	Q4
Purpose, values and strategy	• Approved the 2024 Business Plan • Received an update on Social Partnerships	• Held a two-day strategy meeting in June 2024	• Reviewed and approved the Interim Report	• Approved the 2025 Business Plan • Reviewed the strategy for Phoenix Re, Bermuda
Financial management and performance	• Reviewed and approved the Annual Report and Accounts, including the Going concern & Viability statement, the Full Year 2023 RNS and the Full Year 2023 Investor Presentation • Considered and approved the Fair, Balanced and Understandable statement • Approved Phoenix Group's dividend policy • Recommended the 2023 Final dividend • Approved the Solvency and Financial Condition Report ('SFCR') • Reviewed and approved a Trading Update • Considered the Group's hedging	• Approved the Annual Quantitative Reporting Templates • Received an update on the Group's hedging strategy • Approved the Group's tax strategy • Approved the appointment of the Group's External Auditor • Received an update on Liquidity Management	• Reviewed and approved the Half Year 2024 Investor Presentation • Approved the 2024 Interim dividend • Approved the Going concern statement • Considered the Group's hedging	• Reviewed the Group's funding strategy • Approved the External Auditor's fees • Considered the Group's hedging
Risk management and internal controls	• Received an update on Risk Culture • Approved the Internal Controls Self-Assessment ('ICSA') report update • Risk Universe Annual Refresh • Considered the Risk Appetite Framework Annual Review	• Reviewed the Own Risk & Solvency Assessment ('ORSA') • Change management oversight	• Approved the ORSA • Reviewed and approved the Share Dealing policy • Reviewed and approved the Corporate Affairs and Brand Risk policy • Reviewed the Group's principal risks and uncertainties	• Received a customer and conduct risk update • Considered deep dives into the 2025 Business Plan before providing Board approval • Reviewed and approved the Group Tax Risk policy • Completed an annual deep dive into the risk profile of Standard Life International • Approved the Credit Risk Appetite • Approved the Dividend Risk Appetite
Governance	• Monitored compliance with the 2018 Code • Assessed NED independence and time commitment • AGM re-election of Directors • Approved the renewal of NED appointments • Considered the results of the Board performance review	• Held the 2024 AGM • Reviewed the Group's brand strategy • Approved the Board DE&I policy	• Approved the appointment of the Group CRO (subject to regulatory approval) • Reviewed the tenure of the Chair and the NEDs	• Approved the conflicts of interest register • Reviewed the Matters Reserved for the Board • Approved the Board DE&I policy
People, culture and sustainability	• Reviewed the 'Who We Are' diversity data • Received an update on Phoenix Flex • Considered the Board Succession Plan • Reviewed and approved the Sustainability Report, the Climate Report and the TCFD disclosures • Approved the 2024 Sustainability Strategy • Monitored the progress against the Net Zero Transition Plan	• Reviewed the appropriateness of the Group's social impact initiative • Received the Gender & Pay Gap report • Approved the Modern Slavery Statement • Approved the 2023 Stewardship Report	• Considered the Executive Committee Succession Plan	• Held a people & culture review session • Reviewed the people & culture strategy • Approved the Whistleblowing policy
Stakeholder engagement	• Received feedback from the Chair's Roadshow	• Considered Full Year 2023 investor feedback	• Reviewed the Group's approach to Consumer Duty	• Considered the Pensions & Savings customer strategy

Division of responsibilities continued
Our culture

The following pages explain how the Directors of Phoenix Group monitor and assess the embeddedness of its desired culture across the organisation.

As the principal decision-making body for the Group, the Board sets the cultural tone for the organisation through strong custodianship and alignment with the Group's intended purpose, values, and strategy.

Our desired culture: The Big Three
Previously, the Group's culture had developed organically as the organisation grew, utilising the strengths from each new organisation as Phoenix Group underwent an acquisitive period. During 2024, the Group reviewed its culture and decided to align it more holistically to both the Company's purpose and vision and to unify the cultures from the organisations that now form Phoenix Group.

The Board and Management are cognisant that evolving the culture of the Company will be key to ensuring that Phoenix Group is "the best place colleagues have ever worked" and is aligned to the operational and commercial success of the organisation. It is recognised that in order to achieve this, barriers must be removed to cultivate conditions that enable greater alignment and collaboration across the business. The Big Three are the Group's guiding principles and the newly designed cultural strategy serves as a roadmap to embed The Big Three into everything we do, providing a framework for optimum commercial growth whilst maintaining focus on customer outcomes.

Whilst introducing new cultural principles, Management has focused on maintaining an iterative and agile phased approach to culture evolution with a colleague-centric method to the redesign. The Big Three was created as a result of extensive engagement with colleagues across all functions and an in-depth review of the mechanisms available for bringing values and culture ambitions to life. Detailed diagnostic work into the Company's previous culture uncovered several strengths and areas for development which were grouped into priority themes. Colleagues suggested that clear cultural statements would assist in clarifying organisational aims and provide a robust framework through which colleagues and leaders could challenge and prompt behavioural norms.

The Big Three was launched with the aim of being simple, clearly expressed and relevant to all colleagues across the Group, agnostic of brand. The culture strategy and the concept of The Big Three were externally validated by advisers with extensive experience supporting UK Financial Services organisations on their culture evolution journey. Feedback from this review was reported to the ExCo and the Board with actions which will be tracked closely throughout 2025. A three-year strategy for culture evolution will be used to set the foundation for a workplace where colleagues can thrive, find purpose in their work and deliver results for customers.

Embedding and measuring our culture
Following the roll-out of The Big Three, the Board has been focused on ensuring that the culture is embedded in ways of working throughout the organisation.

To effectively monitor and measure the culture and its embeddedness across the organisation, the Board will be presented with more holistic data to enable the tracking of progress against The Big Three and the priority areas for action. Quantitative and qualitative data, including a range of metrics and colleague feedback will be collated to ensure that a true and holistic snapshot of culture is presented to the Board.

In 2025, the Board will ensure that the dataset will be challenged and reviewed, and a clear action plan to close gaps between the current and desired state will be created and monitored.

The Big Three

We put our customers first

We aim high

We work together

How the Board and its Committees monitor and assess culture

Board performance review
The annual Board performance review is used to review the Board's performance as a whole, as well as individual elements, such as measuring how effective the Board has been in promoting the Group's culture and assessing whether the Board continues to set a clear cultural 'tone from the top' by embodying the Group's values. The Nomination Committee advises the Board on succession planning to ensure that appropriate candidates are chosen and the desired culture is preserved.

Employee engagement survey – Peakon
Peakon is the Group's main platform for employee feedback and empowers colleagues to speak openly and honestly about their experiences at work. This survey is completed on a monthly basis, providing recent and relevant insights directly from colleagues. This helps the Board to gain an awareness into how colleagues experience working at Phoenix Group which subsequently assists with monitoring the culture.

Board engagement
As part of each Board meeting cycle, the Board holds in-person sessions with colleagues. Through this two-way dialogue, the Board is able to understand colleague experiences and the topics that matter most, helping the Board to monitor culture and supporting it with discharging its duties under s.172 by having regard to the interests of the Company's employees. To read more about the work of our Designated NED for Workforce Engagement throughout 2024, please see pages 101 to 102.

Workforce policies
Workforce policies help support fairness and consistency by describing colleague's entitlements and responsibilities at work. These policies reinforce the Group's culture and strengthen understanding of the required behaviours across the organisation.

Internal Audit
To achieve the principles contained in the Internal Audit Charter the Board is required to set an appropriate 'tone at the top'. This is to ensure a supportive and collaborative culture of internal audit, assurance and internal controls at all levels of the organisation. Updates on the effectiveness of this are provided to the Audit Committee on a regular basis.

Remuneration
The Remuneration Committee is responsible for ensuring that the Remuneration policy and practices are established, implemented and maintained in line with the Group's culture and strategic direction. The Committee liaises with the Group CRO, and the Board Risk Committee to ensure that risk is incorporated into remuneration discussions, guidance is provided on individuals whose remuneration may require adjustment and the management of material risks are considered to support application of the Annual Incentive Plan rewards ('AIP').

Diversity, equity & inclusion
The Sustainability Committee oversees the implementation of the Diversity, Equity and Inclusion strategy. The strategy shapes the Group's culture and supports the ambition to be the best place that colleagues have ever worked.

Customer
The Life Companies have primary responsibility of overseeing the Group's customer strategy, encouraging a culture of customer centricity and in turn helping people secure a life of possibilities.

Risk culture
The Risk Committee monitors the Group's risk culture which determines our awareness, attitude and behaviour towards risk and is an important feature of the Group's culture.

Intranet and employee communications
Colleague communications, providing Group-wide news and updates, emphasising the Group's values and culture and promoting The Big Three (the Group's guiding principles), are provided in a variety of formats such as intranet announcements and interactive all colleague hybrid sessions called 'Phoenix Live'.

Site visits
The Board conducts site visits across the Group's main offices in order to better understand specific colleague experiences, which vary depending on location. These visits enable the Board to monitor culture and ensure appropriate tailored responses to any specific needs.

Culture dashboard
The Board, via the Sustainability Committee, monitors and assesses culture on a quarterly basis. This consists of a culture dashboard which includes statistics on employee surveys, diversity data and talent pipeline development. The Board also receives regular culture updates from the Group CEO.

Stakeholder engagement
s172 statement

A key responsibility of all directors of UK companies under Section 172 of the Companies Act 2006 (the 'Act') is their duty to promote the success of the Company.

Stakeholder engagement allows our Board to understand what matters to our stakeholder groups and to consider all relevant factors when conducting business in the interest of stakeholders in the long term.

Strategic engagement reinforces the understanding of issues material to each stakeholder group and includes a combination of business-led and Board-level interaction, and the Board has aimed to establish a business culture that ensures stakeholder interests are at the forefront of decision-making process at every echelon of the organisation. As well as discussions at Board level, the ExCo regularly engages with stakeholders and discusses any key issues identified.

The Board is aware that it is not always possible to provide positive outcomes for all stakeholders and the Board might be required to make decisions by balancing the competing priorities of stakeholders. The Board seeks to take decisions that it believes are most likely to provide results that deliver the strategy, therefore serving the interests of all stakeholders in the long-term.

Further information as to how the Board have had regard to the matters set out in the Act are incorporated by cross-reference and in the table to the right.

s172 Principle	Relevant Disclosure
The likely consequence of any decision in the long term	• Chair's statement (pages 10 to 11) • Group CEO's report (pages 12 to 15) • Risk Management and principal risks (pages 43 to 49) • Board activities (page 95) • Viability statement (page 50 to 51) • Going concern (page 168) • Our strategic priorities and KPIs (pages 26 to 32 and 34 to 35) • Our business model (pages 16 to 19)
The interests of the Company's employees	• Our culture (pages 96 to 97) • Workforce engagement (pages 101 to 102) • Our business model (pages 16 to 19) • Sustainability Report (www.thephoenixgroup.com) • Nomination Committee report (pages 108 to 113) • Remuneration Committee report (pages 134 to 137) • DE&I (pages 111 to 113) • Speak Up policy (page 120)
The need to foster business relationships with suppliers, customers and others	• Our business model (pages 16 to 19) • Sustainability Report (www.thephoenixgroup.com) • Sustainability Committee report (pages 131 to 133)
The impact of the Company's operations on the community and the environment	• TCFD (pages 54 to 55) • SECR (pages 80 to 81) • Sustainability Report (www.thephoenixgroup.com) • Sustainability Committee report (pages 131 to 133) • Net Zero Transition Plan (www.thephoenixgroup.com)
The desirability of the Company maintaining a reputation for high standards of business conduct	• Risk Management (pages 43 to 45) • Board activities (page 95) • Sustainability Report (www.thephoenixgroup.com) • Board performance review (pages 103 to 104) • Division of responsibilities (pages 91 to 96) • Our governance framework (page 93)
The need to act fairly as between members of the Company	• Annual General Meeting (pages 85 and 167) • Dividend policy & Final dividend (pages 33, 42 and 166) • Sustainability Committee report (pages 131 to 133) • Our business model (pages 16 to 19)

s172 preparation, discussion and feedback mechanism

Director induction and training

- The Directors' induction programme includes detailed training on Directors' duties and the requirements of s172
- The Board is formulated to include a diverse set of skills and experience which contribute to well-considered and strategic decision-making

Board information

- Each Board and Committee paper submitted to the Directors has a segment where s172 considerations are set out, including any engagement that has taken place
- Board and Committee agendas contain the details of Directors' duties

Board discussion

- Rigorous risk management, challenge and assessment of s172 factors to ensure value creation in the short, medium and long-term
- The Chair of the Board or each Committee is responsible for ensuring that the outcomes and decisions are informed by s172 factors
- The s172 factors are discussed by the Board to ensure that long-term value is created for stakeholders

Board decision feedback to business

- PCRF consultation and feedback loop from the DNED
- Intranet communications on business-wide decisions
- Senior Management tasked with follow-up actions
- Board updated on progress as the decision is actioned

Key stakeholder groups

Customers

How we engage

- Received formal training and updates on Consumer Duty regulations implemented in July 2024 for closed book products.
- Customer strategy was discussed at the annual strategy days in June 2024.
- Financial education webinars rolled out to Standard Life customers.
- Customer satisfaction scores are tracked and included in the AIP for Executive Directors, monitored by the Remuneration Committee.
- Regular Board updates on customer strategy and risk, customer experience, customer journeys and customer service levels.
- Customer shareholders were able to submit questions in advance of the AGM as well as on the day.
- Strong stewardship to support better outcomes.

Outcome

- In July 2024, the Group announced that it would create a new investment management business with Schroders plc, Future Growth Capital, that aims to champion investing in UK and global private markets to improve outcomes for long-term pension savers.
- Following an increase in industry-wide complaints, a deep-dive on root cause analysis was scheduled at the Life Companies' board risk committee for Q1 2025.
- Colleagues from the customer relations teams were present at the AGM to respond to specific questions from customer shareholders and to expedite resolutions where possible.

Colleagues

How we engage

- Colleague shareholders were given the opportunity to meet the Board and submit questions at the AGM.
- The Group CEO and other members of the ExCo presented 'Phoenix Live' events throughout the year to provide workforce updates and receive live Q&A both in-person and through the streaming platform.
- Colleague engagement sessions were held by the Board during each Board and Committee meeting session throughout 2024.
- The Board receives regular updates from the DNED for Workforce Engagement following engagement sessions with colleagues and the PCRF.
- DE&I 'Who We Are' surveys to better understand the composition of the workforce and their needs.
- The Board, together with the Board Audit Committee, reviews Speak Up data.

Outcome

- To better understand the colleague experience at different sites, the Board travelled to Edinburgh to conduct its strategy days, and held the October Board and Committee meetings in Wythall.
- In recognition of the estimate from a DE&I survey completed by 64.3% of colleagues that 21.2% of respondents were a carer, Phoenix Group launched its 'Caring for Carers' campaign to support colleagues financially, professionally, and emotionally during their journey. As such, the Company won 'Best for Carers and Eldercare' at the Working Families Best Practice Awards 2024, as well as 'Best Employer for Carer Support and Workplace Policies' and 'Best Employer for Carer Practical Support' at the Carer Positive Awards.
- Phoenix Group won 'Best Flexible Working Initiative' at the CIPD Management Awards 2024.

Shareholders

How we engage

- The Board engaged directly with shareholders before and at the 2024 AGM.
- The Board received regular updates from the Chair of the Group Board on investor relations roadshow meetings.
- The Board received regular updates from the Group CEO on investor relations activities and feedback/questions received from investors.
- The Board reviewed all shareholder communications, including the Annual Report, Interim Report, Notice of Annual General Meeting, Trading Updates and a Letter to our largest Shareholders on the appointment of Nicolaos Nicandrou as Group CFO.
- The Board is also composed of two Shareholder Nominated Directors from our major shareholders, Aberdeen and MS&AD, who join Board meetings and share direct views on behalf of those institutions.

Outcome

- All resolutions at the 2024 AGM passed with at least 97% in favour.
- Following engagement with stakeholders and detailed discussion by the Board on the strategic vision of the Company, in March 2024, the Board approved a progressive and sustainable ordinary dividend policy, which is underpinned by the sustainable, growing operating cash generation that the Board expects to deliver over the long term.

Stakeholder engagement continued

Key stakeholder groups

Community and environment

How we engage

- Supporting employee volunteering and fundraising programmes across the Group, particularly through the Company's social partnership with Carers UK and the Give As You Earn scheme.
- The Board, via the Board Sustainability Committee, received regular updates on progress against the Group's Sustainability Strategy and Net Zero Transition Plan.
- Regular horizon scanning updates are provided to the Board via the Board Sustainability Committee to ensure that Directors are apprised of regulatory and climate-related changes.
- The Board answered questions at the 2024 AGM on the Company's climate ambitions and strategy.

Outcome

- Since announcing the Group's partnership with Carers UK in May 2024, colleagues have raised over £125,000, which included a period of triple-matching contributions by the Company.
- In acknowledgement of the prevalence of climate risk to both the business and its communities, the Board created a bi-annual joint committee of the Board Audit, Risk and Sustainability Committees to review disclosures and to assess climate specific risks.

Suppliers

How we engage

- Together with the Board Risk Committee, monitored risks related to suppliers, including the potential for poor customer service and risks connected with the migration of acquired books of business.
- Modern Slavery Statement approval.
- Human Rights policy approval.
- All supplier related activity is managed in line with Group procurement processes to ensure that risk is managed and mitigated.
- ESG Supplier Standards are approved by the Board Sustainability Committee.

Outcome

- To ensure continued efforts to strengthen controls and best practice in sustainability within the supplier base, the ESG Supplier Standards will be tabled at the Board Sustainability Committee for review and approval annually.
- Practices and processes reinforced to ensure that the Group focuses its supplier engagement efforts on those suppliers that materially matter to the Group's carbon reduction commitments.

Regulators

How we engage

- Received updates at each Board meeting on progress against Regulators' requests for information and any feedback received.
- Formally met with the FCA and PRA during the year on a range of matters, including Solvency UK.
- More regular contact with the Financial Ombudsman Service to better understand customer complaints if they arise.

Outcome

- Standing agenda items were added to Board Risk Committee to ensure that risks and regulatory requests are appropriately discussed and challenged.
- Engaged with PRA on Solvency UK to ensure that the PRA better understands the complexities of Phoenix Group and the implementation of Solvency UK.
- Positive engagement with the FCA in relation to Consumer Duty and an improved understanding of how the regulation could be applied to the Group.

Government

How we engage

- Sir Nicholas Lyons attended the International Investment Summit 2024 and the Pensions workshop on the UK pensions reform strategy with the Pensions Minister.
- Executive and Non-Executive level advocacy to enable policy, bi-lateral meetings, round tables and government forums.
- The Board, via the Board Sustainability Committee, received updates from the Director of Public Affairs on post-election public affairs and priorities, and the work being undertaken by Management to influence external policy to create better outcomes for its customers.

Outcome

- Positive and frequent engagement with the government which aided a smooth transition of power and ensured that pensions remained a focus of the new government. This includes a review of pension outcomes, including adequacy that commenced in Q4 2024.
- In September 2024, the Pensions Minister Emma Reynolds, joined Phoenix Insights, the Group's think tank, to discuss the Pension Schemes Bill and the government's Pensions Investment Review.

Workforce engagement

Engagement in action: listening to the colleague voice

Maggie Semple
Designated Non-Executive Director for Workforce Engagement

Our colleagues are central to the ongoing success of Phoenix Group. They are critical to our continued growth and delivery of our strategy, and it is important for the Company to create the conditions in which they can do their best work.

The Board sets the cultural tone for the organisation and seeks to engage with colleagues both directly and indirectly throughout the year. The Board recognises that colleagues are central to the achievement of our strategic priorities and the Group's ability to provide customers and wider stakeholders with the best outcomes possible.

At the start of each year, a programme of colleague engagement is created to ensure coverage across business functions and targeted groups. Phoenix Group has clear goals for the colleague experience set out in our Big Three culture ambitions which shape the conversations that the Board has with the workforce, and provides a framework against which we can measure progress.

At a time when Phoenix Group is undergoing a fast-paced evolution, it has been especially important to establish regular touch-points with colleagues across the business. The Board has found it incredibly insightful to hear first-hand how people are experiencing change and the wider context of life at Phoenix Group.

In-person meetings
Throughout 2024, in-person engagement sessions were hosted at our main operating locations. Targeted groups, including our PCRF and colleague networks were invited to join us for open and transparent conversations. The PCRF is an autonomous, independent forum made up of colleague representatives and enables us to have direct and transparent discussions about our strategy and how it impacts colleagues. A key theme from discussions in 2024 was the work being undertaken to transform and simplify the business, which had brought uncertainty for some colleagues. I have continued to write a regular blog to share my reflections and perspectives on transformation activity at Phoenix Group, as well as sharing best practice approaches for colleagues to support themselves and navigate through times of ambiguity.

In October 2024, the Board met with representatives from 'Enable', the Company's colleague network created to promote disability inclusion at Phoenix Group. During this session, we received feedback across a range of issues and the Board has since focused on how Phoenix Group could become even more inclusive for colleagues with disabilities or long-term health conditions.

Outcome: Enable successfully advocated for funding to improve IT accessibility across all functions.

Workforce engagement continued

> Maggie's presence at our colleague network inclusion forums has been extremely valuable this year for the network leads to share their agenda, actions and challenges. This time has enabled the networks to have the opportunity to speak to and hear directly from Maggie's perspective on how we can benefit both colleagues and the business through the communities that have been developed.

Simona Provenzano
Network Inclusion Lead

In June 2024, the Board met colleagues working in the telephony customer services team in the Pensions and Savings business. The Board was able to listen to customer calls and engage with customer-facing colleagues.

Outcome: Further engagement with customer-facing colleagues has been planned for 2025 to test the embeddedness of our cultural aim of being a place where 'We put our customers first'.

Monthly engagement surveys

The Board continues to take a keen interest in the outputs from Phoenix Group's monthly colleague engagement survey. Since the introduction of The Big Three, the Company has introduced a series of quarterly focus groups for colleagues to share insights on key cultural themes such as empowerment at work, or their feelings in response to transformation. This adds a qualitative overlay to the data we receive through our surveys. I was able to attend one of these focus groups in August 2024 to discuss The Big Three cultural ambitions. This feedback helped me to understand what colleagues are expecting from leadership, which I then relayed to the Board through my regular update.

Engagement activities throughout the year

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board meeting and colleague engagement session		●	●		●	●			●	●		●
DNED update to the Board		●	●		●				●			●
DNED engagement with PCRF				●						●	●	
DNED network leads meeting and Q&A			●	●		●				●		
DNED blog	●						●			●		
Employee survey	●	●	●	●	●	●	●	●	●	●	●	●

Communicating the colleague voice to the Board

In January 2024, I became a member of the Remuneration Committee to ensure that the Board receives feedback from the PCRF on the alignment of Executive Directors' remuneration with the wider workforce, and to ensure that colleagues understand the Remuneration policy and its practical application.

A priority focus for 2025 will be continued improvement to the colleague feedback mechanism from the PCRF and engagement sessions to the Board, and the subsequent relaying of actions taken by the Board as a consequence of that engagement. As such, I will be attending relevant ExCo meetings in 2025 to monitor the embeddedness of the desired culture and to review the implementation of actions agreed by Management and by the Board following workforce engagement. I will also be providing a quarterly update to the Board on my engagement activity.

In 2025, the programme of engagement between colleagues and the Board will be expanded, building on the relationship with the PCRF and engaging with colleagues based on other demographic or topic related matters.

Maggie Semple
Designated NED for Workforce Engagement

Composition, succession and evaluation
Board review

Following an external Board performance review in 2023, an internal Board performance review was facilitated by the Chair of the Group Board, supported by the Group Company Secretary in 2024.

Internal Board review process:

1. The Chair of the Group Board, supported by the Group Company Secretary and Senior Independent Director drafted a specific Phoenix Group questionnaire, covering areas such as:
   - the Board, Committees, governance and process;
   - strategy;
   - oversight;
   - culture; and
   - Board skills and capabilities.
2. The questionnaires were then disseminated electronically to every member of the Board, its attendees and the Group Company Secretary. External advisers, where relevant, such as the Remuneration Committee consultant were also included.
3. The Chair of the Group Board held individual meetings with each member of the Board and discussed their own individual performance review, along with the responses to the questionnaire.
4. The Senior Independent Director held a meeting with the Chair of the Group Board to discuss his own performance review and responses to the questionnaire.
5. Finally, the Group Company Secretary, reviewed the responses and she or her designate worked with each individual Chair of the Committees to finalise actions and any potential 2025 education sessions. These were then added to the 2025 education session calendar. Actions were approved at the early February 2025 meeting and will be monitored by the Board and Committees throughout the year.

Board review

The 2024 Board performance review concluded that the Board and its Committees operated, and were chaired effectively.

However, a few areas for enhancement for the Board were identified and these are highlighted below:

Action 1
Continue to enhance and monitor the quality of Board papers to ensure sustained improvement.

Action 2
Review agenda focus and consider the frequency of meetings.

Action 3
Thoroughly review in advance the approach to, and agenda for, the 2025 Board Strategy Day to ensure alignment with long-term strategic objectives.

Action 4
Continue to enhance NED colleague engagement.

Committees' performance

The Committees' performance review was undertaken as part of the internal Board review process and concluded that each Committee operates effectively, and Chairs performed strongly. All duties set out in the Committees' Terms of References were addressed during the year. The areas of enhancement to the Committees for 2025 are set out in each Committee report in a similar format to the actions above for the Board.

Individual performance

Executive Directors are evaluated annually to ensure they have performed against their strategic targets (see page 144 of the Directors' Remuneration report). The NED's individual performance was assessed by the Chair, as part of the 2024 internal Board review.

Assessment of the Chair's performance

The Senior Independent Director carried out the above process for the Chair of the Group Board. Feedback was provided by the Board and Group Company Secretary. The Chair was found to be highly effective in fostering robust challenge and debate in meetings, promoting an inclusive culture and enabling Directors to contribute to effective decision making.

Composition, succession and evaluation continued
Board review

The 2023 Board review
The 2023 Board performance review was externally facilitated by an external Board Performance Reviewer.
The following progress against actions identified during the review have taken place during 2024:

Action identified	Action taken
Management to continue to consult with the NEDs in preparation for the annual strategy session to ensure that extensive experience of strategy development on the Board is leveraged appropriately.	A paper was tabled at the meeting held on 6 February 2024 with suggested topics for the strategy sessions and the Board was asked to provide comment and feedback. This was then used to form the agenda for the strategy sessions held on 19 and 20 June 2024.
The Chair of the Group Board, Group Chief Executive Officer, Group Company Secretary and Committee Chairs to ensure adequate time is given to debate strategic objectives.	Regular updates are provided by the business units (Pensions and Savings, Retirement Solutions, Europe and SunLife and Asset Management).
The Chair of the Group Board to continue to provide regular individual performance feedback to each Director as appropriate, at least annually.	An internal Board review commenced during Q4 2024. A questionnaire was completed by all Board members and interviews were held with Directors during December which covered the performance of all Board members. A report was provided to the February Board to agree actions for 2025.
The Board to continue to focus on key material and relevant issues with support from the Chair of the Group Board. To enhance the timeliness and succinctness of papers.	A new template was launched and training has been undertaken with all colleagues who regularly write papers. Improving the quality of papers will continue to be a focus in 2025.

AGM votes in favour of all resolutions May 2024
97%
97% in 2023

Board ethnic minority Director representation[1]
17%
23% as at 21 March 2024

Independent Board Directors[1]
67%

Board female Director representation[1]
42%
38% as at 21 March 2024

2018 UK Corporate Governance Code
Fully compliant
Fully compliant in 2023

Board ethnic minority Director representation for those appointments controlled by Phoenix Group[1]
10%
18% as at 21 March 2024

FTSE Women Leaders ranking (February 2025)
6th
12th in 2024

Board female Director representation for those appointments controlled by Phoenix Group[1]
50%
45% as at 21 March 2024

See **page 90** for a summary of how the Company complied with the 2018 Code during 2024

1 As at 14 March 2025. Sherry Coutu will be appointed as a Director on 1 May 2025 and is therefore not included in these numbers.

Committee Chairs

Male (three)	60%
Female (two)	40%

Composition, succession and evaluation continued
Board education and development

Each year, through its annual performance review, the Board ensures a continuous improvement cycle and clear focus on personal and collective development through a formal programme of education and deep dive sessions. The following education and deep dive sessions were provided to the Board during 2024. Board Committees may have specific educational or deep dive sessions relevant to the work of each Committee.

Q1

Board deep dives and education sessions:
Progressive and sustainable ordinary dividend policy
Assessed the merits of moving towards a progressive and sustainable ordinary dividend policy, being mindful of future cash remittances from the Life Companies.

Outcome: Approval from the Group Board to adopt a progressive and sustainable ordinary dividend policy.

The Board received specific mandatory training on:
- Code of Conduct;
- Consumer Duty;
- Data Protection;
- Financial Crime;
- Information Security; and
- Internal Model Validation.

Committee deep dives and education sessions:
Remuneration Committee
AGM Season
Update on the AGM season and 2023 remuneration outcomes, focusing on those FTSE companies that had attracted the best Executive Director talent.

Q2

Board deep dives and education sessions:
Retail strategy
Deep dive into retail trends, digital and review of the breadth of products on offer to our customers.

AI
Review of the use of AI within the business, how its use has enhanced both colleague and customer experience and evaluation of its potential risks and opportunities.

Though AI may enhance traditional ransom attacks, it could also provide a better defence, thwart phishing and respond to any attack quicker.

Outcome: AI to be included in the regular Group CRO's report so any risks can be carefully monitored.

People strategy
Deep dive and discussion on the introduction of the Group's new guiding culture principles, The Big Three, which was internally announced in Q4 2024.

Outcome: Feedback loop between the DNED, the PCRF and the Board to be utilised and enhanced where possible.

Committee deep dives and education sessions:
Audit Committee – invited the Group Board
IFRS 17 – Lessons learnt
Deep dive into lessons learnt following the publication of both the Half Year 2024 and Full Year 2023 set of results.

Outcome: An education session to be provided on the impact of key performance indicators and the levers required to enhance those metrics.

Q3

Board deep dives and education sessions:
IFRS 17
Deep dive into how IFRS 17 had impacted key performance metrics and the levers required to enhance those metrics and vice versa.

Operational resilience & cyber security
Deep dive into the cyber security and operational resilience changes required for new regulations implemented from 1 April 2025 with a roadmap to achieve compliance.

A review of current residual risk, current examples of ransom attacks and impact of market movement was provided.

Outcome: ExCo to continue to carefully monitor and provide robust challenge on this topic.

Investor Relations
Feedback provided to the Board following Half Year 2024 investor meetings.

Market Abuse Regulation training
Annual training implemented through the digital platform used by Phoenix Group.

Customer and Conduct Risk bi-annual deep dive
Deep dive into the customer strategy now that the Group had completed the first year of its 3-year strategic journey.

Outcome: Further understand industry trends and relevant issues as Consumer Duty continues to develop.

Committee deep dives and education sessions:
Risk Committee
Deep dive into risks and mitigation of a strategic initiative.

Outcome: Lessons learnt so far about this strategic initiative to be provided at the appropriate time.

Q4

Board deep dives and education sessions:
Credit Risk Appetite
Deep dive into Phoenix Group's credit risk appetite.

Committee deep dives and education sessions:
Audit Committee
CFO Finance update
A progress report on people, culture, automation, process reporting, performance management of the balance sheet and capital within the Finance function.

Outcome: Audit Committee to receive an annual deep dive into the enhancements being implemented.

Solvency II as modified by the PRA's 2024 reforms ('Solvency UK')
Education session provided on how the UK's insurance regulatory framework was changing post Brexit.

Internal Controls Framework
Review provided by an external third party on Phoenix Group's Internal Controls Framework.

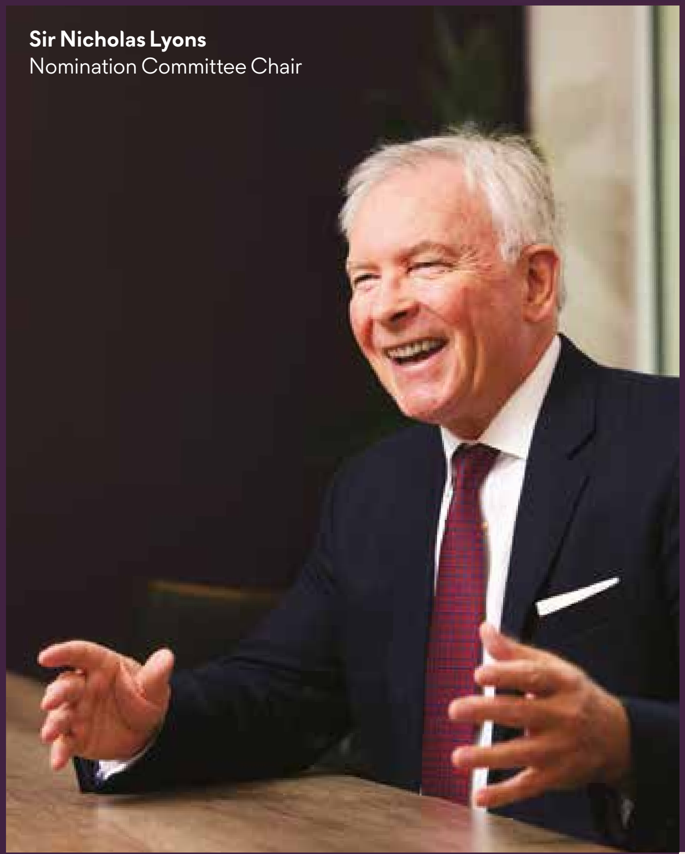
Joint Audit/Risk/Sustainability Committees
New Sustainability Reporting
Deep dive into Corporate Sustainability Reporting Directive ('CSRD'), International Sustainability Standards Board ('ISSB') and Taskforce on Nature-related Financial Disclosure ('TNFD') and the work being undertaken by the Group in anticipation of their implementation and timeline.

Risk Committee
Risk Management Framework
Review provided by an external third party on Phoenix Group's Risk Management Framework, including the Internal Controls Framework.

Outcome: Agreed continuous enhancements to the Risk Management Framework, including the Internal Controls Framework during 2024 and 2025 to support the compliance of Provision 29 of the 2024 Code at Full Year 2026.

Remuneration Committee
Proxy advisers and Investment Association Guidelines and wider workforce dashboard.

Composition, succession and evaluation continued
Nomination Committee report



Number of Committee meetings held during 2024 (including ad hoc)

6

Committee meetings and membership

	Member from	2024 meeting attendance	2024 % attendance
Sir Nicholas Lyons	1 December 2023	6/6	100%
Karen Green	5 May 2022	6/6	100%
Katie Murray	29 June 2023	6/6	100%
John Pollock	1 November 2022	6/6	100%
Nicholas Shott	11 May 2017	6/6	100%

Additional regular attendees include the Group CEO, Group HR Director and the Group Company Secretary.

Key committee activities in 2024

- Approved Rakesh Thakrar stepping down as Group CFO with effect from 8 September 2024 and the appointment of Nicolaos Nicandrou as Group CFO with effect from 2 December 2024, subject to regulatory approval. Stephanie Bruce performed the role of Interim Group CFO between 17 June 2024 and 31 January 2025 and provided a diligent handover to Nicolaos Nicandrou.
- Approved the appointment of Mark Gregory as Chair of the Risk Committee and member of the Nomination Committee with effect from 4 December 2024. John Pollock retired from the Board with effect from 31 December 2024 after nearly nine years' tenure.
- Reviewed Committee membership and the approval of Karen Green as a member of the Risk Committee with effect from 13 September 2024 and Maggie Semple stepping down on 12 September 2024.
- Monitored our DE&I targets at Board, ExCo and Business Leadership level, being mindful of the Listing Rules, Parker Review and FTSE Women Leaders Review.
- Approved the stepping down and appointment of the Group CRO. Even though the Committee would not usually be involved with appointments below Board level, the Board considered this role to be of strategic importance to Phoenix Group at this time.
- Approved changes to the Life Companies' board. No objection provided for non-UK domiciled subsidiary board appointments.
- Succession planning for the Board and Senior Management which resulted in a search being initiated for a new INED, remaining cognisant of the Directors reaching their nine-year tenure.

Role, responsibilities and effectiveness

The Role of the Committee is shown on **page 93**

The Committee's responsibilities and duties can be found within its **Terms of Reference**

The Committee's performance review is shown on **page 109**

2025 focus

- Review of talent at ExCo -2 level.
- Succession planning for three Board roles due to the length of tenure in 2025 and 2026, with a focus on enhancing broader diversity of the Board, as well as closing any skills gaps.
- Board performance reviews for the Group and Life Companies as a whole.

Committee review

The 2024 performance review was facilitated internally by the Chair of the Group Board, supported by the Group Company Secretary. The review concluded that the Committee is functioning effectively and operating well. Members provided thoughtful and challenging contributions, as well as effective chairing.

There were a few areas of enhancement highlighted below:

Action 1
Continue to focus on talent management and succession planning for the Board and Senior Management.

Action 2
Continue to conduct regular reviews to ensure there were no skills gaps as a result of any Director retirements.

Action 3
Ensure meeting frequency and focus remained appropriate to ensure effective oversight of Nomination Committee matters.

The following actions from the 2023 performance review facilitated by an external Board Performance Reviewer were progressed during 2024:

Action	Progress
Continued focus on the executive succession plan and talent grid.	The Committee considered the executive succession plan and, following its analysis in September 2024, decided that a further update would be presented at the February 2025 meeting.
Review the Committee memberships on an ongoing basis to ensure skills and experience are being utilised effectively.	As set out on page 93, the Committee regularly reviews the membership of Committees. During the year, Mark Gregory was appointed as Chair of the Risk Committee and member of the Nomination Committee with effect from 4 December 2024, following John Pollock's retirement from the Board on 31 December 2024 and as Chair of the Risk Committee on 3 December 2024. Karen Green joined the Risk Committee as a member on 13 September 2024, replacing Maggie Semple who stepped down on 12 September 2024. Sherry Coutu will be appointed to the Board and as a member of the Remuneration Committee with effect from 1 May 2025.

Nomination Committee reporting cycle

Q1
- Approval of Nomination Committee report for Annual Report purposes
- Re-election proposals for 2024 AGM
- Review of NED independence and time commitments

Q2
- Renewal of NED appointments
- Board succession planning
- Search commenced for new INED

Q3
- Executive Director and Senior Management talent review and succession planning
- Agreed process for internal Board performance review
- Reviewed INED long-list from Korn Ferry

Q4
- Retirement of NEDs and rotation proposal
- Reviewed the Board DE&I policy
- Reviewed INED short-list
- Interviewed prospective candidates for INED role

Composition, succession and evaluation continued
Nomination Committee report

Outcomes from Nomination Committee discussions
On an annual basis, a review of the Committee's activities is undertaken. In 2024, it was concluded that all elements of responsibility detailed in the Committee's Terms of Reference had been addressed. An overview of some of the significant activities undertaken during the year and the way in which they contributed to important outcomes is detailed in the following table:

Outcomes from Nomination Committee agenda items

Talent review	**Outcome**
Review of talent at ExCo and ExCo -1 level.	HR to provide feedback to ExCo -1 individuals on the wider experience required to be a successful candidate to the ExCo level role. This feedback to form part of their development plans.
Appointment of Group CFO	**Outcome**
Search for a Group CFO and member of the ExCo.	A large focus since announcing that Rakesh Thakrar was stepping down in May 2024 was on the search for a replacement Group CFO. Nicolaos Nicandrou was appointed on 2 December 2024 as Group CFO, subject to regulatory approval. His biography can be found on page 87.
Appointment of Group CRO	**Outcome**
Search for a Group CRO and member of the ExCo.	Though unusual for the Nomination Committee to be involved with a non-Board appointment, this is a crucial role due to its interface with the Regulators, one of Phoenix Group's key stakeholders. Mark Gregory, Chair of the Risk Committee with effect from 4 December 2024, supported the interview process to ensure it was rigorous, robust and fair. This led to the appointment of Brid Meaney as Group CRO with effect from 19 August 2024.
NED process	**Outcome**
Sherry Coutu to be appointed to the Board with effect from 1 May 2025.	The Company announced that Sherry Coutu will join the Board and the Remuneration Committee with effect from 1 May 2025. Sherry Coutu is an experienced Non-Executive Director working with a combination of technology, investment, innovation, education and financial services organisations that empower their customers and has FTSE 100 Remuneration Committee chair experience.
Subsidiary governance	**Outcome**
Oversee appointments to the Life Companies' board.	External review of the Group and Life Companies' boards to ensure enhanced governance between the two-tier board governance framework.

The Committee also received education sessions as shown on pages 106 to 107.

Board and Executive succession planning
Succession planning is a key focus for the Board from both a leadership and governance perspective. The Committee continually reviews the Board and Committees' compositions and skillsets to ensure that the Board can support the ExCo to execute Phoenix Group's strategy. This has become a greater focus with some Directors' nine-year tenure being reached in both 2025 and 2026.

The Committee ensures that Board recruitment and succession planning are conducted in a measured and timely manner allowing a robust and rigorous search to be undertaken for each Board appointment. This allows the additional time required by the Board members to interview and ensure the best candidate is appointed.

During 2024, the Committee has remained active in its consideration of NED succession, which, following further review by the Board, has led to:

- the appointment of Mark Gregory as the Chair of the Risk Committee with effect from 4 December 2024, replacing John Pollock, who retired from the Board on 31 December 2024;
- the appointment of Karen Green as a member of the Risk Committee on 13 September 2024, replacing Maggie Semple who stepped down on 12 September 2024. This change was made to allow Maggie more time to focus on her role as DNED and support the wider culture and workforce engagement strategy in 2025 and beyond; and
- commencing the process to appoint Sherry Coutu to the Board and as a member of the Remuneration Committee with effect from 1 May 2025. Korn Ferry was the external search consultant used for this appointment. Korn Ferry has no connection with the Company or individual directors.

In addition, a main focus for the Committee was supporting the Group CEO and Chief People Officer with the recruitment process for the Group CFO and the Group CRO roles throughout 2024.

Appointment process
The standard process used by the Committee for Board appointments involves the use of an external search consultancy to source external candidates and, in the case of executive appointments, also considers internal candidates. A role profile is drafted by the Group Company Secretary and reviewed for approval by the Nomination Committee and other members of the ExCo as appropriate.

Detailed assessments of short-listed candidates are undertaken by the search consultancy and the Committee. The Committee requires search firms to ensure that both long-lists and short-lists are balanced from a diversity and inclusion perspective. If not, the Committee will insist on a refresh.

Each member of the Nomination Committee interviews short-listed candidates individually or jointly with other members of the Committee. A pre-prepared list of questions is used to ensure continuity. Interviewers are mindful of the skills matrix, diversity of thought and how Phoenix Group values are demonstrated to ensure any potential Director is a good culture fit for the Board. Interviews are also held with the Group CEO and Chief People Officer as part of the process and other members of the ExCo as appropriate.

References are then obtained prior to the Committee recommending the appointment to the Board. Once the Board has approved the recommendation a market announcement is made immediately, and the onboarding process begins.

Typical induction programme features

Meetings
- Chair of the Group Board.
- Group Chief Executive Officer.
- Group Chief Financial Officer.
- Group Company Secretary.
- Chief Audit Officer.
- Group Chief Risk Officer.
- Strategy and M&A Director.
- Regulatory Relationships Director.
- Group Treasurer.
- Director of Corporate Affairs & Brand who also has responsibility for Sustainability.
- Other members of the ExCo, as appropriate.
- External stakeholders which may include the External Auditor, brokers, major shareholders or remuneration consultants.

Site tours and meetings with Management
- London.
- Edinburgh.
- Birmingham.
- Telford.
- Dublin.

Key documents
- Board operations, minutes and meeting packs, governance framework, policies, delegations of authority, conduct/regulatory responsibilities.
- Financial, strategic and operation plans and priorities.
- Directors' & Officers' liability insurance summary.
- Market Abuse Regulations training.
- Listed Company and Life Companies' governance training.
- Other documents as appropriate in relation to the level of Board or Board Committee responsibilities.
- Mandatory training.

A similar process is followed for Executive Director succession planning, which is undertaken by the Committee for Executive Directors and for ExCo roles to ensure appropriate succession in an emergency situation with at least one internal successor, who is ready now or expected to be ready in one to two years. External candidates are also included in the process. ExCo succession planning was a focus for 2024, considering talent, capabilities and the broader diversity agenda. Much work has been undertaken to strengthen the skills and experience at ExCo level, with focus now on successors for all ExCo members to ensure there is a strong pipeline of talent.

Subsidiary governance
Part of the Committee's role is the oversight of the Group's subsidiary governance framework, which form part of our regulated entities. This year succession planning has commenced in earnest for those INEDs on the Life Companies' board that will be retiring during 2025 and 2026 due to their length of tenure. In addition, Standard Life International appointed a new remuneration committee chair. The Committee received regular updates on succession planning and search firms engaged to support the refresh of both the Life Companies and Standard Life International boards throughout 2024.

Board skills
A Board skills review was undertaken by the external Board Performance Reviewer as part of its 2023 performance review. It concluded that skills should be expanded further to include experience in the banking sector, where complex transformational experience could be advantageous along with a focus on digitisation. Future succession planning during 2025 and 2026 will take this criterion into account as well as proven experience in AI. Sherry Coutu will join the Board on 1 May 2025 and has considerable AI experience. Board skills are separated into core and secondary skills and can be found on page 117. That skills matrix feeds into the succession plan for the Board and was reviewed more regularly throughout 2024 in light of the upcoming Board changes in 2025 and 2026.

Board diversity
The Board supports and aims to fully comply with the FTSE Women Leaders Review guidance for FTSE 350 companies, which is aligned with the FCA's Listing Rules (UKLR 6.6.6(9)) on diversity, being:

- at least 40% of the board are women;
- at least one of the senior board positions (chair, chief executive officer, senior independent director or chief financial officer is a woman); and
- at least one member of the board is from an ethnic minority background.

As at 14 March 2025, the Board is comprised of 42% female Directors. The Board has two Shareholder Nominated Directors. The Board is unable to choose these candidates as these are nominated and is therefore unable to influence its composition entirely. The Board is comprised of 50% female Directors when considering appointments, the Board has independently made.

In relation to the second part of the Listing Rule, Karen Green is the Senior Independent Director of the Board. Again, the Board will be mindful of gender diversity when making future senior Board appointments.

The Board was pleased to be recognised as a top performer for 2024 in the FTSE Women Leaders Review.

In addition, the Board met the recommendation of the Parker Review for FTSE 100 companies in relation to there being at least one director from an ethnic minority background on the Board by 2021. Phoenix Group's target for Senior Management[1] ethnic minority representation is 13% by 31 December 2025. As at 14 March 2025, the Board has two members of an ethnic minority background, representing 17% of the total Board composition. If the Shareholder Nominated Directors are excluded, the Board has one member of an ethnic minority background representing 10% of the total Board composition. Further information can be found on page 112.

The Committee has been active in promoting gender and ethnic diversity on the Board and continues to take an active role in oversight and guidance of the executive diversity and inclusion process including a focus on the development of a diverse succession pipeline. Details of the diversity and inclusion initiatives for Phoenix Group colleagues (including the Executives) are contained in the Group's Sustainability Report. The Group's Senior Management gender diversity data (including statutory requirements) is contained in the Strategic report on page 82.

1 Definition of Senior Management is in line with the Parker Review of ExCo and ExCo minus 1, excluding those not in senior management roles.

Composition, succession and evaluation continued
Nomination Committee report

Gender diversity	Number of Board members[1]	Percentage of the Board[1]	Number of Board members appointed by Phoenix Group[1]	Percentage of the Board appointed by Phoenix Group[1]	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management	Number of total employees	Percentage of total employees
As at 14 March 2025									
Men	7	58%	5	50%	3	8	57%	3,459	51%
Women	5	42%	5	50%	1	6	43%	3,331	49%
As at 31 December 2024									
Men	8	62%	6	55%	3	8	53%	3,531	51%
Women	5	38%	5	45%	1	7	47%	3,449	49%

The definition of Executive Management includes the Group Company Secretary in line with that under UKLR 6.6.6(10) and Provision 23 of the 2024 Code.

1 Sherry Coutu will be appointed as a Director on 1 May 2025 and is therefore not included in the numbers as at 14 March 2025.

Ethnic diversity	Number of Board members[4]	Percentage of the Board[4]	Number of Board members appointed by Phoenix Group[4]	Percentage of the Board appointed by Phoenix Group[4]	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in ExCo	Percentage[2] of ExCo	Number of total employees[2,3]	Percentage of total employees
As at 14 March 2025[1]									
White British or other White (including minority White groups)	10	83%	9	90%	4	10	77%	3,411	50%
Mixed/Multiple Ethnic Groups	0	–	0	–	0	0	0	83	1%
Asian/Asian British	1	8.5%	0	–	0	0	0	377	6%
Black/African/Caribbean/ Black British	1	8.5%	1	10%	0	0	0	88	1%
Other ethnic group, including Arab	0	–	0	–	0	0	0	45	1%
Not specified/ prefer not to say	0	–	0	–	0	3	23%	2,786	41%
As at 31 December 2024[1]									
White British or other White (including minority White groups)	11	85%	10	91%	4	11	79%	3,518	50%
Mixed/Multiple Ethnic Groups	0	–	0	–	0	0	–	85	1%
Asian/Asian British	1	7.5%	0	–	0	0	–	387	6%
Black/African/Caribbean/ Black British	1	7.5%	1	9%	0	0	–	90	1%
Other ethnic group, including Arab	0	–	0	–	0	0	–	46	1%
Not specified/ prefer not to say	0	–	0	–	0	3	21%	2,854	41%

1 Based on the Office for National Statistics classification and included: Asian, Black, Mixed/multiple ethnic groups, Other ethnic groups, White and Prefer not to say.
2 In January 2024, Phoenix Group moved from an annual diversity data survey collected via an app to data collection through the internal HR platform. This will provide an up-to-date view of the diversity of our colleagues and allow data analysis on an intersectional basis, providing better data insights than an annual survey. Currently the participation rate is 64.2%. At 50%, high level results can be shared and at 65% detailed data analysis can be provided. It is not known when this target will be hit. A full programme of employment engagement is in place to help colleagues increase its participation.
3 Data collected, permissible and volunteered by colleagues.
4 Sherry Coutu will be appointed as a Director on 1 May 2025 and is therefore not included in the numbers as at 14 March 2025.

Board Diversity policy

The Phoenix Group Board annually reviews and updates its Board DE&I policy to ensure it reflects its values, culture and relevant Listing Rules compliance and UK Code Principles. The 2025 Board DE&I policy can be found at www.thephoenixgroup.com.

The Group Board is pleased that it currently complies with its own policy in line with UKLR 6.6.6(9), the Parker Review and the FTSE Women Leaders Review.

Objectives	Compliance update as at 31 December 2024
Board diversity	
Ongoing compliance with the FTSE Women Leaders Review, Parker Review and the FCA's Listing Rules: • at least 40% of women on the Board; • at least one of the senior Board positions (Chair, CEO, CFO or Senior Independent Director) should be a woman; and • at least one Board member should be from a non-white minority ethnic background (as defined by the ONS).	As at 14 March 2025: • Five female Directors representing 42% of Board composition. When excluding Shareholder Nominated Directors this is 50%. • The Senior Independent Director is female. • Two minority ethnic Directors representing 17% of Board composition. When excluding Shareholder Nominated Directors this is 10%. • Phoenix Group's target for ethnic minority representation at Senior Management level is 13% by 31 December 2025.

See pages 111 and 112 for further details.

Board independence

With the exception of the Chair of the Group Board and Shareholder Nominated Directors, all NEDs are considered independent in character and judgement. The independence criteria set out in the 2024 Code will be taken into account as part of the selection process for the NEDs who join Phoenix Group. There were no new NED appointments to the Board during 2024. However, Sherry Coutu who will be appointed to the Board on 1 May 2025, was assessed against the 2024 Code. The independence of NEDs is reviewed and confirmed annually by the Committee.

Additional appointments

If any Director wishes to take on an additional external appointment, they are required to seek permission from the Board. The Board will take into consideration the additional time commitments, independence and any potential conflicts of interest in relation to the Directors' current roles and responsibilities before any permission is given.

Time commitment

All Directors are expected to commit sufficient time to the Board, and the Company. Time commitments for Directors are reviewed by the Committee on a regular basis including prior to recommendation for appointment to the Board, on changes in role (joining additional Committees or taking on further responsibility) and prior to approving external appointments. It is expected that on average, each of the seven scheduled Board meetings is likely to require approximately three days of participation (including Committee meetings, education sessions, travel and Board dinners) and appropriate preparation time reviewing papers. In addition, a two-day strategy session is held and there are also regular briefing sessions for the Board Committees. On this basis, the basic time commitment required of each Board member is estimated to be at least 40 days each year, noting that this may be less for a full time executive who would typically sit on fewer Committees.

The basic time commitment can be significantly increased on account of transactional or other activity. The Nomination Committee confirms that all NEDs have demonstrated they have sufficient time to devote to their present roles and this has been an area of focus during 2024.

The Group Company Secretary maintains a register of Directors' commitments which is regularly reviewed by the Committee. As part of the Board review process, the Board, supported by the Committee, considered each individual Director's attendance, contribution and external appointments, and has concluded that the time given by individual Directors during 2024 exceeded the level expected in their appointment terms.

Time commitment was a focus during the recruitment process of Sherry Coutu. Her current appointments were listed against the proxy and major shareholders' voting guidelines on overboarding along with the number of hours spent on each board to ensure she had the appropriate time to also commit to her role at Phoenix Group.

It has been an exciting year in my role as Chair of the Group Board and its Nomination Committee and I look forward to continually enhancing and strengthening governance during 2025.

Sir Nicholas Lyons
Chair of the Nomination Committee

Composition, succession and evaluation continued

Group CFO recruitment

During 2024, a large focus for the Board has been the appointment of a Group CFO

Rakesh Thakrar stepped down from Phoenix Group, after over 20 years of service, four of which were as Group CFO. The search for his replacement was led by the Group CEO and the Chief People Officer.

That search included working with the Board, Nomination and Remuneration Committees. Gramercy Search was selected to lead the recruitment and was chosen for its global reach of senior financial services appointments. The Board was mindful of the competition for UK FTSE 100 Chief Financial Officers, who rarely move once in position. The search process conducted led to the appointment of Nicolaos Nicandrou as Group CFO with effect from 2 December 2024.

Gramercy Search worked closely with the Group CEO and Nomination Committee to refresh a previous exercise undertaken for succession planning purposes. The Group CEO was clear on the qualities required in this ExCo role and research was requested across the FTSE 100 insurers, banks and asset wealth managers alongside global territories. The Board is always mindful of its gender and ethnicity considerations when making appointments to the Board, this is discussed further on page 111. It was important that the candidates could demonstrate:

- Being a FTSE 100 CFO at a life company with specific UK insurance industry experience.
- Credible experience as an executive committee and board operator that had led a sizeable division with the ability to play an external facing role with shareholders, regulators, rating agencies and analysts.
- Being someone who really embraces the Phoenix Group values and culture and felt excited by our purpose.
- Deep understanding of the regulatory environment Phoenix Group operates within.
- Driving significant change within the function in line with a strong Company purpose.
- Leading and organising a business strategy and plans.
- Leading and delivering funding strategy, treasury matters, tax planning, compliance and investor relations, and related external communications activity.
- Ensuring an organisation embeds strong financial disciplines into its operating and reporting processes.
- Ability to provide emergency cover to the Group CEO if ever required.

A long-list of candidates was provided by Gramercy Search that included a broad range of high calibre candidates, which the Group CEO and Chief People Officer initially interviewed. That long-list was reduced to a short-list of four that were interviewed by the Chair of the Group Board, Chair of the Audit Committee and Chair of the Risk Committee. A progress update was provided to the Nomination Committee at the meeting on 16 October 2024. Here, it was decided that the remaining INEDs should meet the final three candidates before any final decision could be made.

Candidates were scored and assessed on an external leadership benchmarking survey and their ability to demonstrate:

- **Execution of results**
- **Relationships and influence**
- **Commercial mindset**
- **Technical expertise and knowledge required**

The Remuneration and Nomination Committees and the Board met in early November to make the final decision that Nicolaos Nicandrou was the best candidate for the role, having extensive financial services, life insurance and executive leadership experience within a FTSE 100 peer. His biography can be found on page 87.

The Board was pleased to secure the appointment of a Group CFO with such strong FTSE 100 experience as the Board is cognisant of the high demand for such candidates within the financial services market. Nicolaos Nicandrou's remuneration details can be found on page 136 of the Directors' Remuneration report.

Details of the shareholder consultation on both his appointment and remuneration as Group CFO on 2 December 2024 can be found on page 85.

Composition, succession and evaluation continued

Board diversity

The composition of the Board ensures a diverse mix of backgrounds, skills, knowledge and expertise to enhance decision-making; reduce the risk of 'group-think'; and support robust management of risk.

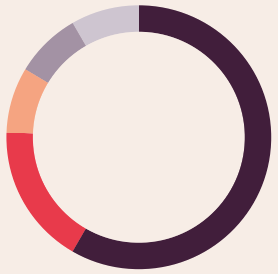
Board gender balance[1] (including Shareholder Nominated Directors)

● Male	58%
● Female	42%

Board gender balance[1] (excluding Shareholder Nominated Directors)

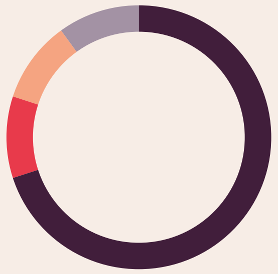
● Male	50%
● Female	50%

Board ethnicity[1] (including Shareholder Nominated Directors)



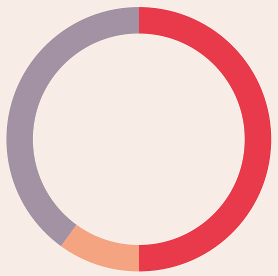
● White (English)	58%
● White (Scottish)	17%
● Asian (Japanese)	8%
● Black (Caribbean)	8%
● White (Irish)	8%

Board ethnicity[1] (excluding Shareholder Nominated Directors)



● White (English)	70%
● White (Scottish)	10%
● Black (Caribbean)	10%
● White (Irish)	10%

Non-Executive Director tenure[1]



● Less than 1 year	0%
● 1–3 years	50%
● 3–6 years	10%
● 6–9 years	40%
● 9 years or more	0%

61

Average age of the Board[1]

Overall diversity progress for the Board[1]

FTSE Women Leaders target	Target	40%
	Achieved	42%
Parker Review target	Target	1
	Achieved	2
FCA Listing Rules target – gender	Target	40%
	Achieved	42%
FCA Listing Rules target – ethnicity	Target	1
	Achieved	2
FCA Listing Rules target – female Chair, CEO, CFO or SID	Target	1
	Achieved	1

Overall diversity progress for the Board members appointed by Phoenix Group[1]

FTSE Women Leaders target	Target	40%
	Achieved	50%
Parker Review target	Target	1
	Achieved	1
FCA Listing Rules target – gender	Target	40%
	Achieved	50%
FCA Listing Rules target – ethnicity	Target	1
	Achieved	1
FCA Listing Rules target – female Chair, CEO, CFO or SID	Target	1
	Achieved	1

1 As at 14 March 2025.

Board skills and expertise

The Board skills and expertise below shows a high level of skills in the expected categories and a wide breadth of skills across the Board. The assessment of Board skills and areas of expertise feeds into its succession planning and the ongoing recruitment of NEDs, with action being taken to address areas highlighted for strengthening.

	Mergers & Acquisitions	Capital markets	Regulatory	Financial	Life assurance	Asset management	Actuarial	Investment management	Risk management	Customer service & solutions	Sustainability/ESG	Change/Transformation	IT/ Product Digitisation	Sales/Distribution	Marketing	Operations	Human resources	FTSE 100 board experience	Artificial Intelligence
Sir Nicholas Lyons Chair of the Group Board	●	●	●	●	●	●		●	●	○	●	○		○	○		●	●	
Andy Briggs Group Chief Executive Officer	●	●	●	●	●	○	●		●	●	○	●	●	●	●	●	○	●	
Nicolaos Nicandrou Group Chief Financial Officer	●	●	●	●	●	●		●	●	●	●	●	●			●	●	●	
Karen Green Senior Independent Director	●	●	●	●	○	○		●	●		●	○	○			●	●	●	
Eleanor Bucks Independent Non-Executive Director		●	○	●	●	●	●	●	○		●					○		●	
Sherry Coutu Independent Non-Executive Director	●	●	○	●				○	○	●	●	●	●	●	●	●	●	●	●
Mark Gregory Independent Non-Executive Director	●	●	●	●	●	○	○	●	●	●		○				●	○	●	
Hiroyuki Iioka Non-Executive Director	●	●	●	●	○	●		○	○							○	○	●	
Katie Murray Independent Non-Executive Director	●	●	●	●	●	●	○		●	○	●	●					○	●	
Belinda Richards Independent Non-Executive Director	●	○	●	●	●	○		●	●	●	●	●	●	●	●	●	○	●	●
David Scott Non-Executive Director	○		●			○		●	●	●		●	●	○		●	○	○	○
Maggie Semple Independent Non-Executive Director			●						○	●	●	○	●	●	●	○	●	●	
Nicholas Shott Independent Non-Executive Director	●	●	○	●	○						●			○	●	○	○	●	
Total core skills ●	10	10	10	11	7	5	2	7	8	7	9	6	6	4	5	7	5	12	2
Total secondary skills ○	1	1	3	0	3	5	2	2	4	2	1	4	1	3	1	4	7	1	1

Audit, risk and internal controls
Audit Committee report

Katie Murray
Audit Committee Chair

Number of Committee meetings held during 2024

9

Committee meetings and membership

	Member from	2024 meeting attendance	2024 % attendance
Katie Murray	1 April 2022	9/9	100%
Mark Gregory[1]	1 January 2024	8/9	88%
John Pollock	11 May 2017	9/9	100%
Nicholas Shott	2 July 2019	9/9	100%

1 Mark Gregory was unable to attend an Audit Committee meeting due to an unforeseen clash of meetings. He read all papers prior to the meeting and provided comments to the Chair of the Audit Committee prior to the meeting.

Additional regular attendees include the Group CFO, Group CEO, External Auditor, Chief Internal Auditor, Group CRO and the Group Company Secretary.

Key Committee activities in 2024

- Monitored the transition of IFRS 17 processes to business-as-usual ('BAU') and reviewed lessons learnt from the implementation of the standard, ensuring a plan is in place, and being delivered against, to fully embed IFRS 17 reporting processes.
- Supported the appointment of Stephanie Bruce as Interim Group CFO with effect from 17 June 2024 and Nicolaos Nicandrou as Group CFO with effect from 2 December 2024.
- Focused on reviewing Phoenix Group's Internal Control Framework ('ICF') in anticipation of the Board's declaration as to its effectiveness in accordance with Provision 29 of the 2024 Code at Full Year 2026.
- Monitored the control environment to ensure consistent improvement.
- Recommended the approval of KPMG LLP ('KPMG') as the Company's External Auditor and the resignation of EY LLP ('EY') on 14 May 2024.
- Further considered the financial reporting and disclosure impacts of Solvency II as modified by the PRA's 2024 reforms ('Solvency UK').
- Approved the appointment of the new Chief Audit Officer, subject to regulatory approval who will join Phoenix Group during Q1 2025 following the retirement of the Chief Audit Officer who has been in role for eight years.

Role, responsibilities and effectiveness

The Role of the Committee is shown on **page 93**

The Committee's responsibilities and duties can be found within its **Terms of Reference**

The Committee's performance review is shown on **page 119**

2025 focus

- Supporting the induction of both the Group CFO and Group Chief Audit Officer into their new roles at Phoenix Group.
- Monitoring the continued delivery of strategic improvements within the Finance function to ensure its improving performance, with particular focus on the delivery of the plan to fully embed IFRS 17.
- Monitoring Phoenix Group's ICF and testing of material controls in anticipation of the Board's declaration as to its effectiveness of internal controls at Full Year 2026, in accordance with the 2024 Code.
- Monitoring the control environment ensuring consistent improvement.
- Further alignment between the Committee and the Life Companies' board audit committee to enhance governance.
- Oversight of the external disclosure for the PRA Life Insurance Stress Tests ('LIST') results.

Committee review

The 2024 performance review was facilitated internally by the Chair of the Group Board, supported by the Group Company Secretary. The review concluded that the Committee is functioning effectively. NEDs provided thoughtful and challenging contribution during a time of regulatory change, with a capable Chair.

There were a few areas of enhancement highlighted below:

Action 1
The Committee Chair to support and assist the Group CRO and Group CFO to transition into their new roles.

Action 2
Continue to enhance and monitor the quality of papers to ensure sustained improvement.

Action 3
Ensure meeting frequency and focus remained appropriate to ensure effective oversight of Audit Committee matters.

The following actions from the 2023 performance review facilitated by an external Board Performance Reviewer were progressed during 2024:

Action	Progress
Subsidiary companies to provide a one-page summary only, rather than a full set of minutes.	Implemented providing much clearer summary and reducing volume of papers.
Papers to be published no less than five days before the meeting and the number of attendees streamlined.	Implemented both actions in Q1 2024 allowing members adequate time to read papers.
Drive improvements in the quality of papers to ensure they are more succinct.	Content of papers and process continues to be improved, allowing more focussed meetings.

Audit Committee reporting cycle

Q1
- Full Year 2023 results
- External targets
- External Audit update and transition plan
- Internal Audit update
- Annual Control Assurance Opinion
- Solvency Reporting
- Internal Controls report
- Update from Chair of Risk Committee

Q2
- Full Year 2024 External Audit Plan
- Solvency Reporting
- Internal Controls report
- Annual Quantitative Reporting template
- Internal Audit update
- Joint Audit & Risk Committees – Approve the SFCR and the ORSA
- Tax Group Strategy
- Speak Up
- Corporate Governance Reform
- Update from Chair of Risk Committee

Q3
- Half Year 2024 results
- Half Year External Audit
- Half Year Control Assurance Opinion
- Internal Audit update
- Solvency Reporting
- External Auditor fees
- Internal Controls report
- Update from Chair of Risk Committee
- Approved the Chief Audit Officer successor

Q4
- Key financial reporting judgements
- External Audit update
- External Auditor effectiveness
- Solvency Reporting
- Internal Audit Plan for 2025 & Charter
- Three Lines of Defence Assurance Map
- Internal Controls report
- Committee effectiveness review
- Internal Auditor effectiveness review
- Speak Up
- Corporate Governance Reform
- Update from Chair of Risk Committee

Audit, risk and internal controls continued
Audit Committee report

Outcomes from Audit Committee discussions
On an annual basis, a review of the Committee's activities is undertaken. In 2024, it was concluded that all elements of responsibility detailed in the Committee's Terms of Reference had been addressed. An overview of some of the significant activities undertaken during the year and the way in which they contributed to important outcomes are detailed in the following table:

Key activities

Financial reporting	Outcome
Interim Group CFO reports	Interim Group CFO, with her leadership team, completed a deep dive into how the Finance function could support the next phase of Phoenix Group's 3-year strategic journey. The review had particular regard to the delivery of IFRS 17, data and technology, process reporting, Group performance and capital, and how this would be balanced with the wellbeing of colleagues during this change in leadership.
Receiving and reviewing the Group's external Full Year and Half Year financial reports	An education session was provided on post-implementation findings following IFRS 17 coming into effect. See page 107.
Solvency UK results	An education session was provided on Solvency UK to the whole Board. See page 107.
Review of Going concern & Viability statements	A benchmarking exercise was undertaken that confirmed a 3-year rather than 5-year Viability statement remained appropriate. See pages 50 to 51 and 168 respectively for Phoenix Group's Going concern and Viability statement.
Fair, balanced and understandable	The Committee has satisfied itself that the Phoenix Group Holdings plc 2024 Annual Report and Accounts is fair, balanced and understandable. It has done so by taking relevant FRC guidance into consideration and feedback from various sources, then robust challenge from a Reporting Disclosure Committee formed of internal senior stakeholders. The Committee can therefore concur with the declaration made by the Board of Directors on page 170 in line with Principle N of the 2024 Code.
Key estimates and judgements	Thorough review and challenge by the Committee. See significant matters on pages 124 to 125.
IFRS 17 accounting standard	Strong challenge to the work underway and plans over 2025 regarding embedding IFRS 17 including modelling improvements and automation to reduce manual overlays, and process and control improvements across the reporting process.
Climate and environmental risk	From 2024, it was decided that a joint Board Audit, Board Sustainability and Board Risk Committee would be convened at least twice a year to review sustainability reporting and analyse the potential impact of climate risk. This would provide collaboration across each Committee and avoid duplication.
External audit	**Outcome**
Appointment of KPMG as External Auditor	Strong handover from EY to KPMG with Management's support shown through positive feedback from stakeholders when evaluating KPMG's effectiveness since its appointment in May 2024
Letters of Representation	Since the implementation of IFRS 17 led to a number of additional standard representations, the Letter of Representation would be thoroughly reviewed at the Life Companies' board audit committee with further analysis of issuance of the representations provided to the Group Committee.
Recommend to the Board the appointment of the External Auditor, their terms of engagement including approval of their fees and non-audit services and for reviewing the performance, objectivity and independence of the External Auditor	The Committee recommended the appointment of KPMG as auditor of Phoenix Group Holdings plc and its subsidiary entities. EY published its section 519 letter following the approval of the SFCR. There was particularly strong challenge from Management and the Committee on the External Auditor's fees, which were higher than the previous auditor. The fee was higher than communicated at the tender process due to inflation, process harmonisation and additional work in relation to IFRS 17.
Internal controls	**Outcome**
Monitoring the overall integrity of financial reporting by the Company and its subsidiaries and the effectiveness of the Group's internal controls	The Committee initiated detailed work to review the process and assess our internal controls. This will continue to be a focus for Management and the Committee in 2025, with particular focus on IFRS 17 as it continues to be embedded. Challenge and review of the ICSA to ensure it was fit for purpose to support the Directors' declaration on internal controls in line with the new Provision 29 of the 2024 Code at Full Year 2026. External review of ICF completed and recommendations highlighted to the Committee for Management to complete.
Speak Up	Bi-annually, the Committee receives formal updates on: Speak Up activities and the operation of our processes to enable confidential reporting; involvement in the assessment and resolution of individual matters raised in accordance with our established policy. During 2024, a total of 18 concerns were reported into the Speak Up Office. Of these, 11 were triaged as 'Speak Up Disclosures', and were investigated in accordance with Phoenix Group's Speak Up processes; the remaining seven related to people policy matters and were taken forward through our HR channels. Whilst no material wrongdoing was found to have taken place, our investigations resulted in various recommendations for the business which have been taken forward. Employee survey scores indicated colleagues generally felt that Phoenix Group was a psychologically safe environment where they can speak up freely and had a strong belief that serious misconduct would be dealt with appropriately.
Private meetings	Private meetings were held with the External Auditor, Chief Audit Officer and at times the Group CRO. A number of meetings with the Interim Group CFO were also held.

Where relevant, all papers receive a Line 1, 2 and regulatory review.
The Committee also received education sessions as shown on pages 106 and 107.

External Auditor
A key part of the role of the Audit Committee is the review and oversight of the work of the Group's External Auditor. In light of the length of their association with certain subsidiaries of the Group and the application of auditor rotation requirements, EY resigned as External Auditor following completion of the 2023 audit. KPMG was appointed on 14 May 2024. The External Audit partners represented EY or KPMG at all Committee meetings during 2024. EY no longer attended meetings following its resignation on 14 May 2024.

During its tenure in 2024, EY provided an update on the Full Year audit status, including audit and fraud risks, actuarial assumptions, accounting matters and judgements and ESG reporting assurance.

The Committee reviewed and discussed various reports from the External Auditor, KPMG since its appointment on 14 May 2024. It presented its audit plan and strategy with an overview of key milestones for the year, materiality, audit scope and the significant risks and other areas of audit focus. KPMG outlined its approach to providing assurance over the Half Year results in anticipation of that exercise for the six months ended 30 June 2024. It subsequently reported on the findings of its review procedures on those results to the Committee in September 2024 and then continued to provide regular updates and attended private sessions with the Committee in anticipation of the Full Year 2024 results.

Audit Quality Indicators ('AQIs'):
AQIs aim to provide users of audit services with information regarding factors contributing to audit quality, and to complement other means of assessment. KPMG has developed proposed AQIs which focus on inspections, engagement and team. KPMG is working with Management to develop appropriate AQIs for project and delivery management which supports the audit.

Assessment of the effectiveness of the external audit process
Due to KPMG's short tenure since 14 May 2024, it was not possible to complete a review of its effectiveness for the year. A full review will be undertaken in June 2025 following the publication of the Full Year 2024 results. That review will include how KPMG has performed against its audit plan from the tender stage. However, Management performed an exercise that considered KPMG's effectiveness following the publication of the Half Year 2024 results by reference to:

- the FRC's defined firm-level AQIs;
- the expertise of core team members; and
- initial feedback arising from the audit planning process, Half Year 2024 review and interim audit procedures.

That review found that the firm-level AQIs and initial feedback have not identified any matters that would lead to concerns as to the effectiveness of KPMG in its role as Group External Auditor for the 2024 reporting cycle.

The Committee also observed the FRC's inspection of Public Interest Entity audits during the period under review and its positive commentary on the continued improvement in audit quality from KPMG.

Overall, the Audit Committee concluded that KPMG had carried out its Half Year 2024 review effectively and made a strong start to its tenure. Stakeholders do not review the effectiveness of the audit until June 2025. The additional criteria included in the Minimum Standards for Audit Committees published in May 2023 on external auditor effectiveness will be reported in this Committee's report for the year ending 31 December 2025.

Independence and objectivity of the External Auditor
KPMG's independence was reviewed and monitored against the Group's External Auditor policy, including its provision of non-audit services. KPMG was able to confirm its independence on appointment. This included an assessment of its independence and a review of services provided by KPMG from 14 May 2024 until 16 March 2025 during the 2024 financial year. The Committee is satisfied with KPMG's objectivity, and that KPMG is fully independent from Management and free from conflicts of interest.

KPMG continually monitors its own independence throughout the year and voluntarily brings any potential matter to the Committee. KPMG has confirmed that between 14 May 2024 and 16 March 2025 there were no relationships that would be thought to bear on KPMG's independence and objectivity. It outlines to the Committee its independent approach, including threats and safeguards when the audit plan for that year is approved by the Committee.

Appointment of External Auditor
KPMG was appointed as the Group's External Auditor commencing from the financial period starting 1 January 2024 with effect from 14 May 2024. A transition process was undertaken from April 2023 until KPMG's formal appointment at the 2024 AGM on 14 May 2024, which received over 99% votes in favour by shareholders. KPMG has attended all Audit Committee meetings from 30 June 2023 and had access to papers presented to the Committee at each meeting. The Committee has received updates on the transition from EY to KPMG as External Auditor and provided challenge to ensure KPMG is receiving an appropriate handover with sufficient input from Management and EY itself. The Committee confirms that it complied with the provision of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use Of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ('CMA Order 2014') for that tender.

The Group's External Auditor policy includes audit partner rotation with the expectation that the audit partner will rotate at least every five years. Under the Audit Ethical Standards, signing audit partners for public interest entities should retain the role for up to five years. Stuart Crisp became Phoenix Group's External Audit partner on 14 May 2024. The Committee prepares for audit rotation well in advance and this will be given due focus from 1 January 2027.

Re-appointment of External Auditor at Annual General Meeting
Resolutions will be put to the AGM to be held on 13 May 2025 proposing the re-appointment of KPMG as the Company's External Auditor and authorising the Board to determine its remuneration, on the recommendation of the Audit Committee in accordance with the CMA Order 2014.

Audit, risk and internal controls continued
Audit Committee report

External Auditor policy
The Company has an External Auditor policy which requires the Company and the External Auditor to take measures to safeguard the integrity, objectivity and independence of the External Auditor and cap the level of any non-audit fee paid to its External Auditor at 70% of the average audit fees paid in the previous three consecutive financial years. The External Auditor policy was reviewed during the year to reflect the FRC's Revised Ethical Standard that became effective from 15 December 2024. The review confirmed that no significant changes were required. The External Auditor policy can be found on the website at www.thephoenixgroup.com.

The External Auditor policy covers matters such as the rotation of audit partner, employment of members of the external audit team, permitted non-audit services and audit-related services.

Permitted non-audit services are those contained in the Revised Ethical Standard 2019 of the FRC. During 2024, the only non-audit services provided related to ESG assurance.

Audit-related services are a subset of permitted non-audit services that are largely carried out by the Audit Engagement Team and where the work involved is closely related to the work performed in the audit. During 2024, an example of audit-related services provided was the SFCR.

The Committee is satisfied that there are no circumstances that could affect the independence or objectivity of the Auditor. The External Auditor policy is refreshed annually and in May 2024 was updated to note the change in External Auditor from EY to KPMG.

External Auditor's fees
For 2024, KPMG was appointed as External Auditor with effect from 14 May 2024. The engagement of the External Auditor to perform any non-audit service is subject to a process of pre-approval by the Committee to safeguard the External Auditor's objectivity and independence and the prescribed limit set out above in line with statutory requirements.

	Fees payable to KPMG LLP 2024 £m
Non-audit fees	0.2
Audit fees	22.4
Audit-related fees	3.0
Total	25.6
Ratio of non-audit: audit fees	0.78%

In 2024, total fees of £25.6 million was payable to KPMG. Of this amount, £22.4 million related to statutory audit fees of the parent and its subsidiaries and £3.0 million was payable in respect of audit-related services, which included the audit of the review of the Group's Interim Report and Solvency II regulatory returns. The remaining fees of £0.2 million related to other services, including ESG assurance. This gives rise to a non-audit to audit fee ratio under the EU Directive and Regulations of 3% for 2024. This lies well within the limits prescribed in the Group's policy. The increase in the audit fee from that quoted within the tender principally reflects inflation, process harmonisation and additional work in relation to IFRS 17.

In light of the above, the Committee is satisfied that the non-audit services performed during 2024 have not impaired the independence of EY or KPMG in their separate roles as External Auditor.

Internal Audit
The Internal Audit Financial Services Code of Practice ('Internal Audit Code') issued by the Chartered Institute of Internal Auditors ('CIIA') sets out guidance that for any chief audit officer in post for more than seven years, the Committee should annually review their independence and objectivity. To that end, Ian Gray will retire after eight years in the role. The Committee is pleased to welcome Vanessa Swanton as the Chief Audit Officer Elect with effect from March 2025, subject to regulatory approval. Ian will remain in role until an orderly handover has been completed.

I wish to thank Ian Gray, Chief Audit Officer, for his dedication to his role over the past eight years.

Internal Audit
During 2024, the Committee continued to receive regular updates from the Chief Audit Officer on all Internal Audit related matters. This included:

Item	Outcome
Internal Audit Strategy	The Committee reviewed and approved the Internal Audit Strategy. This included the purpose, vision and operating model for Internal Audit, aligned to Phoenix Group's core purpose and strategy. The strategy focused on harnessing Data Analytics and Artificial Intelligence innovations and supporting enhancements to overall Company risk and governance capabilities.
Annual plan, budget, resources and plan progress	The Committee reviewed and approved the internal audit plan and budget. Internal Audit's risk-based plan was aligned to Phoenix Group's strategic priorities and core purpose. The Committee monitored progress against the plan. This included oversight of trends in findings, the status of management actions to resolve issues identified, the ongoing adequacy of Internal Audit resources and progress against key performance metrics. Private sessions were held with the Chief Audit Officer.
Internal Audit Charter	The Internal Audit Charter was updated and approved by the Committee. This sets out Internal Audit's role, mandate, and independence.
Control Assurance Opinion	The Committee reviewed and challenged control assurance opinion reports which set out Internal Audit's view of the Phoenix Risk Management, Governance and Control Framework at Half Year and Full Year.
Internal Audit effectiveness	The Committee reviewed and approved the Internal Audit strategy which is aligned to the overall Phoenix Group strategy. An annual update was provided on Internal Audit effectiveness, which included output from independent quality control, annual stakeholder effectiveness surveys and progress of actions to further enhance Internal Audit activity. An external independent assessment of Internal Audit is completed every 5-years. The Committee has commissioned an external assessment, with the output due in 2025. Initial feedback has included that the independence and objectivity of Internal Audit is evident and that audit work is thoroughly conducted and robust. The Chair of the Committee sets the objectives and reviews the performance of the Chief Audit Officer.

All areas of Internal Audit's plan were aligned with Phoenix Group's strategic priorities.

Internal controls
The Board is accountable for ensuring that an appropriate and effective system of risk management and internal control is in place across the Group. A robust and effective internal control environment supports the business in reducing the likelihood and impact of unexpected events, protecting its customers, and ensuring it is viable over the long term.

The Group has an established 'three lines of defence' model that delineates between the roles and responsibilities of the Business (Line 1) as being responsible for risk ownership and maintaining effective processes, procedures, and controls; Risk and Compliance (Line 2) provides independent oversight and challenge; and Internal Audit (Line 3) providing objective assurance. Details of Phoenix Group's approach to risk management are provided in the 'Our Risk Management Framework' section.

The Board, supported by the Board Audit Committee and the Board Risk Committee, regularly reviews the effectiveness of the Group's internal controls.

Throughout 2024, the Group continued to operate its processes for identifying, measuring, assessing, managing, and reporting risks within approved risk appetites and related controls. A key part of this activity was the bi-annual ICSA, requiring senior management to evaluate the adequacy and effectiveness of their internal control environment and to identify areas that require strengthening. For the 2024 assessments the Board Audit Committee requested further enhancements to the ICSA design to further improve the identification and assessment of the control environment. These assessments were independently validated by Line 2 (Risk and Compliance) and supplemented by an Annual Internal Control Environment Opinion Report from Line 3 (Internal Audit). Together with regular reports on control improvement initiatives and actions across the business, this underpins the firm's adherence to the UK Corporate Governance Code's provisions on risk management and internal controls.

During 2024 the Group made significant investment in its financial reporting processes, systems and controls, building upon and strengthening its existing control framework. These improvements have addressed many of the operational weaknesses that led to the 2023 year-end restatements and investment is continuing to be made in 2025. Overall, the control environment continued to strengthen, including control improvements made to data protection and how the Group manages the internal model, interest rate and liquidity risks.

As part of its ongoing commitment to improve the internal control system, in 2024, Phoenix Group introduced testing of all key controls in addition to independent audit testing. This work provides additional insight and verification on the design and effectiveness of the control environment.

Phoenix Group recognises the importance of a robust control environment. The Group will continue to invest in further control improvements through defined action plans or as part of broader transformation programmes. It is preparing necessary enhancements to the Internal Controls Framework ('ICF') to meet the new requirements of the UK Corporate Governance Code.

Finally, I would like to thank Stephanie Bruce for her professionalism and diligence during her role as Interim Group CFO. She made an impressive impact during her time in preparation for Nicolaos Nicandrou's appointment as Group CFO on 2 December 2024.

Katie Murray
Chair of the Audit Committee

Audit, risk and internal controls continued
Audit Committee report

Significant matters considered by the Committee in relation to the financial statements, where KPMG was invited to provide robust challenge.

Significant matters in relation to the 2024 IFRS financial statements	How these issues were addressed
Review of the IFRS and Solvency II actuarial valuation process, to include the setting of actuarial assumptions and methodologies, and the robustness of actuarial data	Management presented papers to the Phoenix Life Companies' board audit committee detailing recommendations for the actuarial assumptions and methodologies to be used for the interim and year end reporting periods, with justification and benchmarking as appropriate. This included assumptions related to longevity, mortality, expenses, persistency and policyholder behaviour, as well as economic assumptions. These assumptions and methodologies were debated and challenged by the Phoenix Life Companies' board audit committee, prior to their approval, including consideration of the impacts of continued economic volatility, expense inflation and data quality. A summary of these papers was presented for oversight review by the Committee, and the Phoenix Life Companies' board audit committee's conclusions were reported to the Committee through minutes of its meeting and a discussion between the Chairs of the committees. The Committee discussed and questioned Management and KPMG on the content of the summary papers and the Phoenix Life Companies' board audit committee's conclusions. The Committee considered and debated the basis of the valuation for adjustments to actuarial provisions that arise at a consolidated Group level, including the methodology and derivation of certain IFRS 17 assumptions where calibrated on a Group basis. This included consideration of the results of a detailed review of the Group's maintenance expense assumptions in light of strategic transformation and cost reduction initiatives. The Committee also evaluated the determination of the IFRS 17 discount rate, including the appropriateness of the allowances for illiquidity and credit risk, together with the calibration of the risk adjustment assumption. The Committee considered in detail the identified material corrections of IFRS financial information arising from the embedding of the Group's IFRS 17 and IFRS 9 control environment and resulted in the restatement of prior period comparative information. This included an evaluation of the related disclosure. The Committee reviewed management's assessment of the operation of the internal control environment in this regard and provided oversight of the response through the continuing activities to enhance financial reporting processes, systems and controls. Pension assumptions for use in the IAS 19 Employee Benefits valuations were reviewed and approved by the Committee. The Committee received and considered detailed written and verbal reporting from the External Auditor setting out their observations and conclusions in respect of the assumptions, methodologies and actuarial models, including benchmarking analysis.
Valuation of complex and illiquid financial assets	Management presented papers setting out the basis of the valuation of financial assets, including changes in methodology and assumptions, for the interim and year-end reporting periods to the Phoenix Life Companies' board audit committee. The assumptions, valuations and processes, particularly for financial assets determined by valuation techniques using significant non-observable inputs (Level 3), were debated and challenged by the Phoenix Life Companies' board audit committee prior to being approved. This included a review of judgements made in respect of data and inputs driving the valuation of equity release mortgages, assumptions utilised in the valuation of modelled debt securities such as bond spreads, and the impacts of continued economic volatility. The valuation information was then presented for oversight review by the Committee which considered and further challenged the information prior to confirmation of the appropriateness of the basis of valuation.

Significant matters considered by the Committee in relation to the financial statements, where KPMG was invited to provide robust challenge.

Significant matters in relation to the 2024 IFRS financial statements	How these issues were addressed
Valuation and recoverability of intangible assets and the parent Company investment in subsidiaries	Management presented papers detailing the results of annual impairment testing carried out in respect of goodwill balances and reviews for indicators of impairment performed in respect of finite life intangibles and the parent Company's investment in its subsidiaries. Where indicators of impairment were identified, Management provided an analysis of the recoverable amounts determined and the assumptions and judgements underlying their calculation. This included assessing the potential impact of the risk of climate change. The Committee considered the results of the work performed and confirmed the appropriateness of the conclusions reached.
Provisions	Management presented papers detailing the basis of recognition and measurement of accounting provisions recognised by the Group. The Committee considered the results of the analysis performed, the uncertainties surrounding the measurements adopted and confirmed the appropriateness of the conclusions reached.
Alternative performance measures ('APMs')	The Committee reviewed the use of APMs in the Group's financial reporting, understanding the basis for determining the metrics and considering the clarity and explanation of their usage within the Group's Annual and Interim Reports. On reviewing the results, the Committee provided challenge as to the allocation of amounts to either Adjusted Operating Profit or to non-operating items for consistency with the Group's Adjusted Operating Profit framework. The Committee concluded that the usage, disclosure and prominence of APMs within the Group's Annual Report and Accounts was appropriate.
Assessment of whether the Annual Report and Accounts are fair, balanced and understandable	The Committee considered and confirmed agreement with the analysis in support of Management's conclusions that the Annual Report and Accounts are fair, balanced and understandable. As part of the year-end procedures, the Committee discussed with Management and KPMG the review processes that operated over the production of the Annual Report and Accounts.
Going concern and viability analysis	The Committee reviewed information on the capital and liquidity position of the Group, together with a review of the associated risks and supporting stress and scenario testing. This was part of a comprehensive assessment undertaken prior to the Committee recommending to the Board that the Group financial statements should be prepared on a Going concern basis and that the disclosures, with regard to the long-term viability of the Group, were sufficient and appropriate. Specifically, the Committee challenged the impact of losses experienced in the Group's IFRS results on the disclosures included in the Viability statement in concluding on their appropriateness.

Audit, risk and internal controls continued
Joint Audit, Risk & Sustainability Committee report

> The Audit, Risk and Sustainability Committees established joint bi-annual meetings from 1 January 2024 to ensure a more harmonised and collaborative approach in relation to sustainability reporting.

Number of Committee meetings held during 2024

2

Committee meetings and membership

	Member from	2024 meeting attendance	2024 % attendance
Karen Green	1 January 2024	2/2	100%
Mark Gregory	1 January 2024	2/2	100%
Katie Murray	1 January 2024	2/2	100%
John Pollock	1 January 2024	2/2	100%
Belinda Richards	1 January 2024	2/2	100%
Maggie Semple	1 January 2024	2/2	100%
Nicholas Shott	1 January 2024	2/2	100%

Key Committee activities in 2024

- Reviewed and provided feedback on the Climate Report and Sustainability Report, including Task Force on Climate-Related Financial Disclosures ('TCFD') with regard to messaging and internal assurance, including the Line 2 opinion on both reports.
- Received external assurance from EY, the External Auditor, until its resignation on 14 May 2024.
- Provided approval to streamline Phoenix Group's sustainability reporting and move to a single Sustainability Report for 31 December 2024, in line with market practice.
- Received updates on the progress of Taskforce on Nature-related Financial Disclosures ('TNFD'), Corporate Sustainability Reporting Disclosure ('CSRD') and International Sustainability Standards Board ('ISSB') reporting and the risk of non-compliance.

2025 focus

- Oversee the disclosures within the Sustainability Report and the integration of climate risk (TCFD) reporting within the Annual Report, in place of a standalone Climate Report. Ensure that disclosures provide all information required by the market.
- Continuous review of climate risk.
- Monitor the implementation of TNFD, CSRD and ISSB reporting and receive updates on any further horizon scanning of new legislation.
- Focus on climate metrics that link in with remuneration.

Committee review

Role of the Committee meetings
The Audit, Risk and Sustainability Committees established joint bi-annual meetings from 1 January 2024 to ensure a more harmonised and collaborative approach in relation to sustainability reporting. The main focus of these meetings is to review sustainability reporting, internal and external assurance (including Line 2 opinions), climate risk and the implementation of new regulation such as TNFD, CSRD and ISSB.

The Chair of the Audit, Risk and Sustainability Committees rotate at each meeting to allow each Chair to provide a different lens. Each Committee provides its individual expertise: the Audit Committee will focus on the financial and controls aspects of the Sustainability Report and the Risk Committee on climate risk or risk related to new regulations allowing each Committee to understand each other's focus and ensure feedback to Management is consistent and actions easily monitored.

Key activities

Activity	Outcome
Review of TCFD/Climate Report and Sustainability Report	Reporting now streamlined in line with market practice providing a more cohesive and targeted report.
Caution should be given when signing up to pledges to ensure that they can be fully adhered to and align with the purpose and values of the Company	There are particular pledges of societal importance that a purpose-led organisation should consider carefully. A review will be undertaken as to whether Phoenix Group will become a signatory to the Tobacco-Free Finance Pledge.
Continued monitoring of internal and external assurance	Outline of what was not within the scope of assurance and the rationale for that decision.
Internal controls	Working with Finance to ensure ESG controls were enhanced through the ESG operating model.
Review of science-based-targets	Transparent disclosure was provided within the Sustainability Report that Phoenix Group is no longer seeking Science Based Targets initiative ('SBTi') validation but remains committed to science-based targets and is aligned with the Net Zero Asset Owner Alliance target setting protocol.

Committee members agreed that the approach taken to these meetings was a step forward in good governance and ensured the correct experts were able to discuss, consider and provide relevant feedback to Management.

Climate change risk
During 2024, the Audit, Risk and Sustainability Committees held joint meetings to ensure climate risk was a focus for the Committees as a whole to avoid siloed review. The Committees have a key oversight role of climate-related reporting including TCFD and other sustainability disclosures. However, more focus in 2025 will be given to the joint Committees' oversight of the impact of climate-related risks and opportunities on the organisation's business strategy, and financial planning.

Katie Murray
Chair of the Audit Committee

Mark Gregory
Chair of the Risk Committee

Karen Green
Chair of the Sustainability Committee

Audit, risk and internal controls continued
Risk Committee report

Mark Gregory
Risk Committee Chair

Number of Committee meetings held during 2024 (including ad hoc)

8

Committee meetings and membership

	Member from	2024 meeting attendance	2024 % attendance
John Pollock[1]	20 October 2016	8/8	100%
Mark Gregory	1 April 2023	8/8	100%
Karen Green[2]	13 September 2024	2/2	100%
Belinda Richards	1 October 2017	8/8	100%
Maggie Semple[3]	1 September 2022	6/6	100%

1 John Pollock retired as a Director of the Company on 31 December 2024 and as Chair of the Committee on 3 December 2024.
2 Karen Green became a member of the Committee on 13 September 2024.
3 Maggie Semple stepped down as a member of the Risk Committee on 12 September 2024.

Additional regular attendees include the Group CEO, Group CRO, Group CFO, Group Chief Audit Officer and the Group Company Secretary.

Key Committee activities in 2024

- Monitored risk appetite, risk management and challenged Management to continue enhancements to risk reporting.
- Reviewed the applications to the PRA for major credit modelling changes to the Group's internal model and recommended approval by the Board.
- Monitored reporting on the Group's capital and liquidity requirements, recognising the volatility of the macroeconomic environment.
- Oversaw the implementation of new Consumer Duty regulations through updates from Management and the Consumer Duty Champion, who is a member of the Life Companies' board risk committee.
- Approved the scenarios for stress testing for the Group Business Plan alongside a detailed review of the risks to the Business Plan, ensuring all material risks had been appropriately considered by Management.
- Challenged, before recommending, the Own Risk and Solvency Assessment ('ORSA') to the Board for approval.

Role, responsibilities and effectiveness

The Role of the Committee is shown on **page 93**

The Committee's responsibilities and duties can be found within its **Terms of Reference**

The Committee's performance review is shown on **page 129**

2025 focus

- Continue to monitor the Group's principal risks and the potential impacts to the organisation from climate change and shifts in consumer behaviour, the macroeconomic, regulatory or political landscape.
- Provide effective oversight of the management of financial and non-financial risk exposures from a current and projected perspective.
- Oversee the execution risk of the Group's planned change initiatives given the scale of investment in change across the business.
- Oversee how Consumer Duty is embedding into the organisation.
- Continue to oversee the execution of the planned enhancements to managing market and liquidity risks.
- Continue to monitor the risks posed to our operational resilience by AI and cyber.
- Continue to support the newly appointed Group CRO in exploring opportunities to streamline and augment the Risk Management Framework. This will be considerate of the requirements of the 2024 Code requiring the Board to assess the effectiveness of the framework.
- Review the results and analysis of the PRA Life Insurance Stress Tests ('LIST') exercise.

Committee review

The 2024 performance review was facilitated internally by the Chair of the Group Board, supported by the Group Company Secretary. The review concluded that the Committee is functioning effectively. NEDs were well prepared, providing thoughtful and challenging contribution from members with a very capable Chair.

There were a few areas of enhancement highlighted below:

Action 1
The Committee Chair to support and assist the Group CRO and Group CFO to transition into their new roles.

Action 2
Continue to enhance and monitor the quality of papers to ensure sustained improvement.

Action 3
Ensure meeting frequency and focus remained appropriate to ensure effective oversight of Risk Committee matters.

The following actions from the 2023 performance review facilitated by an external Board Performance Reviewer were progressed during 2024:

Action	Progress
Drive improvements in the quality of papers to ensure they are on time and more succinct.	Board and Committee template reviewed and improved to ensure that content is concise and clear.
To ensure that supplementary papers are clearly signposted so that members are clear on what they should read and why.	Company Secretariat provided training and guidance to paper authors across the business. Challenge is provided to authors to ensure that any additional reading is essential for the Committee to better understand the paper and its content.

Risk Committee reporting cycle

Q1
- Group CRO report
- Line 1 Risk report
- Update from Life Companies' board risk committee
- Operational Risk Management Framework
- Consumer and conduct risk
- Update on the delivery of risks from the Group's change plan
- Liquidity risk update
- Strategic asset allocation
- Results of climate-related scenario testing
- Full Year 2023 dividend
- Full Year Group CRO report for the Remuneration Committee
- Regulatory relationships update
- Resolution Plan
- Recovery Plan

Q2
- Group CRO report
- Line 1 Risk report
- Update from Life Companies' board risk committee
- Internal Audit – risk culture assessment
- Liquidity risk update
- Emerging risks and opportunities
- Stress and scenario testing
- Recommendation of the Annual Report
- Review of market sensitivities
- ORSA

Q3
- Group CRO report
- Line 1 Risk report
- Update from Life Companies' board risk committee
- Consumer and conduct risk
- Liquidity risk update
- Recommendation of Half Year Report
- Half Year Group CRO report for the Remuneration Committee
- Funded reinsurance update
- Update on the delivery of risks from the Group's change plan
- Half Year 2024 dividend
- Update on control improvement initiatives
- Business Plan strategic risk allocation

Q4
- Group CRO report
- Top Risks report
- Update from Life Companies' board risk committee
- Liquidity risk update
- Stress and scenario testing
- Risk Appetite Framework review
- Business Plan review
- Standard Life International update
- Group credit limits review
- Approve the Shareholder Hedging policy

Audit, risk and internal controls continued
Risk Committee report

Outcomes from Risk Committee discussions
On an annual basis, a review of the Committee's activities is undertaken. In 2024, it was concluded that all elements of responsibility detailed in the Committee's Terms of Reference had been addressed. An overview of some of the significant activities undertaken during the year and the way in which they contributed to important outcomes is detailed in the following table:

Key activities

Discussion	Outcome
Operational and conduct risk	
Consumer Duty	Whilst the Life Companies' board risk committee has the main responsibility of overseeing the Consumer Duty programme, the Committee requested a deep dive on the readiness for the regulations to go live for Closed Products from 1 August 2024, in addition to the regular updates received from the Life Companies' board risk committee.
Operational resilience	In addition to the regular updates on operational resilience and change management related risks presented throughout the year, the Committee requested a deep dive on the road to compliance to meet the new operational resilience regulations from 1 April 2025 to ensure the Group remains resilient in the areas that matter most to its customers. This session was delivered to the Board in September 2024.
Change delivery risk	The Committee continues to recognise the importance of progress on projects designed to transform areas of the organisation and to increase efficiency. The Committee requested that change execution risk became a standing agenda item and input was provided from the Chair of the Transformation Advisory Group, a Life Companies' board committee.
Cyber and AI risk	The Committee monitored the impact of both cyber and AI risk and requested that a Board education session was provided on AI risks, opportunities and potential use cases at the June Strategy Day. The Committee reviewed and challenged the annual cyber risk assessment and residual risk rating for cyber risk. Following the outcomes of the 2023 external Board review, the Board has appointed Sherry Coutu who has strong AI and cyber security experience with effect from 1 May 2025.
Financial and strategic risk	
Full Year and Half Year dividends	To reduce duplication across Committees, the Board Risk Committee took sole responsibility for robustly challenging the affordability of the payment of a dividend ahead of recommending to the Board for approval.
Establishment of a Joint Venture ('JV') with Schroders	The Committee carefully considered the risks of setting up an asset management JV with Schroders which would provide customers with access to private markets instruments via Long Term Asset Fund products. This was of strategic importance given the Group's public commitment under the Mansion House Compact to achieve a minimum of 5% allocation to unlisted equities of Defined Contribution Pension Funds and other sources of long-term savings by 2030.
Liquidity and market risks	The Committee monitored carefully the planned improvements to liquidity management and interest rate risk management with challenge to Management on the pace of delivery.
Funded reinsurance	In July 2024, the PRA published SS5/24, directed to all life insurers to outline their expectations for managing risks associated with funded reinsurance. The Committee oversaw the Group's self-assessment, areas where development was required and the implementation plan.
Climate and environmental risk	From 2024, it was decided that a joint Board Audit, Board Risk and Board Sustainability Committee would convene at least twice a year to review sustainability reporting and analyse the potential impact of climate risk. This would provide collaboration across the Committees.
Risk Management Framework	
Effectiveness of the Risk Management Framework	The Company commissioned an external review of the Risk Management Framework. The recommendations from the review were presented to the Committee in October 2024 and the Committee requested a plan to deliver against these recommendations. This will be monitored by the Committee throughout 2025.

The Committee also received education sessions as shown on pages 106 to 107.

Group CRO and Committee Chair changes
In August 2024, the Committee welcomed Brid Meaney as Group CRO and the Committee looks forward to working closely with her going forward. I became the Chair of the Committee on 4 December 2024, following a comprehensive handover from John Pollock. Both myself and the Committee would like to thank John for his insight, contribution and support throughout his tenure.

Group CRO report
At each meeting, the Committee receives a formal report from the Group CRO which contains an assessment of the top risks against the Group's risk appetite, as well as an overview of the current and emerging risks to the organisation. The report also includes updates on the activities being undertaken by the Risk function to deliver its strategic objectives, highlights the outcomes of ongoing risk monitoring and outlines current financial, non-financial, compliance and regulatory risk exposures.

During the year, the Committee maintained focus on the macroeconomic and geopolitical environment, and the potential risk events that could crystallise in 2024 and 2025. The Committee received regular updates and continued to oversee non-financial risks such as operational resilience, Consumer Duty, change delivery, controls and people risk. As the Group continued to undergo a period of simplification and change, the Committee focused on the impact on colleagues and the control environment, challenging Management to ensure safe delivery of change.

A summary of the principal risks and uncertainties facing the Group can be found on pages 46 to 49.

Connectivity with principal subsidiaries
During 2024, the Committee continued to engage with principal subsidiaries to keep abreast of key workstreams, top risks and to assess and challenge the broad range of risks impacting all stakeholders. An update from the chair of the Life Companies' board risk committee is provided at each meeting to ensure that the Committee has appropriate oversight on activity delegated to the Life Companies.

Customer and conduct risks
The Committee received regular updates on customer and conduct risk. In particular, progress on the implementation and embeddedness of the Group's Consumer Duty plans which included assessments of fair value on Group products, customer service levels and improvements to customer journeys. A key focus was monitoring customer outcomes, and this vigilance will continue in 2025.

Mark Gregory
Chair of the Risk Committee

Audit, risk and internal controls continued
Sustainability Committee report

Karen Green
Sustainability Committee Chair

Number of Committee meetings held during 2024 (including ad hoc)

5

Committee meetings and membership

	Member from	2024 meeting attendance	2024 % attendance
Karen Green	1 December 2020	5/5	100%
Nicholas Shott	1 December 2020	5/5	100%
Maggie Semple	1 September 2022	5/5	100%

Additional regular attendees include the Group CEO, Chair of the Group Board, Chief Sustainability Officer, Director of Corporate Affairs and Investor Relations and the Group Company Secretary.

Key Committee activities in 2024
- Challenged the Group's nature and biodiversity roadmap.
- Reviewed the content, integrity and completeness of the Group's external commitments.
- Ensured tangible, measurable progress against the Group's Sustainability Strategy.
- Assisted the Board with the close monitoring of the Group's culture and reviewing key people metrics, including diversity.
- Monitored progress of the Group's Net Zero Transition Plan, including a roadmap to investing up to £40 billion in sustainable assets.
- Received updates on customer initiatives.
- Oversaw and challenged the Company's ambitions in thought leadership to advocate for change across priority sustainability themes such as pensions adequacy and unlocking solutions in climate change.

Role, responsibilities and effectiveness
The Role of the Committee is shown on **page 93**

The Committee's responsibilities and duties can be found within its **Terms of Reference**

The Committee's performance review is shown on **page 132**

2025 focus
- Continue to monitor developments in sustainability and emerging best practice.
- Continue to oversee Group activity relating to pensions adequacy.
- Oversee and challenge Management's engagement with stakeholders to effect change.
- Continue to review the ways in which wider macroeconomic factors will impact customers and colleagues.
- Monitor and challenge progress against the Sustainability Strategy.

Audit, risk and internal controls continued
Sustainability Committee report

Committee review

The 2024 performance review was facilitated internally by the Chair of the Group Board, supported by the Group Company Secretary. The review concluded that the Committee is functioning effectively, with engaged members providing targeted and insightful challenge, supported by a capable Chair.

There were two areas of enhancement highlighted below:

Action 1
Continue to enhance and monitor the quality of papers to ensure sustained improvement.

Action 2
Ensure meeting frequency and focus remained appropriate to ensure effective oversight of Sustainability Committee matters.

The following actions from the 2023 performance review facilitated by an external Board Performance Reviewer were progressed during 2024:

Action	Progress
Maintain focus on how to help customers through retirement and ensuring Consumer Duty remains a key consideration in all discussions.	All papers refer to and signpost Consumer Duty and customer impact where relevant. The Life Companies' Consumer Duty Champion is a standing attendee at Sustainability Committee meetings. Customer-related items were a regular feature on the agendas for 2024 and this will continue into 2025.
Continue to address current affairs and how they impact the organisation's strategy and culture.	Current affairs were included on 2024 agendas. This will continue to be a focus of the Committee in 2025.
Consider whether training sessions should be held as strategic deep dives with consideration of impact on the Group strategy.	The Chair of the Committee, in conjunction with Company Secretariat and senior members of the Sustainability team, review the need for deep dives or external training, and how these fit with the Committee's workplan.

Sustainability Committee reporting cycle

Q1
- Chief Sustainability Officer report
- Approval of Sustainability Strategy
- Update on sustainability risk & anti-greenwashing activity
- Deep dive: debrief on COP28
- Deep dive: nuclear power
- Group Internal Audit: ESG in the supply chain
- Thought leadership plan
- Pensions & Savings Sustainability Strategy
- Progress update against the Net Zero Transition Plan
- DE&I update
- People and culture quarterly update
- Report from DNED for Workforce Engagement
- Social Partnerships update
- Phoenix Flex update

Q2
- Chief Sustainability Officer report
- Modern Slavery, Human Rights and Supply Chain Statement
- Stewardship Report
- Deep dive: communicating with customers on sustainability
- Update on sustainability risk
- Deep dive: commitments and objectives for nature roadmap
- Deep dive: UK and US equity customised decarbonising benchmarks
- Deep dive: social impact initiative
- DE&I update
- People and culture quarterly update
- Report from DNED for Workforce Engagement

Q3
- Chief Sustainability Officer report
- Deep dive: SBTi
- Deep dive: business travel
- Update on commitments and objectives for nature roadmap
- Deep dive: post-election public affairs and priorities
- DE&I update
- People and culture quarterly update
- Report from DNED for Workforce Engagement
- Progress update against the Net Zero Transition Plan

Q4
- Chief Sustainability Officer report
- Deep dive: ESG litigation
- Deep dive: Group approach to safety in the workplace
- Approval of changes to the ESG Supplier Standards
- Review of progress against Net Zero Transition Plan Interim Targets
- Review of progress against the Sustainability Strategy
- Approval of the Stewardship policy
- DE&I update
- People and culture quarterly update
- Report from DNED for Workforce Engagement
- Long-term social target proposal
- Deep dive: debrief on COP29

Outcomes from Sustainability Committee discussions
On an annual basis, a review of the Committee's activities is undertaken. In 2024, it was concluded that all elements of responsibility detailed in the Committee's Terms of Reference had been addressed. An overview of some of the significant activities undertaken during the year and the way in which they contributed to important outcomes is detailed in the following table:

Outcomes from Sustainability Committee agenda items

Discussion	Outcome
Sustainability Disclosure Requirements ('SDR')	Following a discussion on SDR and its potential impact on the organisation, the Committee requested a deep dive on SDR and other upcoming disclosure requirements to ensure that the appropriate plans were in place within the organisation. This session was held in March 2024.
Culture monitoring Read about how the Board monitors culture on pages 96 to 97. Read about Maggie Semple's work as DNED and Workforce engagement on page 101 to 102	Following a quarterly update on culture, the Committee requested a deep dive on workforce engagement survey scores and the potential reasons for significant movements in scores over the year. This update was presented in December 2024.
Group approach to nature reporting and TNFD	The Committee received regular updates on nature reporting and the proposed commitments and objectives for the Group. The Committee noted the need to be well considered in its approach to nature disclosures, which could be aided by continued engagement with the TNFD to fully understand the framework and how it would translate to the Group's activities. Nature reporting will continue to be a regular item for the Committee in 2025.
Macroeconomic and geopolitical environment	The Committee has remained cognisant of external factors that may impact progress against Net Zero Transition Plan targets or other objectives within the Sustainability Strategy. The Committee has continued to request ad hoc deep dives on external events. In 2024, the Committee requested updates on nuclear power on sustainability ambitions and the impact of the UK election on the Company's sustainability strategy. The Committee will continue to receive updates on the thought leadership programme, which is designed to collaboratively drive policy change to unlock investment in climate solutions and advocate for pensions adequacy.

The Committee also received education sessions as shown on pages 106 to 107.

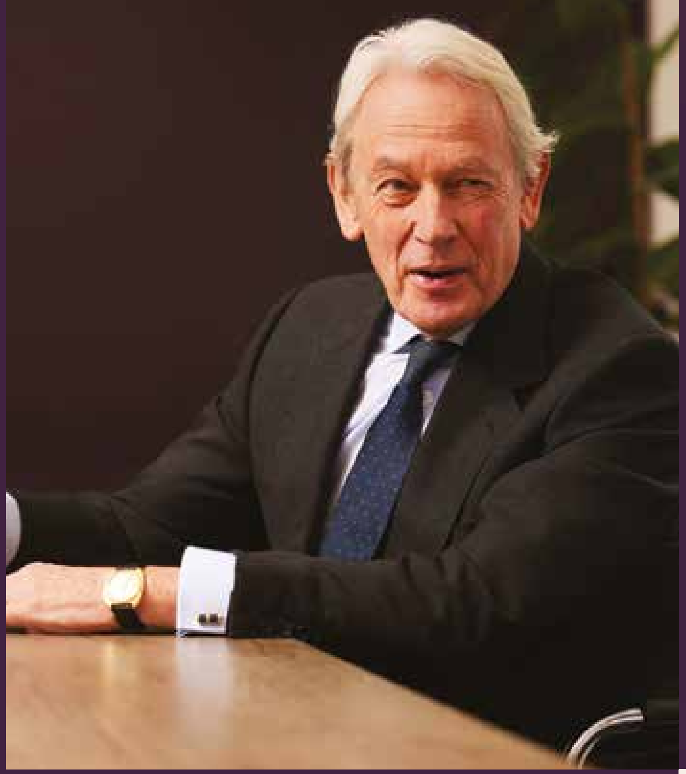
Monitoring progress against our Net Zero Transition Plan
The Group has committed to net zero across our investment portfolio, own operations and supply chain by 2050 or sooner. As a purpose-led organisation, the Company acknowledges the part it should play in delivering net zero whilst ensuring good outcomes for customers. Throughout 2024, the Committee received regular updates on progress against the Net Zero Transition Plan, and the ambition to invest up to £40 billion in sustainable transition and productive assets. As part of this, the Committee reviewed and approved the Group's second Stewardship Report, which sets out the focus on effective stewardship and the intention to have a positive effect on action on climate change and other ESG priority topics.

Supporting our customers
The Committee has maintained focus on supporting customers to deliver good outcomes in 2024. The Committee received regular updates on activity relating to customers which included a review of marketing plans and an update on Money Mindset, the Company's financial wellbeing app which has been enabled for over 1.5 million workplace pension scheme members. The Committee oversaw work to increase inclusivity and accessibility amongst products and services, and received an update on how sustainability will be communicated to customers.

Karen Green
Chair of the Sustainability Committee

Directors' Remuneration report

Nicholas Shott
Chair of the Remuneration Committee



Committee meetings held during 2024

5

Committee meetings and membership

	Member from	2024 meeting attendance	2024 % attendance
Nicholas Shott	20 October 2016	5/5	100%
Karen Green	1 July 2017	5/5	100%
Belinda Richards	2 July 2019	5/5	100%
Maggie Semple	1 January 2024	5/5	100%

Key Committee activities in 2024

- Approval of incentive outcomes for the 2023 Annual Incentive Plan and 2021 Long Term Incentive Plan.
- Approval of remuneration for all colleagues within the Committee's remit.
- Consideration and approval of metrics for 2024 variable pay schemes to align with the Group's evolving business strategy.
- Consideration and approval of the good leaver status for Rakesh Thakrar's AIP and LTIP plans. His remuneration package is discussed on **page 136**.
- Consideration and approval of remuneration package for the incoming Group CFO and associated shareholder engagement is discussed on **page 136**.

Role, responsibilities and effectiveness

The Role of the Committee is shown on **page 93**

The Committee's responsibilities and duties can be found within its **Terms of Reference**

The Committee's effectiveness review is shown on **page 135**

2025 focus

- Approval of incentive outcomes for 2024 AIP and 2022 LTIP.
- Consideration and approval of metrics and targets for the 2025 variable pay plans to align with our financial framework and strategic priorities.
- Consideration of the Directors' Remuneration policy ahead of shareholder approval in 2026.
- Listening to the voice of the wider workforce on remuneration through Maggie Semple, the Board's Designated NED for Workforce Engagement.

Committee effectiveness

The 2024 effectiveness review was facilitated internally by the Chair of the Group Board, supported by the Group Company Secretary. The review concluded that the Committee is functioning effectively, with engaged members providing a thoughtful and challenging contribution that adequately scrutinises the risk culture in the Group Chief Risk Officer's report.

Action 1

Continue to enhance and monitor the quality of papers to ensure sustained improvement.

Action 2

Review agenda focus and frequency of meetings to ensure effective oversight of remuneration matters, including how the Committee has oversight of culture and workforce engagement relating to remuneration.

The following actions from the 2023 effectiveness review facilitated by an external Board Performance Reviewer were progressed during 2024:

Action	Progress
The Chair instigated a process of agreeing with the Committee what the priority items of focus would be for each meeting.	Feedback from Committee members was that the new process had been successful in identifying the most material issues for each meeting so that appropriate time could be allocated to them on the agenda.
To continue with the Group Chief Risk Officer's ('CRO') report, which was deemed best practice and to be commended in supporting the Committee's consideration of variable remuneration adjustments for Senior Management.	This continued to support the risk underpin for the AIP outturns.

Remuneration Committee reporting cycle

Q1

- Full Year 2023 Group CRO report
- Approval of 2023 AIP and 2021 LTIP outturns
- Executive Director and ExCo 2023 performance ratings
- Approval of 2024 AIP and LTIP metrics and targets
- Approval of 2024 share award grants

Q2

- Monitoring Employee Benefit Trust
- Chief Executive Officer and Chief Financial Officer benchmarking
- Review of market trends and AGM results

Q3

- Half Year 2024 Group CRO report
- Approval of 2024 share award grants
- Monitoring 2024 AIP outturn and in-flight LTIP awards

Q4

- Education session (see below)
- Review of 2025 AIP and LTIP metrics
- Approved the leaver status for Group CFO
- Approved remuneration for new Group CFO, Nicolaos Nicandrou appointed on 2 December 2024

Outcomes from Remuneration Committee discussions:
On an annual basis, a review of the Committee's activities is undertaken. In 2024, it was concluded that all elements of responsibility detailed in the Committee's Terms of Reference had been addressed. An overview of some of the key activities undertaken during the year and the way in which they contributed to important outcomes is detailed in the following table:

Key activities

Activity	Outcome
Consideration of remuneration package for incoming Group CFO.	Appointment of new Group CFO and associated engagement with shareholders.
Review of Full Year 2023 and Half Year 2024 Group CRO report.	The Group CRO reports provided helpful guidance to individuals whose remuneration may require adjustment.
Consideration of metrics and targets for all incentive plans.	The metrics align to financial framework and strategic priorities.
Education session – annual event covering relevant topics and also includes a dashboard of data and information on the wider workforce.	Supported understanding amongst the Committee of latest market practice in both the insurance sector and wider FTSE index through a review of 2024 AGM season outcomes and latest proxy adviser guidelines.

Directors' Remuneration report continued

Dear Shareholder,

On behalf of the Remuneration Committee ('Committee'), I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2024.

Summary of the year

Phoenix has continued its strong performance in 2024, as we made good progress in the first year of our 3-year strategy. This has enabled us to deliver improved performance across our financial framework of cash, capital and earnings:

- We delivered £1.8 billion of total cash generation above the top-end of our £1.4 billion target for the year.
- Our balance sheet remains resilient with our Solvency II ('SII') Shareholder Capital Coverage Ratio ('SCCR') of 172%, within our target range of 140% to 180%.
- We grew operating profit year-on-year by 31% to £825 million driven in part by the delivery of cost synergies as we make progress towards our £250 million cost savings target.

Board changes

Earlier in the year, it was announced that Rakesh Thakrar would be stepping down from his position as our Group Chief Financial Officer ('CFO') on 8 September 2024. Rakesh joined Phoenix Group in 2001 and became Group CFO in 2020. The Board is very grateful to Rakesh for the significant contribution he made during his tenure.

In line with our Remuneration policy, Rakesh's 2024 Annual Incentive Plan ('AIP') and in-flight Long Term Incentive Plan ('LTIP') awards will be pro-rated for his time served in role and released in line with the normal vesting schedules. Rakesh will be subject to a two-year post-cessation shareholding requirement of 200% of salary. Full details of remuneration arrangements in respect of Rakesh's departure can be found on page 158.

The Board was delighted to welcome Nicolaos Nicandrou as Group CFO with effect from 2 December 2024. Nicolaos brings a wealth of relevant insurance and asset management experience which will be invaluable to the Group as it executes its strategy to become the UK's leading retirement savings and income business and implements its evolved financial framework.

The remuneration arrangements for Nicolaos' appointment were agreed by the Committee in line with the policy approved by 98.8% of shareholders at the 2023 AGM. As detailed in the announcement on 6 November 2024 and in subsequent communications to shareholders and proxy advisers, Nicolaos' remuneration package comprises:

- a base salary of £730,000 per annum;
- a pension allowance of 12% of salary aligned to the maximum contribution available to our wider UK workforce;
- standard benefits in line with the wider UK workforce;
- an AIP opportunity of 200% of base salary; and
- an LTIP opportunity of 275% of base salary.

In considering this package, the Committee recognised that it is above the level of the previous incumbent and at the upper end of the market when compared to UK listed insurance companies. However, we are confident that it reflects the quality and experience that Nicolaos brings to the Group and is appropriate in the context both of his previous roles and of the important task of transforming the Group's Finance function.

Executive remuneration outcomes for 2024

Based on its assessment of the corporate metrics of the AIP which represent 80% of the Executive Directors' incentive opportunity, the Committee determined that the AIP outcome should be 84.4% of the maximum opportunity. With regard to the achievements under the Strategic Scorecard which represents 20% of the Executive Directors' AIP, the Committee determined outcomes should be 75.0% for Andy Briggs, Rakesh Thakrar and Nicolaos Nicandrou. This results in a formulaic outcome of 82.5% of the maximum AIP opportunity. The outcome for Rakesh Thakrar was pro-rated to 8 September 2024 when he stepped down from the Board, and the outcome for Nicolaos Nicandrou was pro-rated from the date he joined the Board on 2 December 2024. Further details are set out on page 145.

Each year the Committee reviews the AIP outcomes in the context of the Group's management of risk, overall business performance and the broader stakeholder experience. Last year we reported that there had been problems relating to the implementation of IFRS 17 in 2023, as a consequence of which we reduced the bonus payments for Rakesh Thakrar and Andy Briggs. Those problems continued into 2024 and therefore had a greater impact than had been foreseen originally and resulted in a restatement of our prior year results. The Remuneration Committee has therefore concluded that it is appropriate to reduce Rakesh's bonus for the period until he left the Board on 8 September by £57k (10%). In addition, in discussion with the Committee, Andy Briggs recognised that as CEO he has overall accountability and has suggested – and the Committee has agreed – that his own bonus should be reduced. The Committee has determined that a reduction of £70k (5%) is appropriate. There were no adjustments to the outcome for Nicolaos Nicandrou.

During 2024, significant investment was made in the IFRS 17 financial reporting processes, systems and controls, which is continuing in 2025. In recognition of the increased importance of IFRS following the introduction of IFRS 17, the Remuneration Committee has introduced this measure in both our 2025 AIP and LTIP scorecard.

As a result of these discretionary adjustments, overall outcomes under the AIP were 78.3% of maximum for Andy Briggs, 74.3% of maximum for Rakesh Thakrar, and 82.5% of maximum for Nicolaos Nicandrou.

The 2022 LTIP award covering the years 2022–2024 was based on Net Operating Cash Receipts, Return on Shareholder Value, Persistency, Relative Total Shareholder Return ('TSR') and Decarbonisation in respect of our Operations and Investment Portfolio. The overall formulaic vesting outcome is 51.1% of the maximum opportunity. Further details are set out on page 145.

The resulting single total figure of remuneration for Andy Briggs is £3,448k, for Rakesh Thakrar is £909k, and for Nicolaos Nicandrou is £168k. Full details are set out on page 142.

The Committee is satisfied that the remuneration outcomes for 2024, with the adjustments set out above in respect of the AIP, are a fair and appropriate reflection of the year's business performance and its trajectory and that the remuneration policy was implemented as intended. The outcomes provide strong alignment between pay and performance and with appropriate regard to both the management of risk within our incentives and the broader stakeholder experience. As a result, no further discretion has been applied by the Committee in respect of incentives outcomes.

Updated metrics to align remuneration with our evolving strategy

The Committee has approved a number of changes to the metrics for the AIP and LTIP in 2025 to ensure continued alignment to business priorities. The financial metrics for both plans reflect the focus in our financial framework on the three financial outcomes we deliver for our shareholders: cash, capital and earnings (including cost savings). The non-financial metrics focus on our customers, our people, and the planet.

2025 AIP

15% of the Corporate element of the AIP will be assessed on Total Cash Generation. 20% will be assessed on a Solvency II Shareholder Own Funds Unrestricted Tier 1 (excluding economics) metric. This supports our ambition of delivering sustainable cash generation and our goal of further strengthening our balance sheet and creating the capacity to repay debt, thereby creating an appropriate incentive for Management to reduce leverage. 20% will be assessed on Adjusted Operating Profit, which responds to the current shareholder focus on IFRS 17 profitability measures. 15% will be assessed on cumulative run rate cost savings, which is aligned to our target for 2026, as part of a broader 3-year target.

25% of the assessment will continue to be based on Customer Experience metrics and the final 5% will assess our People experience with reference to our employee engagement score.

In line with prior years, 80% of the AIP assessment for the Executive Directors will be based on the Corporate measures as set out above with the remaining 20% based on the Strategic Scorecard.

2025 LTIP

20% of the assessment will be based on Cumulative Operating Cash Generation. This is our key cash measure, with externally disclosed targets, and is included in the LTIP rather than the AIP for alignment with the long term nature of these targets. 20% will be based on Solvency II Surplus recognising the importance of a resilient balance sheet in supporting our investment to grow, optimise and enhance our business. 20% will be based on Cumulative Adjusted Operating Profit, which is included in both the AIP and LTIP given the importance of this measure to shareholders. 20% will continue to be based on relative TSR, and non-financial metrics (20%) will continue to measure decarbonisation and ethnicity representation amongst our senior leadership population.

Consistent with previous years, targets have been set with reference to the Group Annual Operating Plan and maximum payouts will only be delivered in the event of exceptional performance. The LTIP targets are disclosed prospectively on page 151.

Implementation of pay in 2025

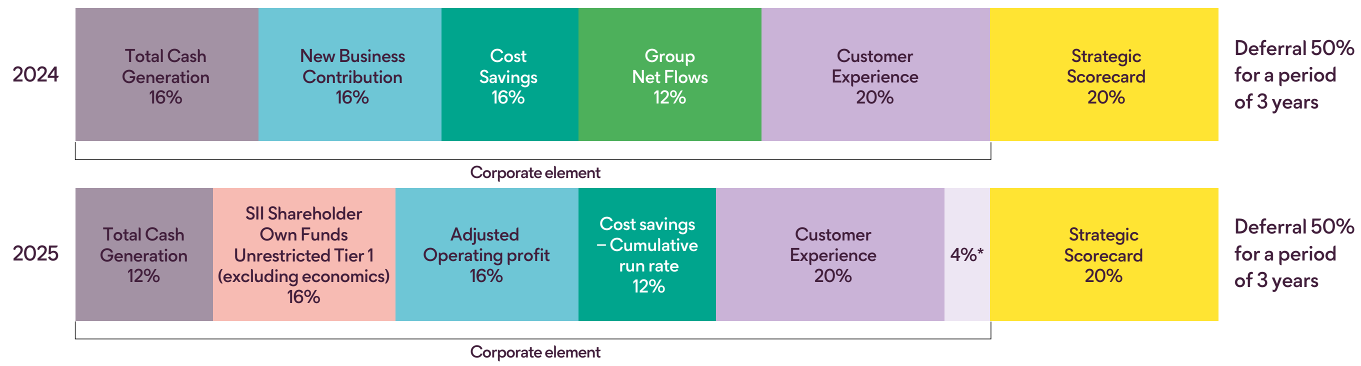
A salary increase of 2.6% effective from 1 April 2025 is proposed for Andy Briggs, slightly lower than the overall pay budget for the wider workforce of 3.0%. As a result of his joining date, Nicolaos Nicandrou will not be eligible for a salary increase in 2025. Further details on how we implement pay for the wider workforce is set out on page 157.

Looking forward

I hope that the matters set out in this report will meet our shareholders' expectations and will therefore be supported through the resolution proposed at the 2025 AGM. We look forward to engaging with shareholders later in the year as we undertake the review of the Directors' Remuneration policy ahead of its renewal at the 2026 AGM.

Nicholas Shott
Chair of the Remuneration Committee
16 March 2025

Annual Incentive Plan



*Colleague engagement

Long Term Incentive Plan

Directors' Remuneration report continued
Remuneration at a glance

Overview

Remuneration structure

Base salary

Base salaries are reviewed each year against companies of similar size and complexity.

Pension

Competitive employer sponsored Defined contribution pension plan with contributions at the same level as the wider workforce.

Benefits

Market competitive benefits are provided in a consistent manner with the wider workforce.

Annual Incentive Plan

AIP to motivate employees and incentivise delivery of annual performance targets aligned to strategy.

Long Term Incentive Plan

LTIP to motivate and incentivise delivery of sustained performance over the long term in line with our strategy and purpose, and to promote alignment with shareholders' interests.

Statement of intent
The Committee adopts a simple and transparent approach to remuneration to support the Group's purpose, values and strategic priorities, in order to ensure the sustainability of the business. When setting the remuneration for Executive Directors, the Committee carefully considers wider workforce pay across the whole organisation.

Company performance snapshot

84.4%
Outturn of 2024 AIP

51.1%
Outturn of 2022 LTIP

Alignment to purpose and strategy

Our Remuneration policy is designed to align to our purpose and is focused on the delivery of our strategy and long-term value creation for our stakeholders.

Our variable pay plans ensure remuneration outcomes are directly aligned to our core strategic priorities as shown on page 140 and to deliver long-term sustainable value. A significant portion of Executive remuneration is delivered in shares and deferred for up to five years.

Our purpose

Helping people secure a life of possibilities

Our strategy

- **Grow**
- **People**
- **Optimise**
- **Planet**
- **Enhance**
- **Building a sustainable business**

Pay for performance
A material portion of total remuneration is based on variable pay (c.80% of total maximum remuneration for the Group CEO and Group CFO). Performance targets are set with reference to the Annual Operating Plan ('AOP') and consensus such that maximum payouts can only be achieved for exceptional performance. Under the maximum scenario, over 63% of the Group's CEO maximum remuneration is delivered in shares, deferred for three years under the Deferred Bonus Share Scheme and subject to a combined vesting and holding period of five years for LTIP. This ensures strong alignment between Executive Directors and shareholders.

For more information see **page 141**

2024 at a glance

Remuneration for 2024

2024 single figure
The outcomes under the AIP and LTIP resulted in a single figure outcome for Andy Briggs of £3.448 million, for Rakesh Thakrar £0.909 million, and for Nicolaos Nicandrou £0.168 million.

CEO total pay (Andy Briggs)
£3.4m

CFO total pay (Nicolaos Nicandrou)
£0.2m

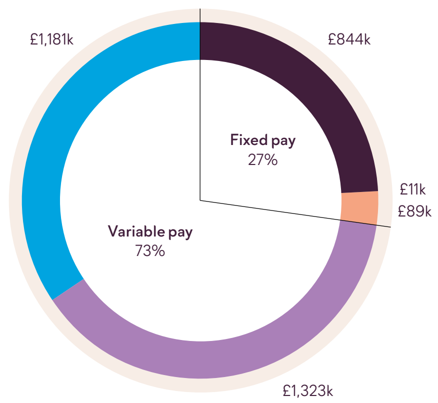
Former CFO total pay (Rakesh Thakrar)
£0.9m

See **page 142** for further details

Charts showing the breakdown of fixed vs variable remuneration for the outgoing and incoming CFOs are not shown given the change in role during the year.

Fixed vs variable pay (% weighting)

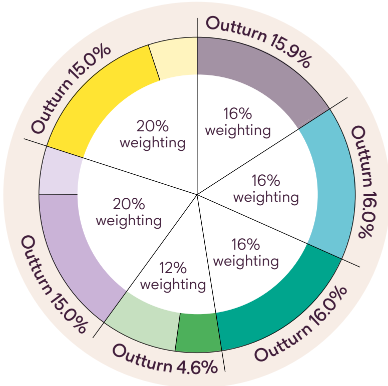
Group CEO (Andy Briggs)



Fixed pay	27%	Variable pay	73%
Salary	24%	AIP	39%
Benefits	0%	LTIP	34%
Pension	3%		

2024 AIP weighted performance outturn

Total AIP out of maximum opportunity



Overall outturn
82.5%

This chart reflects AIP outcomes prior to any discretionary adjustment. The individual totals below reflect outcomes post adjustment (see pages 143 to 145 for further details).

- Total Cash Generation
- New Business Contribution
- Cost Savings
- Group Net Flows
- Customer Experience
- Strategic Scorecard

Group CEO (Andy Briggs)
78.3%

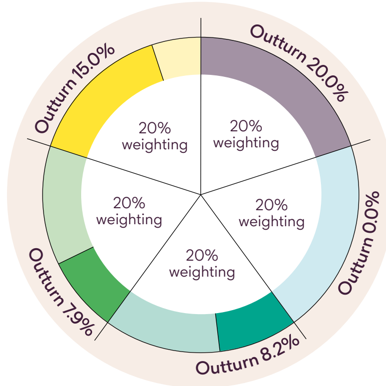
Former Group CFO (Rakesh Thakrar)
74.3%

Group CFO (Nicolaos Nicandrou)
82.5%

See **page 145** for further details

2022 LTIP weighted performance outturn

Total LTIP out of maximum opportunity



Overall outturn
51.1%

- Net Operating Cash Receipts
- Return on Shareholder Value
- Persistency
- Relative Total Shareholder Return
- Decarbonisation

Group CEO (Andy Briggs)
51.1%

Former Group CFO (Rakesh Thakrar)
51.1%

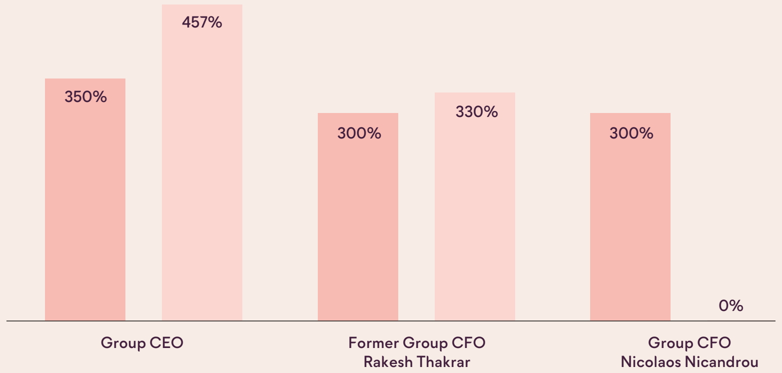
See **page 145** for further details

Directors' Remuneration report continued

Shareholding requirement

A significant proportion of Executive remuneration is delivered in shares which are released over a period of five years. In combination with our shareholding guidelines, this aligns Executive Directors with shareholders over the long term. Shareholdings for Andy Briggs, Rakesh Thakrar and Nicolaos Nicandrou are shown to the right.

Further details on shareholding requirements (including post-cessation) are included in the Remuneration policy on page 165.



Percentages are calculated using the closing share price on 31 December 2024 (510.0 pence). Nicolaos Nicandrou's shareholding reflects his appointment date of 2 December 2024. The percentage for Rakesh Thakrar is at 8 September 2024 when he stepped down from the Board. Shares included are those held directly and beneficially, any unexercised vested LTIP awards and unvested DBSS awards taking into account tax liabilities.

2025 at a glance

Financial framework and strategic priorities

This table demonstrates how each of our performance measures for AIP and LTIP align with the Group's strategic priorities.

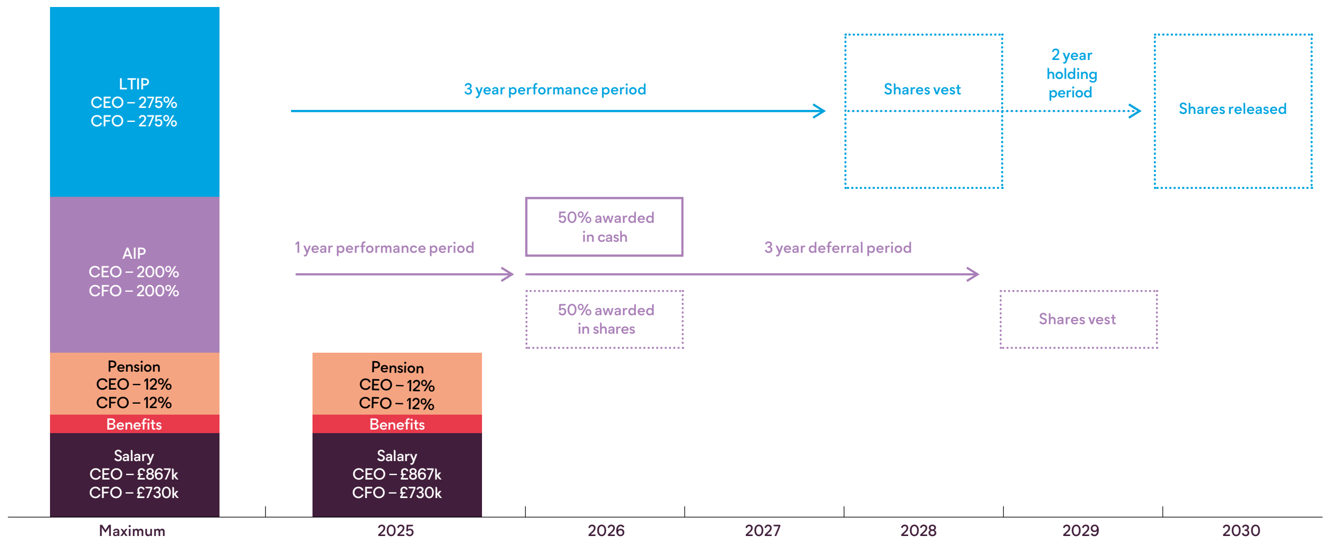
Performance measures 2025

		Financial framework and strategic priorities					
		Cash	Capital	Earnings	Grow	Optimise	Enhance
AIP	Total Cash Generation	✓	–	–	–	–	–
	SII Shareholder Own Funds Unrestricted Tier 1 (excluding economics)	–	✓	–	–	–	–
	Adjusted Operating Profit	–	–	✓	–	–	–
	Cost Savings – Cumulative run rate	–	–	✓	–	–	–
	Customer Experience	–	–	–	✓	–	✓
	Colleague Engagement eNPS	–	–	–	–	–	✓
	Strategic Scorecard	✓	✓	✓	✓	✓	✓
LTIP	Cumulative Operating Cash Generation	✓	–	–	–	–	–
	SII Surplus	–	✓	–	–	–	–
	Cumulative Adjusted Operating Profit	–	–	✓	–	–	–
	Relative TSR	✓	✓	✓	✓	✓	✓
	Diversity, Equity and Inclusion	–	–	–	–	–	✓
	Decarbonisation – Investment Portfolio	–	–	–	–	✓	–

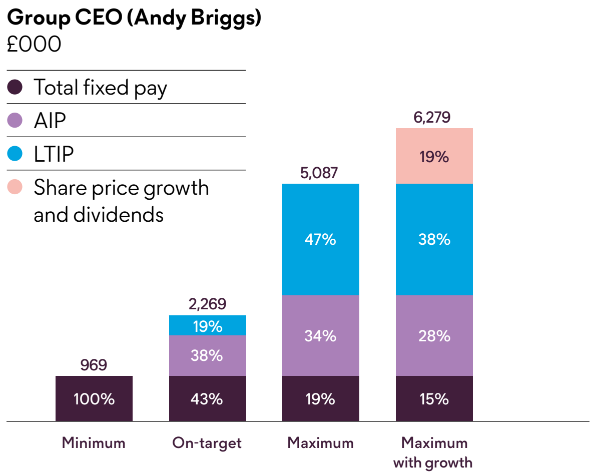
All employees participate in a common incentive plan ensuring consistency of corporate goals and individual performance management. Certain sales colleagues in our Pensions and Savings Workplace function have additional functional metrics.

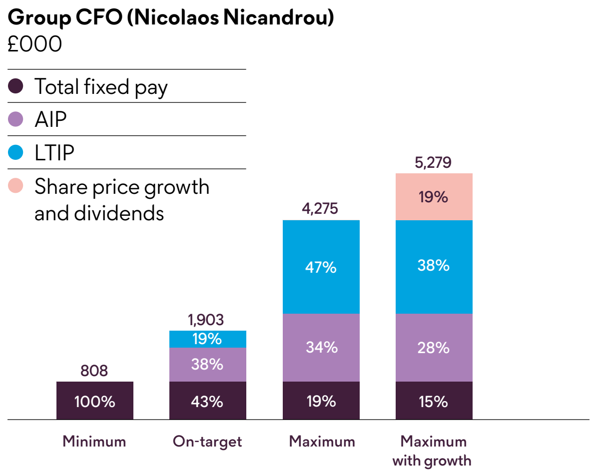
Alignment to shareholders

Our Executive remuneration is designed to align with shareholder interests to deliver long-term sustainable value. The diagram below shows how a significant portion of Executive remuneration under the Remuneration policy is delivered in shares and deferred for up to five years. Under the maximum scenario, over 63% of the Group CEO's maximum remuneration is delivered in shares.



Scenario charts





Name	Base salary £000	Benefits £000	Pension £000	Total fixed £000
Andy Briggs	867	11	91	969
Nicolaos Nicandrou	730	1	77	808

Minimum	Consists of base salary, benefits and pension: • Base salary is the salary to be paid in 2025. • Benefits measured as benefits to be paid in 2025. • Pension measured as the full entitlement of 12% of base salary when contributions paid into pension scheme, or approximately 10.5% of base salary receivable after the reduction to payments made in cash for employers' National Insurance Contributions.
On-target	Based on what the Executive Director would receive if performance was on-target: • AIP: consists of the on-target annual incentive (100% of base salary for Group CEO and Group CFO). • LTIP: consists of the threshold level of vesting (50% of base salary for Group CEO and Group CFO).
Maximum	Based on the maximum remuneration receivable: • AIP: consists of the maximum annual incentive (200% of base salary for Group CEO and Group CFO). • LTIP: assumes maximum vesting of awards and valued as on the date of grant (award of 275% of base salary for Group CEO and Group CFO).
Maximum with growth	Based on the maximum remuneration receivable assuming share price growth of 50%: • AIP: consists of the maximum annual incentive (200% of base salary for Group CEO and Group CFO). • LTIP: assumes maximum vesting of awards and valued as on the date of grant (award of 275% of base salary for Group CEO and Group CFO) and assumes 50% share price growth.

Annual report on remuneration

This section of the Directors' Remuneration report sets out the Executive Directors' remuneration for 2024. It contains the annual report on remuneration which forms part of the Directors' Remuneration report to be proposed for approval by the Group's shareholders at the Group's 2025 AGM on 13 May 2025.

Introduction

This report contains the material required to be set out as the Directors' Remuneration report ('Remuneration report') for the purposes of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 (as amended) ('the DRR regulations').

Directors' Remuneration policy

A summary of the Remuneration policy approved by the shareholders at the 2023 AGM is set out on pages 161 to 165 of this Remuneration report. The full policy can be found on the Company's website and on pages 118 to 126 of the 2022 Annual Report and Accounts.

Implementation report – Audited information

Single Figure Table

£000	Salary/fees[1,2] 2024	Salary/fees[1,2] 2023	Benefits[1,3] 2024	Benefits[1,3] 2023	Pension[1,4] 2024	Pension[1,4] 2023	Total fixed pay[1] 2024	Total fixed pay[1] 2023	Annual incentive[1,5] 2024	Annual incentive[1,5] 2023	Long-term incentives 2024[6]	Long-term incentives 2023[7] (restated)	Total variable pay 2024	Total variable pay 2023[7] (restated)	Total 2024	Total 2023[7] (restated)
Executive Directors																
Andy Briggs	**844**	836	**11**	11	**89**	88	**944**	935	**1,323**	1,227	**1,181**	813	**2,504**	2,040	**3,448**	2,975
Rakesh Thakrar	**347**	500	**8**	11	**38**	54	**393**	565	**516**	689	**n/a[8]**	318	**516**	1,007	**909**	1,572
Nicolaos Nicandrou	**61**	–	**0**	–	**7**	–	**68**	–	**100**	–	**–**	–	**100**	–	**168**	–

1 Salary, Benefits, Pension and Annual Incentive for Rakesh Thakrar and Nicolaos Nicandrou reflect the time they served on the Board (1 January 2024 to 8 September 2024 for Rakesh, and 2 December 2024 to 31 December 2024 for Nicolaos). Salary for Andy Briggs reflects the full year salary implemented in April 2023.
2 The Executive Directors are entitled to adjust their salary/benefit combination under flexible benefits arrangements and the figures shown are before individual elections.
3 Benefits for Executive Directors include car allowance, private medical insurance, other taxable allowances, ShareSave and matching shares awarded under the Share Incentive Plan. No individual benefit provided has a value which is significant enough to warrant separate disclosure.
4 Executive Directors are entitled to each receive a Company pension contribution of 12%, (plus salary sacrifice uplift of 10% of the employee contribution) aligned to the wider workforce. This may be paid as a cash supplement (without the salary sacrifice uplift), reduced for the effect of employers' National Insurance Contributions. Andy Briggs and Nicolaos Nicandrou received contributions as cash supplements (10.5%), Rakesh Thakrar received a combination of cash supplement and contribution (10.8%).
No Director participated in a Defined benefit pension arrangement in the year and none have any prospective entitlement to a Defined benefit pension arrangement.
5 Annual incentive amounts are presented inclusive of any amounts which must be deferred into shares for three years and which are subject to continued employment (i.e. 50% of the AIP award for 2024). In 2024 £661,635 of Andy Briggs's incentive payment is subject to three-year deferral delivered in shares, £258,142 of Rakesh Thakrar's incentive payment and £50,200 of Nicolaos Nicandrou's incentive payment is subject to a similar deferral (2023: Andy Briggs deferral was £613,644 and Rakesh Thakrar's deferral was £344,706).
6 The 2024 value for long-term incentives is an estimate of the vesting outcomes for LTIP awards granted in 2022 which are due to vest once the Full Year results are announced. This vesting level is at 51.1%, reflecting outcomes against the performance measures described on page 145 to 31 December 2024. This vesting outcome is then applied to the average share price between 1 October 2024 and 31 December 2024 (511.06 pence) to produce the estimated long-term incentives figures shown for 2024 in the above table. The assumptions will be trued up for actual share price at the day of vesting in the Directors' Remuneration report for 2025. For Andy Briggs, the disclosed LTIP figure of £1,181k comprises £917k representing the proportion of the original LTIP award which ultimately vested, plus the value of dividend roll-up on those shares of £264k. No portion of the award related to share price appreciation.
7 For 2021's LTIP awards which are reflected in the 2023 long-term incentives column above, the performance conditions were met as to 41.1% of maximum. These values reflect the value of the Company's shares on the date of vesting which was 25 March 2024 (527.2 pence per share) multiplied by the number of shares vesting whereas the equivalent figure within the published 2023 Single Figure Table was an estimate which reflected the average share price between 2 October 2023 and 29 December 2023 (478.6 pence per share) and certain assumptions regarding the cumulative value of dividends on the number of shares vesting. See footnote under the Share-based awards table on page 147 with regard to this vesting date.
8 Details for Rakesh Thakrar's estimated vesting of his 2022 LTIP are shown in the 'Payments for Loss of Office' section on page 158 in line with market practice for leavers.

AIP outcomes for 2024 – Audited information

The overall weightings between Corporate measures and Strategic Scorecard for AIP in 2024 were:

- 80% – Corporate (financial and customer) performance measures.
- 20% – Strategic Scorecard (strategic company priorities).

As described in the Remuneration policy, 50% of 2024 AIP outcomes will be delivered as an award of deferred shares under the DBSS which will vest after a three-year deferral period subject to continued employment or good leaver status.

Corporate (financial and customer) performance measures

The Corporate (financial and customer) measures represent 80% of the overall incentive opportunity. The table below details the outcome against the measures and targets that were agreed by the Remuneration Committee at the start of the year.

Performance measure	Threshold performance level of 2024 AIP	Target performance level for 2024 AIP	Maximum performance level for 2024 AIP	Performance level attained for 2024 AIP	% of Corporate element based on performance measure	% achieved
Total Cash Generation (£m)	1,580	1,680	1,780	**1,779**	20.0%	**19.9%**
New Business Contribution (£m)	302	336	370	**392**	20.0%	**20.0%**
Cost Savings (£m)	40	50	60	**63**	20.0%	**20.0%**
Group Net Flows (£m)	(5,926)	(3,924)	80	**(4,395)**	15.0%	**5.7%**
Customer Satisfaction – Telephony (%)[1]	86%	88%	90%	**88%**	6.3%	**3.1%**
Customer Satisfaction – Digital (%)[2]	92%	94%	96%	**94%**	6.3%	**3.1%**
Service Levels (Demand Processed) (%)[3]	88%	90%	92%	**94%**	6.3%	**6.3%**
Complaints Resolved in < 3 days (%)[4]	31%	33%	35%	**36%**	6.3%	**6.3%**
Total of Corporate element					**100.0%**	**84.4%**

1 Customer Feedback scores as reported through a survey following telephony service, where customers can rate us between 1–5. The approach is now consistent across each platform/entity for 2024.
2 Customer Satisfaction scores as gathered immediately following Customer Digital journeys, where customers can rate their experience between 1–5. For Standard Life, all transactional journeys for which feedback is live on our secure site including all transactional journeys for which feedback is live on our mobile app. For Phoenix Life, encashment journey for which survey is live on MyPhoenix.
3 Percentage of all back-office manual workflow completed within service level (services levels vary across entities). Across entities this includes Claims & Servicing, with Standard Life also including new business acquisition and straight through processing.
4 Percentage of complaints that were closed within three days of the date of receipt. The target was reduced from 35% in 2023 to 33% in 2024 in light of a change in complaint makeup and a reducing industry average; the Committee was satisfied the targets remained equivalently stretching to prior years and that good customer outcomes were protected through a series of supporting metrics.

Total Cash Generation in 2024 was £1,779 million above the top end of our target for the year.

New business contribution benefited from strong inflows and lower acquisition costs in our Pensions and Savings business. New business contribution in our Retirement Solutions business benefited from progress with improving our capital efficiency in annuities, where a reduced capital strain means we delivered broadly similar volumes to 2023 but with one-third less capital.

Our focus on driving cost efficiencies has enabled us to deliver £63 million of cost savings in 2024.

As described in the Committee Chair's covering letter (page 136), the Group has achieved strong financial and non-financial performance and progress on key strategic objectives during the year. The Committee is satisfied that the remuneration outcomes for 2024 are an appropriate reflection of the year's business performance and its trajectory providing strong alignment between pay and performance and with appropriate regard to both the management of risk within our incentives and the broader stakeholder experience. Prior to confirming the outcomes for the 2024 AIP, the Committee reviewed in detail the extent to which the Group had operated within its stated risk appetite during the year and determined that no moderation of the 2024 formulaic outcome was necessary. Separately, the Committee made individual adjustments to the AIP outcomes which are set out on page 145.

Whilst the performance measures for the 2025 AIP have been disclosed (see Implementation of Remuneration policy in 2025 on page 150), the actual performance targets for these measures are regarded as commercially sensitive at the current time and accordingly are not disclosed. However, as in previous years, the Group intends to disclose the performance targets for 2025's AIP retrospectively in next year's Remuneration report on a similar basis to the disclosures made above in respect of 2024's AIP.

Directors' Remuneration report continued

Strategic Scorecard

The Strategic Scorecard represents 20% of the overall incentive opportunity. Metrics and targets relating to this scorecard were agreed by the Remuneration Committee at the start of the year. The table below details the outcome against targets of the Strategic Scorecard together with weightings and outturn.

Strategic priority	Weighting	Description	Base	Performance	Outcome	CEO and CFO outcome
Grow organically and through M&A by better addressing customer needs	25%	OCG	£1,141m	£1,403m	Strong 75%	18.8%
		Workplace new scheme wins	£1,800m	£1,804m		
Optimise our in-force business	25%	BPA IRR	14%	>14%	Exceptional 100%	25.0%
		Total Group management actions – SII Surplus generating	£430m	£745m		
		Solvency leverage	36%	36%		
Enhance our operating model and our culture	25%	GCM Action delivery plan	Green (<=10% overdue)	Amber	Good 50%	12.5%
		Employee Engagement eNPS	34	23		
		Female senior leaders (%)	40%	40%		
		Integrations – Capital synergies lifetime (ReAssure and SLoC)	£1,190m	£1,190m		
		Integrations – Cost synergies lifetime (ReAssure and SLoC)	£72m	£72m		
		Progress on transformation milestones	Green	Green		
Planet	12.5%	Roadmap developed to deliver the full £40bn ambition	Roadmap agreed	Complete	Strong 75%	9.4%
		Continue trajectory to 2025 carbon intensity target	To 83 tonnes of CO_2/£m by end 2024	62 tonnes CO_2e/£m		
People	12.5%	Standard Life brand awareness – 45–65 year olds	83%	84%	Strong 75%	9.4%
		Pension savings gap awareness campaign	1 million people	1.4m		
Total	100%					**75.0%**

As described on page 143 each year the Committee reviews the AIP outcomes in the context of the Group's management of risk, overall business performance and the broader stakeholder experience. Last year we reported that there had been problems relating to the implementation of IFRS 17 in 2023, as a consequence of which we reduced the bonus payments for Rakesh Thakrar and Andy Briggs. Those problems continued into 2024 and therefore had a greater impact than had been foreseen originally and resulted in a restatement of our prior year results. The Remuneration Committee has therefore concluded that it is appropriate to reduce Rakesh's bonus for the period until he stepped down from the Board on 8 September by £57k (10%). In addition, in discussion with the Committee, Andy Briggs recognised that as CEO he has overall accountability and has suggested – and the Committee has agreed – that his own bonus should be reduced. The Committee has determined that a reduction of £70k (5%) is appropriate. There were no adjustments to outcome for Nicolaos Nicandrou.

As a result of these discretionary adjustments, overall outcomes under the AIP were 78.3% of maximum for Andy Briggs, 74.3% of maximum for Rakesh Thakrar, and 82.5% of maximum for Nicolaos Nicandrou.

The Committee determined it was appropriate to pay the following outcomes under the AIP:

Name	Corporate element outcome (80% weighting) % of maximum and £000	Scorecard element outcome (20% weighting) % of maximum and £000	Total outcome % of maximum and £000	Discretionary adjustment % of outcome and £000	Actual outcome % of maximum and £000	Maximum opportunity as % of salary and £000
Andy Briggs	84.4%	75.0%	82.5%	5%	**78.3%**	200%
	£1,140	£253	£1,393	£70	**£1,323**	£1,689
Rakesh Thakrar[1]	84.4%	75.0%	82.5%	10%	**74.3%**	200%
	£469	£104	£573	£57	**£516**	£695
Nicolaos Nicandrou[2]	84.4%	75.0%	82.5%	n/a	**82.5%**	200%
	£82	£18	£100	n/a	**£100**	£122

1 AIP figures for Rakesh Thakrar reflect the period from 1 January 2024 to 8 September 2024 when he stepped down from the Board.
2 AIP figures for Nicolaos Nicandrou reflect the period from 2 December 2024 when he joined the Board to 31 December 2024.

LTIP outcomes for 2022 awards – Audited information

Performance measure	Weighting	Target range	Performance achieved	Vesting outcome	% achieved
Net Operating Cash Receipts	20%	Target range of £3.800bn to £4.100bn	£4.968bn	100%	20.0%
Return on Shareholder Value	20%	Target range between 3% CAGR and 5% CAGR	(3.5)%	0.0%	0.0%
Persistency	20%	Target range between 7.6% and 6.2%	7.3%	41%	8.2%
Decarbonisation – Operations	10%	Target range of 15%–25% reduction year-on-year against 2019 carbon intensity of Scope 1 and 2 emissions from occupied premises and Scope 3 emissions from business travel	>25.0%	100%	10.0%
Decarbonisation – Investment Portfolio	5% each	Net zero strategy applied between target range of 75% and 85% of assets in scope by 2025	<75.0%	0%	0.0%
		Reduction of 18–22% in portfolios where a net zero strategy has been applied	>22.0%	100%	5.0%
Relative TSR	20%	Target range between median performance against the constituents of the FTSE 350 (excluding Investment Trusts) rising on a pro rata basis until full vesting for upper quintile performance	56th percentile	40%	7.9%
Total					**51.1%**

The above targets were all measured over the period of three financial years 1 January 2022 to 31 December 2024.

We have significantly outperformed our three year Net Operating Cash Receipts due to the strong performance in 2023 supported by the c.£0.4 billion benefit from the completion of the Phoenix Life and Standard Life Part VII, and the strong performance in 2024 due to the higher than expected Operating Cash Generation delivered in the year.

Underpin and discretion

In addition to the above targets, the Committee confirmed that the underpin performance condition relating to risk management within the Group, customer satisfaction and, in exceptional cases, personal performance had been achieved in the performance period.

Windfall gains

The Committee reviewed the grant price of the 2022 LTIP (635.9 pence) compared to the grant price of the 2021 LTIP (736.2 pence) and was satisfied that no adjustments were required to the awards on grant for windfall gains. The Committee has again reviewed the position ahead of the vesting, taking into account the Group's share price as at 28 February 2025 (518.0 pence) and is satisfied that no windfall gains have occurred and that no adjustment is required on vesting.

Directors' Remuneration report continued

Share-based awards

LTIP targets

The performance conditions for the 2022, 2023 and 2024 awards are set out below.

Performance measure[1]	2022 award 20% Net Operating Cash Receipts 20% Return on Shareholder Value 20% Relative TSR 20% Persistency 20% Decarbonisation	2023 award 20% Net Operating Cash Receipts 20% Group In-Force Long-Term Free Cash 20% Relative TSR 20% Persistency 20% Decarbonisation	2024 award 20% Net Operating Cash Receipts 20% Return on Capital 20% Cumulative Net Flows 20% Relative TSR 10% Decarbonisation (Investments) 10% Diversity & Inclusion
Net Operating Cash Receipts	Target range of £3.800bn to £4.100bn	Target range of £3.556bn to £4.006bn	Target range of £3.848bn to £4.298bn
Return on Shareholder Value	Between 3% CAGR and 5% CAGR	n/a	n/a
Group In-Force Long-Term Free Cash	n/a	Target range between £14.7bn and £15.4bn	n/a
Persistency	Target range between 7.6% and 6.2%	Target range between 7.10% and 6.08%	n/a
Decarbonisation – Investment Portfolio[2]	Net zero strategy applied between target range of 75% to 85% of assets in scope by 2025 Reduction of 18%–22% in portfolios where a net zero strategy has been applied	Net zero strategy applied to target range of 80% to 90% of in-scope assets and 25% reduction in carbon intensity (provided in the best interests of customers)	Target range of 29% to 35% carbon intensity reduction of equity and credit portfolio and target range of 87.5% to 100% assets to have agreed decarbonisation approach taken through governance.[3]
Decarbonisation – Operations	Target range of 15% to 25% reduction year on year against 2019 carbon intensity of Scope 1 and 2 emissions from occupied premises and Scope 3 emissions from business travel	Target range of 75% to 85% reduction pre-offset, plus net zero post offset	n/a
Relative TSR[4]	Target range between median performance against the constituents of the FTSE 350 (excluding Investment Trusts) rising on a pro rata basis until full vesting for upper quintile performance	Target range between median performance against the constituents of the FTSE 350 (excluding Investment Trusts) rising on a pro rata basis until full vesting for upper quintile performance	Target range between median performance against the constituents of the FTSE 350 (excluding Investment Trusts) rising on a pro rata basis until full vesting for upper quintile performance
Return on Capital	n/a	n/a	Target range between 12.6% and 14.7%
Cumulative Net Flows	n/a	n/a	Target range between £(7.1)bn and £3.8bn
Diversity and Inclusion – Senior Leadership Black, Asian and Ethnic Minority Representation	n/a	n/a	Target range between >12% and >14%

1 For each measure above, 25% of the award vests at threshold performance rising on a pro rata basis until 100% vests. Measured over three financial years commencing with the year of award.
2 For the investment portfolio that is within control and influence.
3 Includes where the approved strategy can be to take no further action.
4 The Committee must also consider whether the TSR performance is reflective of the underlying performance of the Company measured over three financial years commencing with the year of award.

A consistent approach to target setting for the LTIP metrics has been taken each year with reference to the Group's long range plan so that delivery of target performance is considered to be comparably stretching for each award. As a result, the cash targets have not always increased and did indeed reduce in 2023, reflecting our business model shifting from being a closed life consolidator to an organic growth business. The 2025 LTIP cash targets disclosed on page 151 have been set with reference to the Group's financial framework.

LTIP underpin

Awards are subject to an underpin relating to risk management within the Group, consideration of customer satisfaction and, to meet Solvency II requirements, in exceptional cases, personal performance.

Share-based awards – Audited information

As at 31 December 2024, Executive Directors' interests under long-term share-based arrangements were as follows:

LTIP

Name	Date of grant	Share price on grant	No. of shares granted as at 1 Jan 2024	No. of shares granted in 2024	No. of dividend shares accumulating at vesting[1]	No. of shares exercised[2]	No. of shares lapsed[3]	No. of shares as at 31 Dec 2024	Vesting date[4]
Andy Briggs									
LTIP	13 Mar 2020	620.5p	192,840	–	–	–	–	192,840	13 Mar 2023
LTIP	12 Mar 2021	736.2p	298,831	–	76,600	_	(221,130)	154,301	25 Mar 2024
LTIP	18 Mar 2022	635.9p	351,133	–	–	–	–	351,133	18 Mar 2025
LTIP	17 Mar 2023	576.6p	402,712	–	–	–	–	402,712	17 Mar 2026
LTIP	28 Mar 2024	535.8p	–	433,373	–	–	–	433,373	28 Mar 2027
			1,245,516	**433,373**	**76,600**		**(221,130)**	**1,534,359**	
Rakesh Thakrar									
LTIP	11 Mar 2019	700.4p	37,466	–	5,675	(43,141)	–	–	11 Mar 2022
LTIP	13 Mar 2020	620.5p	73,628	–	–	–	–	73,628	13 Mar 2023
LTIP	12 Mar 2021	736.2p	116,816	–	29,942	–	(86,441)	60,317	25 Mar 2024
LTIP[5]	18 Mar 2022	635.9p	152,530	–	–	–	(26,556)	125,974	18 Mar 2025
LTIP[5]	17 Mar 2023	576.6p	174,935	–	–	–	(88,503)	86,432	17 Mar 2026
LTIP[5]	28 Mar 2024	535.8p	–	188,254	–	–	(159,912)	28,342	28 Mar 2027
			555,375	**188,254**	**35,617**	**(43,141)**	**(361,412)**	**374,693**	

1 In addition to the share options awarded under the LTIP shown above, dividends are awarded as additional options at vest. Dividends calculated are based on the final vesting figure (pre-performance) to reflect dividends paid from the date of award to the date of vest. Once the additional holding period of two years has been reached, further dividends are awarded to reflect dividends paid from the date of vest to the end of the holding period.
2 Rakesh Thakrar exercised his 2019 LTIP on 29 March 2024 at a share price of 553.06 pence resulting in an overall gain of £238,596. The gain in 2023 was nil for both Directors as whilst they had LTIP awards which had vested, they could not be exercised due to the additional two-year holding requirement.
3 The 2021 LTIP award vested at 41.1% of maximum. The 2020 LTIP award vested at 44.3% of maximum.
4 The vesting of the 2021 LTIP award granted on 12 March 2021 was delayed until the announcement of the 2023 Full Year results, with the final vesting on 25 March 2024. Awards granted on 18 March 2022 will vest after the 2024 Full Year results are announced. LTIP awards made to all members of the Executive Committee are subject to a three-year performance and a two-year holding period.
5 LTIP awards for Rakesh Thakrar have been adjusted to reflect the period between the date of grant to the date of stepping down from the Board on 8 September 2024.

DBSS

The DBSS is the share scheme used for the deferral of the AIP. Whilst no performance conditions are applicable, awards are subject to continued employment or a good leaver status.

Name	Date of grant	Share price on grant	No. of shares granted as at 1 Jan 2024	No. of shares granted in 2024	No. of dividend shares accumulating at vesting[1]	No. of shares exercised[2]	No. of shares lapsed/waived	No. of shares as at 31 Dec 2024	Vesting date
Andy Briggs									
DBSS	12 Mar 2021	736.2p	67,269	–	17,241	(84,510)	–	–	12 Mar 2024
DBSS	18 Mar 2022	635.9p	73,610	–	–	–	–	73,610	18 Mar 2025
DBSS	17 Mar 2023	576.6p	91,285	–	–	–	–	91,285	17 Mar 2026
DBSS	28 Mar 2024	535.8p	–	114,513	–	–	–	114,513	28 Mar 2027
			232,164	**114,513**	**17,241**	**(84,510)**	–	**279,408**	
Rakesh Thakrar									
DBSS	12 Mar 2021	736.2p	27,381	–	7,015	(34,396)	–	–	12 Mar 2024
DBSS	18 Mar 2022	635.9p	39,209	–	–	–	–	39,209	18 Mar 2025
DBSS	17 Mar 2023	576.6p	52,071	–	–	–	–	52,071	17 Mar 2026
DBSS	28 Mar 2024	535.8p	–	64,326	–	–	–	64,326	28 Mar 2027
			118,661	**64,326**	**7,015**	**(34,396)**	–	**155,606**	

1 In addition to the share options awarded under the DBSS shown above, dividends are awarded as additional options at vest. Dividends calculated are based the final vesting figure to reflect dividends paid from the date of award to the date of vest.
2 Total gains of Directors from share options exercised under the DBSS in 2024 were £634,753 (2023: £102,537). Andy Briggs exercised on 26 March 2024 at a share price of 526.00 pence. Rakesh Thakrar exercised on 29 March 2024 at a share price of 553.06 pence.

Directors' Remuneration report continued

Scheme interests awarded in the year – Audited information

Name	Date of award	Type of award	Nature of the award	How the award is calculated	Face value of award	Percentage vesting at threshold performance[1,2]	Vesting date	Performance measures[1]
Andy Briggs	28 Mar 2024	LTIP	Nil Cost Option	275% of salary	£2,322,320	25%	28 Mar 2027	See page 146
Andy Briggs	28 Mar 2024	DBSS	Nil Cost Option	50% of AIP	£613,644	–	28 Mar 2027	None
Rakesh Thakrar	28 Mar 2024	LTIP	Nil Cost Option	200% of salary	£1,008,800	25%	28 Mar 2027	See page 146
Rakesh Thakrar	28 Mar 2024	DBSS	Nil Cost Option	50% of AIP	£344,706	–	28 Mar 2027	None

1 The DBSS awards have no threshold performance level.
2 Vesting at threshold is capped at 50% of salary.

The face value represents the maximum vesting of awards granted (before any dividends are applied) and is calculated using a three-day average closing middle market share price prior to the date of grant (2024 LTIP and DBSS price was 535.87 pence).

ShareSave – Audited information

Name	As at 1 Jan 2024	Options granted	Options exercised	Options lapsed	As at 31 Dec 2024	Exercise price	Exercisable from	Date of expiry
Andy Briggs	3,056	–	–	(3,056)	–	589.0p	01 Jun 2024	01 Dec 2024
Andy Briggs	–	4,437	–	–	4,437	418.0p	01 Dec 2027	01 Jun 2028
Rakesh Thakrar[1]	8,359	–	–	(7,037)	1,322	378.0p	–	–
Nicolaos Nicandrou[2]	–	–	–	–	–	–	–	–

1 The figures above reflect the position at the point Rakesh Thakrar stepped down from the Board on 8 September 2024. Following his exit from the Group, his outstanding ShareSave lapsed in line with HMRC rules for the treatment of leavers.
2 Nicolaos Nicandrou was not eligible to join the 2024 ShareSave due to his appointment date of 2 December 2024.

ShareSave options are granted at a 20% discounted option price, calculated using the three-day average share price immediately before the invitation date.

Andy Briggs did not exercise his 2021 ShareSave and instead, opted to save the maximum amount permitted under ShareSave 2024. There was nil gain in 2024 for both Directors (2023: nil).

Aggregate gains of Directors from share options exercised under all share plans in 2024 was £873,349 (2023: £102,537). This figure relates to Andy Briggs and Rakesh Thakrar exercising their 2021 DBSS and Rakesh exercising his 2019 LTIP.

During the year ended 31 December 2024, the highest mid-market price of the Company's shares was 576.5 pence and the lowest mid-market price was 476.0 pence. At 31 December 2024, the Company's share price was 510.0 pence.

Executive Directors' interests – Audited information

The number of shares and share plan interests held by each Director and their connected persons are shown below:

Name	Share interests as at 1 January 2024 or date of appointment if later[1]	Share interests as at 31 December 2024 or retirement if earlier	Total share plan interests as at 31 December 2024 – Subject to performance measures	Total share plan interests as at 31 December 2024 – Not subject to performance measures[2]	Total share plan interests as at 31 December 2024 – Vested but unexercised scheme interest
Andy Briggs	378,971	423,442	1,187,218	285,846	347,141
Rakesh Thakrar[3]	124,779	165,581	240,748	163,934	133,945
Nicolaos Nicandrou	0	0	0	0	0

1 Share figures have been restated due to partnership under the Share Incentive Plan being previously included.
2 Figures include DBSS awards, shares purchased and awarded under the Share Incentive Plan and options granted under ShareSave.
3 Reflects the position at 8 September 2024 when Rakesh Thakrar stepped down from the Board.

The share interests of the following Directors have increased between 31 December 2024 and 14 March 2025 (being the latest practicable date prior to the release of this Annual Report). Andy Briggs acquired 87 shares following purchases under the Group's Share Incentive Plan. Nicolaos Nicandrou joined the Share Incentive Plan in January 2025 and has acquired 28 shares following his first purchase in March 2025.

Shareholding requirements – Audited information

The Executive Directors are subject to shareholding requirements during their employment with the Group and for a period of two years post termination of employment. Andy Briggs, Nicolaos Nicandrou and Rakesh Thakrar are subject to a post-cessation shareholding of 100% of their in-employment shareholding for a period of two years post-employment. The extent to which Executive Directors have achieved the requirements by 31 December 2024 (using the share price of 510.0 pence as at 31 December 2024) is summarised below.

Vested share awards no longer subject to performance conditions and unvested DBSS awards (both discounted for tax liabilities) are included within the Shareholding requirements. In addition to the share awards and shares previously acquired, Andy Briggs retained 44,471 net shares following his 2021 DBSS exercise and, through participation in the Share Incentive Plan, acquired a further 554 shares (partnership and dividend) during 2024. Rakesh Thakrar retained 18,100 net shares following his 2021 DBSS exercise and 22,702 net shares following his 2019 LTIP exercise. A further 591 shares (partnership and dividend) were acquired through participation in the Share Incentive Plan (up to 8 September when he stepped down from the Board).

The extent to which the Executive Directors have achieved their shareholding percentages are shown below:

Name	Shareholding requirement (minimum % of salary)	Shareholding held as at 31 December 2024 (% of salary)
Andy Briggs	350%	457%
Rakesh Thakrar[1]	300%	330%
Nicolaos Nicandrou[2]	300%	0%

1 Rakesh Thakrar's shareholding at 8 September 2024 when he stepped down from the Board.
2 Nicolaos Nicandrou's shareholding reflects his appointment date of 2 December 2024.

The post-cessation shareholding requirement is monitored and enforced by direct liaison and confirmation with the Executive Directors and their brokers; all trades and transfers are notified to the Group by the relevant Director and registered accordingly.

The Executive Directors are required to sign a declaration that they have not, and will not at any time during their employment with the Group, enter into any hedging contract in respect of their participation in the AIP, LTIP, ShareSave, Share Incentive Plan or any other incentive plan of the Company, or pledge awards in such plans as collateral, and additionally that they will neither enter into a hedging contract in respect of, nor pledge as collateral, any shares which are required to be held for the purposes of the Company's shareholding requirements or any vested LTIP award shares subject to a LTIP holding period.

Non-Executive Directors' interests – Audited information

The number of shares held by each Director and their connected persons are shown below:

Name	Share interests as at 1 January 2024 or date of appointment if later	Share interests as at 31 December 2024 or retirement if earlier
Sir Nicholas Lyons	105,990	105,990
Karen Green	–	–
Eleanor Bucks	–	–
Mark Gregory	–	–
Hiroyuki Iioka	–	–
Katie Murray	9,780	9,780
John Pollock	14,666	14,666
Belinda Richards	–	–
David Scott	–	–
Maggie Semple	–	–
Nicholas Shott	182,146	182,146

Directors' Remuneration report continued

Implementation of Remuneration policy in 2025 – Non-auditable

A summary of the packages of the Executive Directors is set out in the table below.

As explained in the Chair's letter to shareholders (page 136) Nicolaos Nicandrou was appointed as Group Chief Financial Officer on 2 December 2024. His remuneration for 2025 is included below.

	Andy Briggs	Nicolaos Nicandrou
Salary	£866,500, increase of 2.6%, lower than wider workforce pay budget of 3%.	£730,000 as stated in the announcement on 6 November 2024 and in subsequent communications to shareholders and proxy advisers.
Benefits	Benefits in line with the rest of the workforce including legacy car allowance of £10,000 for Andy Briggs. Other benefits available to both Executive Directors are aligned to the wider workforce and include: Private Medical Insurance, Death in Service, Group Income Protection, plus other voluntary benefits through our flexible benefits scheme. Executive Directors are also entitled to receive benefits in accordance with our Directors' Remuneration policy which will be reported in the Single Figure Table each year.	
Pension	Contribution rate of 12% of base salary ((i) reduced for the impact of employers' NIC if taken as a cash payment), and (ii) rebate given of 10% of employers' NIC saving if taken as contribution. Both approaches aligned to our wider workforce.	
Annual bonus	200% of base salary at maximum. Details of the 2025 AIP are set out below.	
LTIP	275% of base salary. Details of the 2025 LTIP awards are set out overleaf.	
Shareholding requirement	350% of base salary.	300% of base salary.
	Where any performance vested LTIP awards are subject to a holding period requirement, the relevant LTIP award shares (discounted for anticipated tax liabilities) will count towards the shareholding requirements. Unvested awards under the DBSS which are not subject to performance conditions are included in this assessment on a net of tax basis. Unvested awards under the LTIP are not included in this assessment.	
Post cessation shareholding requirement	Executive Directors are expected to retain the lower of their shareholding on termination or their full in-employment shareholding requirement for two years.	

Element of Remuneration policy

Annual Incentive Plan ('AIP')

The Committee regularly reviews the performance measures of the incentive plans to ensure they remain aligned with our strategy, are appropriately challenging, support the Company's culture and values, and create value for stakeholders. As detailed in the Committee Chair's covering letter on page 137 the metrics for the 2025 AIP are shown below.

The Strategic Scorecard reflects 20% of the Executive Directors' AIP. This will include a number of the strategic priorities for the year (but avoiding duplication with any outcomes under the Corporate element) and which can be clearly articulated and measured. Sustainability remains at the heart of our purpose and ESG metrics continue to form part of the Strategic Scorecard elements of the Executive Directors.

The overall weightings between Corporate measures and Strategic Scorecard for AIP in 2025 are:
- Corporate (financial and customer) performance measures – 80%; no change from 2024.
- Strategic Scorecard (strategic Company priorities) – 20%; no change from 2024.

The weightings of the AIP performance measures for 2025 are summarised below:

Performance measure Corporate measure	% of incentive potential
Total Cash Generation	12% (15% of Corporate element)
SII Shareholder Own Funds Unrestricted Tier 1 (excluding economics)	16% (20% of Corporate element)
Adjusted Operating Profit	16% (20% of Corporate element)
Cost Savings – Cumulative run rate	12% (15% of Corporate element)
Customer Experience	20% (25% of Corporate element)
Colleague Engagement eNPS	4% (5% of Corporate element)
Strategic Scorecard	20%
Total	**100%**

Whilst the performance measures for the 2025 AIP are disclosed above, the actual performance targets for these measures are regarded as commercially sensitive at the current time and accordingly are not disclosed.

However, as in previous years, the Group intends to disclose the performance targets for 2025's AIP retrospectively in next year's Remuneration report on a similar basis to the disclosures made above in respect of 2024's AIP.

Outcomes from performance measures for 2025's AIP may be moderated by the Remuneration Committee in line with the approved Remuneration policy. This will include a review by the Remuneration Committee of the extent to which the Group has operated within its stated risk appetite and that there are no other risk-related concerns that would necessitate moderation before any 2025 AIP outcomes are confirmed. A further underpin is introduced in 2025 relating to Consumer Duty; the Committee will review the extent to which the Group delivers on its holistic Consumer Duty obligations during the period and consider whether any moderation of the Customer outturn is necessary.

50% of outcomes under the 2025 AIP will be delivered as an award of deferred shares under the DBSS which will vest after a three-year deferral period.

Deferred Bonus Share Scheme ('DBSS')

DBSS awards made in 2025 (in respect of 2024's AIP outcome) will be granted at the end of March following the announcement of the Group's 2024 annual results.

The number of options awarded will be calculated using the three-day average closing middle market share price prior to the date of grant. The deferral period will run to the three-year anniversary of granting the DBSS awards. Dividend entitlements will accrue and will be awarded as additional options prior to vest.

Long Term Incentive Plan ('LTIP')

Awards under the LTIP will be granted at the end of March following the announcement of the Group's 2024 annual results under a procedure similar to that described above for awards under the DBSS.

The number of options awarded will be calculated using the three-day average closing middle market share price prior to the date of grant. The vesting period will run to the three-year anniversary of granting the LTIP awards. At this time, the performance conditions will be determined. Dividend entitlements will accrue and will be awarded as additional options prior to vest (also subject to performance conditions).

All annual LTIP awards made to Executive Directors are subject to a holding period so that any LTIP awards for which the performance conditions are satisfied will not be released for a further two years. Dividend accrual for LTIP awards will continue until the end of the holding period.

The Committee reviews the performance measures and targets of the LTIP each year to ensure these are aligned to our strategic priorities, are appropriately challenging, support the Company's culture and values, and create value for stakeholders. For the 2025 LTIP, 20% of the assessment will be based on Cumulative Operating Cash Generation. This is our key cash measure, with externally disclosed targets, and is included in the LTIP rather than the AIP for alignment with the long term nature of these targets. 20% will be based on a Solvency II Surplus metric recognising the importance of a resilient balance sheet in supporting our investment to grow, optimise and enhance our business. There are no proposed changes to the non-financial metrics which will continue to measure decarbonisation and ethnicity representation amongst our senior leadership population.

Consistent with previous years, targets have been set with reference to the Group Business Plan and maximum payouts will only be delivered in the event of exceptional performance.

The targets are measured over a period of three financial years, commencing with financial year 2025.

As detailed in the Committee Chair's covering letter on page 137 the 2025 LTIP financial measures have changed.

Measures, weightings and targets are shown below:

Performance measure	Weighting	Threshold target	Full vesting target
Cumulative Operating Cash Generation	20%	£4,425m	£4,650m
SII Surplus	20%	£3,800m	£4,100m
Cumulative Adjusted Operating Profit	20%	£3,000m	£3,225m
Relative TSR[1]	20%	50th percentile	80th percentile
Decarbonisation – Investment Portfolio[2]	5%	37% reduction (equity and credit portfolio)	43% reduction (equity and credit portfolio)
Decarbonisation – Investment Portfolio[3]	5%	60% of private assets with agreed approach taken through governance	90% of private assets with agreed approach taken through governance
Diversity, Equity and Inclusion – Senior Leadership Black, Asian and Ethnic Minority Representation	10%	>12.0%	>14.0%

1 Measured against the constituents of the FTSE 350 (excluding Investment Trusts), subject to the Committee considering whether the TSR performance is reflective of the underlying financial performance of the Company.
2 For the investment portfolio that is within control and influence.
3 Includes where the approved strategy can be to take no further action.

A consistent approach to target setting is taken each year with reference to the Group's business plan so that delivery of target performance is considered to be comparably stretching for each award.

All 2025 LTIP awards are subject to an underpin relating to risk management within the Group, consideration of customer satisfaction and, to meet Solvency II requirements, in exceptional cases, personal performance. This underpin relating to the formulaic outturn of the LTIP reflects the extent to which the Group has operated within its stated risk appetite and ensures that Management is not incentivised to accept risk outside of appetite in the pursuit of improved delivery against LTIP performance targets. It also offers a broader assessment than the previous focus on the management of the Group's debt position.

The rules of the Company's LTIP reserve discretion for the Committee to adjust the outturn for any LTIP performance measures (from zero to any cap) should it consider that to be appropriate. The Committee may operate this discretion having regard to such factors as it considers relevant, including the performance of the Group, any individual or business.

For both Executive Directors, awards vesting under the LTIP will be subject to a cap on threshold performance of the lower of 50% of salary or 25% of maximum vesting.

With regard to the 2025 LTIP grants to be made in March, the Committee will review the outcome at the point of vesting in 2028 to consider if any windfall gains have been made.

All-Employee Share Plans

Executive Directors have the opportunity to participate in HMRC tax advantaged ShareSave and Share Incentive Plan on the same basis as all other UK employees. Employees based in the Republic of Ireland and Germany have the opportunity to join the Irish Share Incentive Plan and International Purchase Plan.

Directors' Remuneration report continued

Malus and clawback

All incentive plans are subject to malus/clawback. The Notes to the Remuneration policy table on pages 122 to 125 of the 2023 Annual Report provide details, however these are shown below for information.

Malus (being the forfeiture of unvested awards) and clawback (being the ability of the Company to claim repayment of paid amounts as a debt) provisions apply to the LTIP, DBSS and LTIP. The provisions may be applied where the Remuneration Committee considers it appropriate to do so following:

- a review of the conduct, capability or performance of an individual;
- a review of the performance of the Company or a Group member;
- any material misstatement of the Company's or a Group member's financial results for any period;
- any material failure of Risk Management by an individual, a Group member or the Company; or
- any other circumstances that have a sufficiently significant impact on the reputation of the Company or Group.

Non-executive fees – Audited information

The emoluments of the Non-Executive Directors for 2024 based on the current disclosure requirements were as follows:

	Directors' salaries/fees		Benefits[1]		Total	
Name	**2024 £000**	2023 £000	**2024 £000**	2023 £000	**2024 £000**	2023 £000
Non-Executive Chair						
Sir Nicholas Lyons	**460**	38	**5**	–	**465**	38
Non-Executive Directors						
Karen Green	**161**	173	**5**	2	**166**	175
Eleanor Bucks	**96**	7	**5**	–	**101**	7
Mark Gregory	**133**	86	**4**	3	**137**	89
Hiroyuki Iioka[2]	**–**	–	**8**	–	**8**	–
Katie Murray	**108**	107	**3**	2	**111**	109
John Pollock[3]	**153**	146	**6**	4	**159**	150
Belinda Richards	**134**	126	**4**	2	**138**	128
David Scott[4]	**–**	–	**2**	–	**2**	–
Maggie Semple	**142**	128	**3**	3	**145**	131
Nicholas Shott	**164**	159	**7**	2	**171**	161
Total[5]	**1,551**	970	**52**	18	**1,603**	988

1 The amounts within the benefits columns reflect the fact that the reimbursement of expenses to Non-Executive Directors for travel and accommodation costs incurred in attending Board and associated meetings represent a taxable benefit. This position has been clarified with HMRC and the amounts shown are for reimbursed travel and accommodation expenses (and the related tax liability which is settled by the Group).
2 Hiroyuki Iioka has waived all current and future emoluments with regard to his Directors' fees.
3 John Pollock retired as a Director of the Company on 31 December 2024.
4 David Scott has waived all current and future emoluments with regard to his Directors' fees.
5 The increase in fees for Non-Executive Directors of the Company reflect either chairing a Committee and/or changes to Committee membership.

The aggregate remuneration of all Executive and Non-Executive Directors under salary, fees, benefits, cash supplements in lieu of pensions and annual incentive was £6.128 million (2023: £5.963 million).

Implementation of Remuneration policy in 2025 – Non-auditable

A summary of the annual base fees of the Non-Executive Directors is set out below.

	Fee from 1 April 2024 £000	Fee from 1 April 2025 £000
Chair of the Group Board	**460**	472
Non-Executive Director	**78**	78
Senior Independent Director	**20**	20
Designated NED for Workforce Engagement	**15**	15
Committee Chair	**30**	30
Committee Member	**18**	18

The Committee agreed to increase the Chair's fee to £472,000 (an increase of £12,000) with effect from 1 April 2025. He had previously not received a fee increase since April 2021. The increase is below the overall pay budget for the wider workforce of 3.0%. Non-Executive Directors have not received an increase in fees since 1 April 2023.

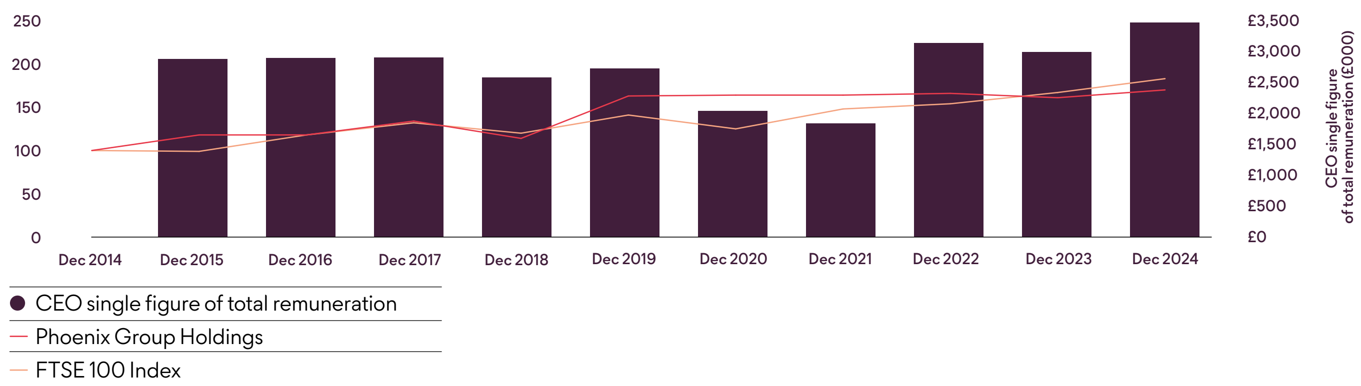
Performance graph and table

The graph below shows the value to 31 December 2024 on a TSR basis, of £100 invested in Phoenix Group Holdings plc on 31 December 2014 compared with the value of £100 invested in the FTSE 100 Index (excluding Investment Trusts).

The FTSE 100 Index (excluding Investment Trusts) is considered to be an appropriate comparator for this purpose as it is a broad equity index of which the Group is a constituent.

Total Shareholder Return

Value of a 100 unit investment made on 31 December 2014.



The total figure of remuneration for 2020 shown above is a combination of the single figures for Clive Bannister and Andy Briggs to reflect the change in Group CEO in 2020.

The DRR regulations also require that this performance graph is supported by a table summarising aspects of the Group CEO's remuneration for the period covered by the above graph.

Group CEO remuneration

		Single figure of total remuneration (£000)	Annual variable element award rates against maximum opportunity ('AIP')	Long-Term incentive vesting rates against maximum opportunity ('LTIP')[1]
2024	Andy Briggs	3,448	78.3%	51.1%
2023	Andy Briggs	2,975	73%	41.1%
2022	Andy Briggs	3,112	87%	44.3%
2021	Andy Briggs	1,831	78%	n/a[2]
2020	Andy Briggs[3]	1,706	83%	0.0%[4]
	Clive Bannister[3,5]	321	81%	n/a[6]
2019	Clive Bannister	2,715	92%	68.5%
2018	Clive Bannister	2,567	86%	49.5%
2017	Clive Bannister	2,888	86%	64.0%
2016	Clive Bannister	2,878	84%	55.0%
2015	Clive Bannister	2,867	82%	57.0%

1 Figures are restated for actual share price in year of vesting.
2 Andy Briggs was not in receipt of a 2019 LTIP due to the timing of his appointment.
3 Clive Bannister left the role of Group CEO on 10 March 2020 and left the Group on the same date. Andy Briggs was appointed to the Board on 10 February 2020 and remained as CEO-designate until 10 March 2020.
4 See footnote 11 on page 130 of the 2020 Annual Report and Accounts for details of Andy Briggs's LTIP vesting.
5 Clive Bannister's 2020 single figure of total remuneration does not include compensation for loss of office.
6 Clive Bannister's 2020 single figure of total remuneration does not include any value in respect of the 2018 LTIP. LTIP awards which vested after Clive Bannister stepped down from the Board have been reported as Payments to Past Directors on page 132 of the 2022 Annual Report and Accounts and are not included in the single figure of total remuneration, in line with the reporting regulations.

Directors' Remuneration report continued

CEO pay ratio

The table below details the CEO pay ratio for the year ended 31 December 2024, in line with the UK regulatory requirements. The ratios compare the CEO total pay against the pay of three UK employees, whose earnings represent the lower quartile, median, and upper quartile positions of the UK employee population. The calculations are based on Option A of the three methodologies, which we believe is the most statistically robust approach.

The CEO value used is the total single figure remuneration data for 2024 (as detailed on page 142). For the 2024 ratio, the total compensation figure for UK employees follows the same methodology as for the CEO and is based on a full-time equivalent of actual earnings including amounts due from incentive plans.

The Group reviewed the pay of the three identified employees at the 25th percentile, 50th percentile (median) and 75th percentile and concluded that they were a fair representation of pay at the relevant quartiles of the UK employee base. Each individual was a direct employee on a permanent or fixed-term contract during 2024 and received remuneration in line with Group-wide remuneration policies. None received an exceptional award that would otherwise inflate their pay figure.

The table below sets out the salary and total single figure remuneration for the Group CEO and percentile employees included in the below ratios.

	Year	Methodology	CEO	25th percentile	50th percentile (median)	75th percentile
Salary	2024	Option A	844,480	33,070	47,819	72,000
Total remuneration (single figure)			3,448,015	42,058	66,117	96,510
2024 ratio (total compensation)				82:1	52:1	36:1
2023 ratio (total compensation)				87:1	54:1	34:1
2022 ratio (total compensation)				100:1	69:1	41:1
2021 ratio (total compensation)				66:1	46:1	26:1
2020 ratio (total compensation)				78:1	54:1	31:1
2019 ratio (total compensation)				94:1	62:1	40:1

The above figures show a reduction in median ratio for 2024. Salary and total compensation levels at the relevant data points have increased reflecting our continuing Group-wide organisational review and capability uplift to deliver on our future strategy. The figures also reflect our changed demographic which included a number of lower paid colleagues transferring out of the Group as part of our ongoing outsourced strategy.

Colleagues are also covered for Death in Service and Group Income Protection and are eligible to participate in our all-employee share plans, These figures are not included in the total remuneration figures shown above. Over half of all employees participate in our growth and success through either the ShareSave Scheme, the Share Incentive Plan or the International Purchase Plan. We are committed to attracting best-in-class talent at all levels with a compelling and competitive total reward proposition. This includes a holistic core and flexible suite of benefits with the ability to customise these to meet individual needs, as well as industry-leading people policies including equal parental leave.

We are confident that the median pay ratio reported this year is consistent with our approach to pay, reward, career progression and growth for all colleagues. All colleagues have the opportunity for annual pay awards, performance-driven pay and recognition, as well as access to opportunities to develop their careers at The Group, ensuring we create an environment for everyone to feel it is the best place our colleagues have ever worked.

Directors' percentage change in pay 2023 to 2024

In accordance with the DRR regulations, the table below provides a comparison of the percentage change in the prescribed pay elements of each individual who was a Director during the year (salary, taxable benefits and annual incentive outcomes) between financial years 2023 and 2024 and the equivalent percentage changes in the average of all staff employed by the Group. As no staff are employed directly by Phoenix Group Holdings plc, we have disclosed information for an appropriate group that is representative of the employees of the Group and its subsidiaries, in line with the regulatory guidance for this disclosure). This Group was selected as being representative of the wider workforce using the same process as was used for this comparison in last year's Annual Report and Accounts.

	Salary %					Taxable benefits %					Annual incentive %				
Year-on-year % change	**2024**	2023	2022	2021	2020	**2024**	2023	2022	2021	2020	**2024**	2023	2022	2021	2020
Executive Directors[1]															
Andy Briggs	**1.0**	3.4	1.1	0.0	–	**0.4**	(0.96)	2.6	3.3	–	**7.8**	16.6	12.4	(5.5)	–
Rakesh Thakrar[2]	**(30.4)**	6.0	10.2	2.3	–	**(31.0)**	(15.8)	20.7	3.3	–	**(25.1)**	14.8	20.4	(3.3)	–
Nicolaos Nicandrou[3]	**n/a[3]**	–	–	–	–	**n/a[3]**	–	–	–	–	**n/a[3]**	–	–	–	–
Chair															
Sir Nicholas Lyons[4]	**1,100**	(87.5)	(17.1)	13.8	0.0	**n/a[3]**	(100)	897.6	0.0	(100)	**n/a[8]**				
Non-Executive Directors[5]															
Karen Green	**(6.8)**	8.9	12.8	12.8	6.8	**142.1**	(26.2)	362.9	0.0	(100)					
Eleanor Bucks[6]	**1,377**	–	–	–	–	**n/a[3]**	–	–	–	–					
Mark Gregory[7]	**55.7**	–	–	–	–	**61.2**	–	–	–	–					
Hiroyuki Iioka	**0.0**	0.0	0.0	0.0	0.0	**n/a[3]**	0.0	0.0	0.0	0.0					
Katie Murray	**0.7**	45.4	0.0	–	–	**124.1**	(3.3)	0.0	–	–					
John Pollock	**5.2**	3.4	0.0	4.4	0.7	**54.1**	56.0	0.0	0.0	(100)					
Belinda Richards	**6.6**	8.4	4.5	5.7	0.0	**89.8**	(10.7)	0.0	0.0	(100)					
David Scott	**0.0**	–	–	–	–	**n/a[3]**	–	–	–	–					
Maggie Semple	**10.4**	102.8	0.0	–	–	**28.6**	106.4	0.0	–	–					
Nicholas Shott	**3**	14.5	7.7	22.8	0.0	**211.7**	42.8	208.3	(100)	(80)					
Wider employee population	**4.8**	8.9	4.4	4.7	3.9	**(9.6)**	(55.3)	57.2	1.4	7.4	**7.3**	11.5	27.6	9.1	n/a

1 The Taxable Benefits figures used for Andy Briggs and Rakesh Thakrar include ongoing taxable benefits only.
2 The reduction in salary, taxable benefits, and annual incentive for Rakesh Thakrar reflect the total received from the period 1 January 2024 until 8 September 2024 when he stepped down from the Board.
3 No taxable benefit received in the prior year and therefore not possible to calculate a percentage change.
4 The increase in fees for Sir Nicholas Lyons reflect his return as Chair of the Group Board on 01 December 2023 creating a higher percentage change.
5 The increase in fees for Non-Executive Directors of the Company reflect either chairing a Committee and/or changes to Committee membership. See page 152 for further details on fees and taxable benefits for Non-Executive Directors.
6 The increase in fees for Eleanor Bucks reflect her appointment as a Director on 01 December 2023 creating a higher percentage change.
7 The increase in fees for Mark Gregory reflect his appointment as a Director on 01 April 2023 creating a higher percentage change.
8 Non-Executive Directors are not in receipt of payments relating to the Group's Annual Incentive Plan.

The figures shown above in respect of salary for Andy Briggs reflects the full year on current salary (vs 2023 which reflected the increase effective 1 April 2023). The taxable benefits reflect the small increase in premium for private medical cover (same level of cover as in 2023), and the increase in AIP reflects the higher outturn under the Corporate element compared to 2023 from which all colleagues benefit.

The significant reduction for Rakesh Thakrar for salary, benefits and AIP reflect the period from 1 January 2024 to 8 September 2024 when he stepped down from the Board.

Figures for Nicolaos Nicandrou simply reflect there were no payments in 2023.

With regard to the figures for the wider employee population:

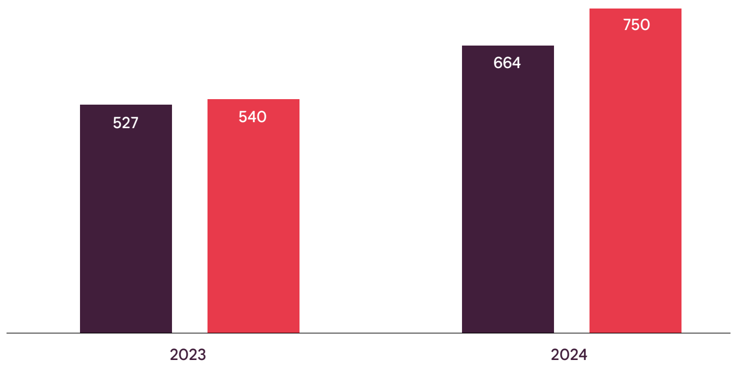
- The pay review in April 2024 was operated using a consistent approach with a pay budget of 4.4%. As in 2023, the pay budget firstly allocated awards to bring all colleagues up to at least the minimum of the salary ranges we published, ensuring all colleagues are paid the market minimum for the role they perform. Leaders were then empowered to make discretionary pay awards within the remaining pay award budget, ensuring colleagues were remunerated for the skills knowledge and experience they bring to the role whilst also referring to how their pay aligns within the published pay ranges and compared to internal peers. Salary awards for our most senior population were by exception only. Additional salary increases were awarded throughout the year, where appropriate, to ensure consistency, internal relativities, and to retain talent. The salary changes made in 2023 as a result of a full review of compensation inflated the 2023 figures; the 2024 figures show a normalisation of this exercise.
- The change to the taxable benefits figure compared to the previous year is again linked to the 2023 review described above as car allowances were removed which reduced the benefit figure significantly in 2023. The 2024 figure again normalises the value of taxable benefits.
- The increase in annual incentive payments compared to 2023 relates to the higher corporate outturn in 2024.

Directors’ Remuneration report continued

Distribution statement

The DRR Regulations require each quoted company to provide a comparison between profits distributed by way of dividend and overall expenditure on pay.

Relative importance (£m)



● Profits distributed by way of dividend (% change +2.5%)
● Overall expenditure on pay (% change +13%)

Profits distributed by way of dividend has been taken as the dividend paid and proposed in respect of the relevant financial year. For 2024 this is the interim dividend paid (£266 million) and the recommended final dividend of 27.35 pence per share multiplied by the total share capital issued at the date of the Annual Report and Accounts as set out in note D1 in the notes to the consolidated financial statements. No share buy-backs were made in the year.

Overall expenditure on pay has been taken as employee costs as set out in note C5 Expenses in the notes to the consolidated financial statements. Expenditure on pay has increased by 13% in the period, reflecting the impact of inflationary pay increases to the wider workforce and the resulting higher share scheme costs; higher bonus outturn; the increase in headcount in areas of the business as a result of the reduction in the use of contractors; and the higher level of redundancy costs following on from the launch of the Group’s operational simplification programme.

Wider workforce pay

Alignment to wider workforce

The Committee considers a range of factors when setting the remuneration for Executive Directors, one of which is the alignment with remuneration practices across the wider workforce. We provide colleagues across the Group with a competitive reward package with details of each element included in the table below.

	Executive Directors and Executive Committee	Senior Management	Wider workforce
Salary	Salaries are reviewed annually and increases are typically in line with or less than the wider employee population.		Base salary is the basis for a competitive total reward package for all employees, and these are reviewed annually with engagement from employee representatives. Regular benchmarking exercises are carried out to ensure salaries remain competitive against the market. We are an accredited Living Wage employer and all employees are paid at least the Real Living Wage.
Benefits and Pension	All employees are eligible to participate in our range of flexible benefits and wellbeing initiatives in respective markets. Core benefits include private medical cover, life assurance cover, group income protection and a range of flexible benefits. The level of core benefits is the same across all grades. Colleagues can participate in a share matching plan under the Phoenix SIP and, in the UK, the Phoenix ShareSave Scheme. All employees are automatically enrolled in the Company’s Master Trust pension scheme with a 10% core contribution and 2% matching contribution (plus salary sacrifice uplift of 10% of the employee contribution). Payment in lieu of contribution, reduced for the impact of employers’ NIC is permitted where lifetime or annual limits are reached. Separate occupational pension schemes with varying contribution rates operate in Ireland and Germany.		
AIP	All permanent and fixed-term employees are eligible to participate in an AIP which is based on Group measures, business unit performance (where applicable) and personal objectives. Malus and clawback provisions apply.		
Deferral	Half of any AIP award is subject to deferral into shares for a three- year period. Malus and clawback provisions apply.	One-third of any AIP award is subject to deferral into shares for a three-year period. Malus and clawback provisions apply.	Deferral where required on an individual basis for Solvency II purposes. Malus and clawback provisions apply.
LTIP	Senior executives participate in a LTIP with a three-year performance period and vesting is subject to Group performance outcomes. Measures and targets for long-term incentive plans are consistent for all participants and measured over a three-year period. Malus and clawback provisions apply.		A number of colleagues with exceptional achievements during the performance year were awarded a 2024 long-term incentive award in the form of Group shares with a vesting period of three years.
Holding period	A two-year holding period after the vesting date also applies for LTIPs.	No holding period.	Not applicable.
Shareholding requirement	Shareholding requirements ensures greater alignment with interests of shareholders. • 350% of salary for Group CEO • 300% of salary for Group CFO • 150% of salary for ExCo members	Not required.	Not applicable.

Directors' Remuneration report continued

Consideration of employee pay
When determining the Remuneration policy and remuneration for our Executive Directors, the Committee took into consideration the pay and benefits of the wider workforce to ensure that our reward offering remains competitive, attractive, and suitably aligned to our Group performance, while supporting our values and purpose of helping people secure a life of possibilities.

We have a reward policy that is broadly consistent for all levels of employees, with the same remuneration principles guiding reward decisions for all Group colleagues, including Executive Directors. The AIP and LTIP performance metrics are the same for Executive Directors as for other eligible colleagues, with a higher proportion of total remuneration for the Executive Directors linked to corporate performance. For certain areas, business unit aligned metrics are also included in their AIP. Pay for the wider colleague base is driven primarily by market practice and there is a standard benefit offering across all levels, except where the external market drives differences based on role accountability. Colleagues are also eligible to participate in the Group's success through our share schemes (ShareSave and Share Incentive Plan) on the same basis as those offered to Executive Directors.

We offer benefits which engage and retain our existing colleagues, as well as attract new talent to the organisation. To support this, we offer a transparent flexible and tailored reward package that is competitive in the market, with clear principles around pay, alongside comprehensive benefits and wellbeing support. Our Diversity, Equity and Inclusion agenda remains an integral underpin to our approach to reward. The launch of our diversity data questionnaire within our HR system, moving away from an annual survey, enables us to continually understand the diversity and needs of our colleagues. This data is also integral to our gender and ethnicity pay gap reporting and provides insight to where we may need to implement targeted and focused initiatives to make real change.

Following our 2023 review of our reward framework to ensure it is appropriate for a business of our size, scale and potential, we continue to provide transparent salary ranges for our colleagues. We ensured that all colleagues below the minimum of their pay range had their fixed pay increased to that minimum level. This is an ongoing commitment that will see all colleagues receive increases to the minimum level of our pay ranges each year as part of our annual pay review. We continue to be a proud Real Living Wage employer, and are committed to ensuring that these pay ranges, which are reviewed annually, will always be at or above the Real Living Wage.

Equal pay and consistency of treatment for all colleagues, irrespective of gender or ethnicity, are integral guiding principles of the reward practices across the Group. The remuneration principles and framework are reviewed on a regular basis to ensure these are aligned with the Group's purpose, values and sustainability strategy. Maggie Semple, our Designated Non-Executive Director for Workforce Engagement, joined the Remuneration Committee in 2024 and provided additional input to the Committee on the views of the wider workforce. Further details of Maggie Semple's engagement with the workforce throughout 2024 are shown on pages 101 to 102 of the Corporate governance report.

Payments for loss of office – Audited information
As set out in the Chair's letter, Rakesh Thakrar stepped down from the Board and his position as Group Chief Financial Officer and Executive Director on 8 September 2024 and went on garden leave effective from this date to his initial termination date of 13 May 2025. At Rakesh's request, his termination date was brought forward to 30 November 2024 as a result of securing employment elsewhere.

For the period from stepping down to 30 November 2024, Rakesh received salary of £114,891, benefits of £2,391 and pension contributions and allowance of £12,391. In the period from 1 December 2024 to 31 December 2024, Payment in Lieu of Notice ('PILON') was paid, but was reduced by the level of remuneration paid by his new employer. This reduced PILON approach will continue to 13 May 2025. PILON payments in respect of the 2024 financial year totalled £861 and will continue to be paid in instalments, with an estimated £3,874 to be paid in respect of the period from 1 January 2025 to 13 May 2025.

In line with the Remuneration policy, Rakesh was deemed to be a good leaver in respect of the AIP and LTIP plans and as such the good leaver provisions apply.

Rakesh's 2024 AIP was pro-rated to 8 September 2024, the date he stepped down from the Board. Unvested deferred bonus awards (including the pro-rated 2024 AIP) will continue to vest on normal vesting dates and will remain subject to malus and clawback.

Rakesh's in-flight LTIP awards (which includes the 2022, 2023 and 2024 LTIPs) were pro-rated to his termination date of 30 November 2024. Final vesting of the LTIP awards will be determined by the Committee at the conclusion of each performance period upon assessment of the achievement of the conditions set out for each award. Unvested LTIP awards will continue to vest on the normal vesting dates and will remain subject to their respective holding periods and malus and clawback provisions.

In line with the performance conditions as set out on page 145, the estimated value of Rakesh's 2022 LTIP that is due to vest in March 2025 totals £462k. This is based on the average share price between 1 October 2024 and 31 December 2024 (511.06 pence). An updated figure based on the actual share price at the date of vesting will be disclosed in the 2025 Directors' Remuneration Report.

In respect of the employee share plans, Rakesh's outstanding Share Incentive Plan and ShareSave were forfeited in line with HMRC rules for the treatment of leavers.

Rakesh will be subject to a two-year post-cessation shareholding requirement of 300% of salary.

Payments to past Directors – Audited information
No payments were made to past Directors in 2024.

Executive Directors' service contracts
The dates of contracts and letters of appointment and the respective notice periods for Executive Directors are as follows:

Name	Date of service contract	Notice period from either party (months)
Andy Briggs	7 November 2019	12
Rakesh Thakrar	6 March 2020	12
Nicolaos Nicandrou	5 November 2024	12

External directorships
Details of external directorships held by Executive Directors can be found on pages 86 and 87 of the Annual Report.

Non-Executive Directors' letters of appointment

Name	Date of current appointment /re-appointment letter	Date of expiry of current appointment/ re-appointment letter[1]	Unexpired term (months)
Sir Nicholas Lyons	8 November 2023	31 October 2025	6
Karen Green	12 May 2023	30 June 2026	1
Eleanor Bucks	23 November 2023	30 November 2026	1
Sherry Coutu	13 March 2025	30 April 2028	1
Mark Gregory	9 March 2023	31 March 2026	1
Hiroyuki Iioka	22 July 2023	22 July 2026	1
Katie Murray	1 April 2022	31 March 2025	1
Belinda Richards	30 September 2023	30 September 2026	1
David Scott	11 May 2023	10 May 2026	1
Maggie Semple	9 May 2022	31 May 2025	1
Nicholas Shott	31 October 2022	31 August 2025	1

1 The date of expiry refers to each individual Directors' letter of appointment which covers a three-year term. All Directors are subject to annual re-election at the AGM on 13 May 2025.

The tables above have been included to comply with UKLA Listing Rule 6.6.6(7). In the event of cessation of a Non-Executive Director's appointment (excluding the Chair of the Group Board) they would be entitled to a one-month notice period. The Chair of the Group Board, as detailed in his letter of appointment, would be entitled to a six-month notice period.

Dilution
Awards granted under the Long Term Incentive Plan and International Purchase Plan are satisfied through shares purchased in the market and held in the Employee Benefit Trust. A dividend waiver is in place for all shares. ShareSave and the Deferred Bonus Share Scheme are satisfied through newly issued shares. The Group monitors the number of shares issued, and their impact on dilution limits as stipulated by the Investment Association (all plans, 10% and executive share plans 5% in any rolling ten-year period). At 31 December 2024, dilution was 1.64% and 0.63% respectively.

Directors' Remuneration report continued

Advice provided to the Committee
During the year, the Committee received independent remuneration advice from its appointed adviser, PwC, which is a member of the Remuneration Consultants Group (the professional body for remuneration consultants) and adheres to its code of conduct. The Remuneration Committee was satisfied that the advice provided by PwC was objective and independent.

PwC also provided general consultancy services to Management during the year including support on other Board and Risk matters and technical advice regarding share schemes. Separate teams within PwC provided unrelated services in respect of tax, assurance, risk consulting and advisory during the year. The Committee is satisfied that these activities did not compromise the independence or objectivity of the advice it has received from PwC as Remuneration Committee advisers. PwC's fees for work relating to the Committee for 2024 were £211,126 which included review of the changes to variable pay metrics and support for the Board changes. These were charged on the basis of the firm's standard terms of business for advice provided.

The Committee assesses the performance of its advisers regularly, the associated level of fees and reviews the quality of advice provided to ensure that it is independent of any support provided to Management.

The Group CEO, Chief People Officer, Executive Reward Director and Group Finance Director, attend by invitation various Committee meetings during the year. No Executive is ever permitted to participate in discussions or decisions regarding his or her own remuneration.

The Committee consults with the Group Chief Risk Officer (without Management present) on a regular basis. The Group Chief Risk Officer is asked to detail the extent to which the Group has operated within its stated risk appetite during the year and to keep the Committee informed of any risk-related concerns that required the Committee to consider using its judgement to moderate incentive plan outcomes. The Chair of the Remuneration Committee also sits on the Risk Committee to enable additional linkage between risk matters and remuneration outcomes.

Voting outcomes on remuneration matters
The table below shows the votes cast to approve the Directors' Remuneration report for the year ended 31 December 2023 at the 2024 AGM held on 14 May 2024 and the Directors' Remuneration policy at the 2023 AGM held on 04 May 2023.

	For		Against		Abstentions
	Number	% of votes cast	Number	% of votes cast	Number
To approve the Directors' Remuneration report for the year ended 31 December 2023 (2024 AGM)	750,082,851	99.00	7,593,675	1.00	190,155
To approve the Directors' Remuneration policy (2023 AGM)	764,184,513	98.81	9,241,995	1.19	216,361

Approval
This report in its entirety has been approved by the Remuneration Committee and the Board of Directors and signed on its behalf by:

Nicholas Shott
Chair of the Remuneration Committee

Approved by the Board on 16 March 2025

The Directors' Remuneration policy

This appendix contains the Directors' Remuneration policy approved by the Group's shareholders at the Group's 2023 AGM. It applies for a period of three years, until the 2026 AGM, unless a revised policy is approved by shareholders before then.

General policy
The Remuneration policy for Executive Directors is summarised in the table below along with the policy on the Chair's and the Non-Executive Directors' fees. Further details on the Remuneration policy can be found in the 2022 Annual Report and Accounts on pages 122 to 125.

Remuneration principles

The Group's overall positioning on remuneration for Executive Directors has been set with reference to the provisions of the UK Corporate Governance Code, best practice and feedback received from shareholders during consultation.
An appropriate balance is maintained between fixed and variable components of remuneration.
Remuneration is aligned to the long-term success of the Group.
Remuneration takes account of the risk profile of the Group.
Remuneration supports a strong pay for performance culture.

Our Remuneration policy benchmarks the total target remuneration for the Executive Directors using appropriate market data sets which are consistent with those used for other roles in the Group.

This section does not form part of the Remuneration policy and is for information only.

How our Remuneration policy addresses the following factors set out in the UK Corporate Governance Code

Clarity and simplicity
- The reward framework seeks to embed simplicity and transparency in the design and delivery of remuneration. Both the Corporate element and the Strategic Scorecard relating to the AIP have transparent, measurable metrics.
- We have included diagrams and charts in this Remuneration report to improve clarity for readers regarding the alignment of Executive remuneration with shareholders and our strategy.

Risk
- The Committee undertakes an annual review of risk before confirming the outcomes for the AIP to ensure that there are no risk-related concerns that require the moderation of AIP outcomes.
- Malus and clawback operate in respect of the AIP and LTIPs (see page 123 in the 2022 Annual Report and Accounts for details on trigger events).
- The Committee may apply discretion to override formulaic outcomes if they are considered inconsistent with the underlying performance of the Group.

Proportionality
- A high percentage of rewards are delivered in the form of shares, meaning Executive Directors are strongly aligned with shareholders.
- Executive Directors are required to hold shares from LTIP awards for two years following vesting which provides focus on sustainable share price growth. Significant deferral levels under the AIP further align remuneration outcomes to shareholders.

Predictability
- The range of potential award levels to individual Executive Directors is set out in the scenario charts on page 141 which also demonstrates the impact of potential share price growth by 50% over the three-year performance period until LTIP vesting.

Alignment to culture
- We have engaged with our employees through Peakon (our employee engagement survey), PCRF (our colleague representative forum), our many employee networks, and our Designated Non-Executive Director for Workforce Engagement to develop our values and to improve our understanding of what is required to become a high-performing organisation. Our remuneration philosophy supports our purpose and core values.

Directors' Remuneration report continued

Remuneration policy table

Element and purpose in supporting strategic objectives	Policy and operation	Maximum	Performance measures
Base Salary This is the core element of pay which supports the recruitment and retention of Executive Directors and reflects the individual's role and position within the Group as well as their capability and contribution.	• Base salaries are reviewed each year against companies of similar size and complexity. Both salary levels and overall remuneration are set by reference to the median data of comparators which the Remuneration Committee considers to be suitable based on index, size and sector. • The Remuneration Committee uses this data as a key reference point in considering the appropriate level of salary. Other relevant factors including corporate and individual performance and any changes in an individual's role and responsibilities, and the level of salary increases awarded to other employees of the Group are also considered. • Base salary is paid monthly in cash. • Changes to base salaries normally take effect from 1 April.	• Salary levels are specific to the role and individual. • Maximum salary will be the median level of salaries for CEOs in the FTSE31–100 (currently £812,000), provided that this figure may be increased in line with UK RPI inflation for the duration of this policy. • However, when reviewing salaries for Executive Directors, the Remuneration Committee will also review the salaries, and salary increases, for senior management and employees in relevant countries to maintain consistency. Percentage increases for Executive Directors will not exceed that of the broader employee population, other than in specific circumstances identified by the Remuneration Committee (e.g. in response to a substantial change in responsibilities).	• N/A
Benefits To provide other benefits valued by recipient.	• The Group provides market competitive benefits in kind. Details of the benefits provided in each year will be set out in the Implementation Report. The Remuneration Committee reserves discretion to introduce new benefits where it concludes that it is in the interests of the Group to do so, having regard to the particular circumstances and to market practice. • Where appropriate, the Group will meet certain costs relating to Executive Director relocations and other exceptional expenses.	• It is not possible to prescribe the likely change in the cost of insured benefits or the cost of some of the other reported benefits year-to-year, but the provision of benefits will normally operate. • The Remuneration Committee will monitor the costs in practice and ensure that the overall costs do not increase by more than the Remuneration Committee considers to be appropriate in all the circumstances. • Relocation expenses are subject to a maximum limit of £50,000.	• N/A
Pension To provide retirement benefits which keep Phoenix Group competitive within the marketplace and provide for the future of our employees.	• The Group provides a competitive employer sponsored defined contribution pension plan. • All Executive Directors are eligible to participate in the Defined Contribution Pension Plan available to all new joiners or they may opt to receive the contribution in cash if they are impacted by the relevant lifetime or annual limits. Any such cash payments are reduced for the effect of employers' National Insurance Contributions. • Phoenix will honour the pensions obligations entered into under all previous policies in accordance with the terms of such obligations.	• Pension contributions for Executive Directors are aligned with the wider workforce rate which is currently 12% of salary (reduced to 10.6% when taken as cash in lieu of contribution).	• N/A

Remuneration policy table

Element and purpose in supporting strategic objectives	Policy and operation	Maximum	Performance measures
Annual Incentive Plan ('AIP') and Deferred Bonus Share Scheme ('DBSS') To motivate employees and incentivise delivery of annual performance targets aligned to strategy.	• AIP levels and the appropriateness of measures are reviewed annually to ensure they continue to support the Group's strategy. • AIP outcomes are paid in cash in one tranche (less the deferred share award). • At least 50% of any annual AIP award is to be deferred into shares for a period of three years although the Remuneration Committee reserves discretion to alter the current practice of deferral (whether by altering the portion deferred, the period of deferral or whether amounts are deferred into cash or shares). Such alterations may be required to ensure compliance with regulatory guidelines for pay within the insurance sector, but will not otherwise reduce the current deferral level or the period of deferral. • Deferral of AIP outcomes into shares is currently made under the DBSS. • Awards under DBSS will be in the form of awards to receive shares for nil-cost. • DBSS awards are typically made automatically each year on the fourth dealing day following the announcement of annual results, using the average of the preceding three dealing days' share prices to calculate the number of shares in awards. • The three-year period of deferral will run to the third anniversary of the award date. • Dividend entitlements will accrue over the three-year deferral period and be delivered as additional vesting shares. • Malus/clawback provisions apply to the AIP and to amounts deferred under DBSS as explained in the notes to this table.	• The maximum annual incentive level for an Executive Director is 200% of base salary per annum.	• The performance measures applied to AIP will be set by the Remuneration Committee and may be financial or non-financial and corporate, divisional or individual and in such proportions as it considers appropriate. However, the weighting of financial performance measures will not be reduced below 60% of total AIP potential in any year for the duration of this policy. • In respect of the financial and non-financial performance measures, attaining the threshold performance level produces a £nil annual incentive payment. • On-target performance on all measures produces an outcome of 50% of maximum annual incentive opportunity. However, the Remuneration Committee reserves the right to adjust the threshold and target levels for future financial years in light of competitive practice. • The AIP operates subject to three levels of moderation: – Either through management guidance or consensus forecasts). Recognising that the business of the Group is to engage in corporate activity, the Remuneration Committee may adjust targets during the year to take account of such activity and ensure the targets continue to reflect performance as originally intended. – There is a specific adjustment factor of 80%–120% of the provisional outturn whereby the Remuneration Committee may adjust the provisional figure (but subject to any over-riding cap) to take account of its broad assessment of performance both against pre-set targets, risk considerations, and more generally, of the wider universe of stakeholders. With respect to financial performance measures, this assessment will include consideration of the quality of how particular outcomes were achieved. – The AIP remains a discretionary arrangement and the Remuneration Committee reserves discretion to adjust the outturn (from zero to any cap) should it consider that to be appropriate. In particular, the Remuneration Committee may operate this discretion in respect of any risk concern.

Directors' Remuneration report continued

Remuneration policy table

Element and purpose in supporting strategic objectives	Policy and operation	Maximum	Performance measures
Long Term Incentive Plan ('LTIP') To motivate and incentivise delivery of sustained performance over the long-term in line with our strategy and purpose, and to promote alignment with shareholders' interests, the Group operates the Phoenix Group Holdings plc LTIP.	• Awards under the LTIP may be in any of the forms of awards to receive shares for nil-cost (as described for DBSS above). • LTIP awards are typically made automatically each year on the fourth dealing day following the announcement of annual results, using the average of the preceding three dealing days' share prices to calculate the number of shares in awards. • The vesting period will be at least three years and run until the third anniversary of the award date (unless a longer vesting period is introduced). • A holding period will apply so that Executive Directors may not normally exercise vested LTIP awards until the fifth anniversary of the award date. • Dividend entitlements will accrue until the end of the holding period in respect of performance vested shares and be delivered as additional vesting shares. • Malus/clawback provisions apply on a basis consistent with the equivalent provisions in the AIP and DBSS and as explained in the notes to this table. • The Group will honour the vesting of all awards granted under previous policies in accordance with the terms of such awards.	• The formal limit under the LTIP is 300% of base salary per annum (and 400% per annum in exceptional cases). • The Remuneration Committee's practice is to make LTIP awards to Executive Directors each year over shares with a value (as at the award date) of up to 275% of the CEO's annual base salary and 200% of the CFO's annual base salary although discretion is reserved to make awards up to the maximum levels for the policy as stated above.	• The Remuneration Committee may set such performance measures for LTIP awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual). • The Remuneration Committee retains discretion to adjust the weightings or substitute metrics but would expect to consult with its major shareholders regarding any material changes of the current performance measures applied for LTIP awards made to Executive Directors or the relative weightings between these performance measures. • For every LTIP award, appropriate disclosures regarding the proposed performance conditions will be made in the annual Implementation Report. • Once set, performance measures and targets will generally remain unaltered unless events occur which, in the Remuneration Committee's opinion, make it appropriate to make adjustments to the performance measures to ensure alignment with strategic objectives, provided that any adjusted performance measure is, in its opinion, neither materially more nor less difficult to satisfy than the original measure. • For each part of an LTIP award subject to a specific performance condition, the threshold level of vesting will be no more than 25% of that part of the LTIP award. • The performance period for LTIP awards will be at least three years, but the Remuneration Committee reserves discretion to lengthen the applicable performance periods for LTIP awards.
All-employee share plans To encourage share ownership by employees, thereby allowing them to participate in the long-term success of the Group and align their interests with those of the shareholders.	• Executive Directors are able to participate in all-employee share plans on the same terms as other Group employees as required by HMRC legislation.	• ShareSave – the Remuneration Committee has the facility to allow individuals to save up to a maximum of £500 each month (or such other level as permitted by HMRC legislation) for a fixed period of three or five years. At the end of the savings period, individuals may use their savings to buy ordinary shares in the Group at a discount of up to 20% of the market price set at the launch of each scheme. • Share Incentive Plan ('SIP') – the Remuneration Committee has the facility to allow individuals to have the opportunity to purchase, out of their pre-tax salary, shares in the Group and receive one matching share for every purchased share up to a maximum of £50. The maximum saving is £150 each month (or up to such level as permitted by the Group in line with HMRC legislation). SIP also has the facility to allow for reinvestment of dividends in further shares, or the award of additional free shares (up to the limits as permitted by HMRC legislation).	• Consistent with normal practice, such awards are not subject to performance conditions.

Remuneration policy table

Element and purpose in supporting strategic objectives	Policy and operation	Maximum	Performance measures
Shareholding guidelines To encourage share ownership by the Executive Directors over the long-term, including post cessation of employment, and ensure interests are aligned.	• Executive Directors are expected to retain all shares (net of tax) which vest under the DBSS and under the LTIP (or any other discretionary long-term incentive arrangement introduced in the future) until such time as they hold a minimum of 350% of base salary in shares for the CEO and 300% of base salary in shares for the CFO. • Only beneficially owned shares, vested share awards, and unvested share awards not subject to performance conditions (discounted for anticipated tax liabilities), may be counted for the purposes of the guidelines. Share awards subject to performance conditions do not count prior to vesting. • Once shareholding guidelines have been met, individuals are expected to retain these levels as a minimum. The Remuneration Committee will review shareholdings annually in the context of this policy. • Post cessation of employment, Executive Directors are expected to retain the lower of their full level of employment shareholding guideline or their actual shareholding at termination for a period of two years.	• N/A	• N/A
Chair of the Group Board and Non-Executive Director fees	• The fees paid to the Chair of the Group Board and the fees of the other Non-Executive Directors are set to be competitive with other listed companies of equivalent size and complexity. • The Group does not adopt a quantitative approach to pay positioning and exercises judgement as to what it considers to be reasonable in all the circumstances as regards quantum. • Additional fees are paid to Non-Executive Directors who chair or are a member of a Board committee, or sit on the board of a subsidiary company or on the Solvency II Model Governance Committee, and to the Senior Independent Director ('SID') and Designated NED for Workforce Engagement. • Fees are paid monthly in cash. • Fee levels for Non-Executive Directors are reviewed annually with any changes normally taking effect from 1 January. Additional reviews may take place in exceptional circumstances, such as following major corporate events, to ensure that fees remain appropriate in the context of the Group's size and complexity and to reflect the time commitment required.	• The aggregate fees of the Chair of the Group Board and Non-Executive Directors will not exceed the limit from time to time prescribed within the Group's Articles of Association for such fees (currently £2 million per annum in aggregate). • The Group reserves the right to vary the structure of fees within this limit including, for example, introducing time-based fees or reflecting the establishment of new Board or subsidiary company committees.	• N/A

Directors' report

The Directors present their report for the year ended 31 December 2024. Phoenix Group Holdings plc is incorporated in England and Wales (registered no. 11606773) and is listed on the London Stock Exchange under the 'Equity shares (commercial companies)' category.

Shareholders

Dividends		
Dividends for the year ended 31 December 2024	Dividends for the year are as follows:	
	Ordinary shares	
	Paid Interim dividend	26.65p per share (2023: 26.0p per share)
	Recommended Final dividend	27.35p per share (2023: 26.65p per share)
	Total ordinary dividend	54.00p per share (2023: 52.65p per share)
	Dividends declared in respect of the Company's ordinary shares must be capable of being cancelled and withheld or deferred at any time prior to payment. This is so that the Company's ordinary shares can be counted towards Group capital. Accordingly, the Final dividend will be declared on a conditional basis and the Directors reserve the right to cancel or defer the recommended dividend. The Directors do not expect to exercise this right other than where they believe that it may be necessary to do so as a result of legal or regulatory requirements.	
Share capital		
Issued share capital	The issued share capital of the Company increased by 1,573,419 shares during 2024 which related to the Company's ShareSave and Deferred Bonus Share Scheme. At 31 December 2024, the issued ordinary share capital totalled 1,003,111,838. Subsequently, 53,047 ordinary shares have been issued in 2025 in connection with the Company's ShareSave Scheme to bring the total in issue to 1,003,164,885 at the date of this Directors' report. Full details of the issued and fully paid share capital as at 31 December 2024 and movements in share capital during the period are presented in note D1 to the IFRS consolidated financial statements.	
Authority to purchase own shares	At the Company's 2024 AGM, shareholders approved the renewal of the Company's authority to make purchases of up to 100,154,788 of its own shares and make payment for the redemption or purchase of its own shares in any manner permitted by the Companies Act 2006 including without limitation, out of capital, profits, share premium or the proceeds of a new issue of shares. The authority was not used and none of the Company's ordinary shares were purchased by the Company during 2024. The authority will expire at the 2025 AGM. A resolution to renew this authority shall be proposed in the 2025 AGM Notice of Meeting.	
Treasury shares	The Company held no treasury shares during the year or up to the date of this Directors' report.	
Rights and obligations attached	The rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association (the 'Articles') which are available on the Company's website at www.thephoenixgroup.com.	
Phoenix Group Employee Benefit Trust ('EBT')	Where the EBT holds shares for unvested awards, the voting rights for these shares are exercisable by the trustees of the EBT at their absolute discretion, ensuring that it would be in the best interest of the beneficiaries of the Trust and taking into account the recommendations of the Group.	
Restrictions on transfer of shares	Under the Articles, the Directors may, in certain circumstances, refuse to register transfers of shares. Certain restrictions on the transfer of shares may be imposed from time to time by applicable laws and regulations (for example, insider trading laws), and pursuant to the Listing Rules of the FCA and Phoenix Group's own share dealing rules whereby Directors and certain employees of the Group require individual authorisation to deal in the Company's ordinary shares.	
Substantial shareholdings	Information provided to the Company pursuant to Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules ('DTR') is published on a Regulatory Information Service and on the Company's website. As at 31 December 2024, the following interests with voting rights in the ordinary share capital of the Company had been notified to it under DTR 5. No changes have occurred in respect of the holdings below between 31 December 2024 and 14 March 2025.	

Name	Number of voting rights in shares	Percentage of shares in issue
MS&AD Insurance Group Holdings Inc.	144,877,304	14.50%
Aberdeen Group plc	107,025,201	10.70%
BlackRock, Inc.	59,271,117	5.91%
Kingdom Holding Company	50,051,192	5.00%

Shareholders continued

AGM	
2025 AGM	The AGM of the Company will be held at Floor 9, 20 Old Bailey, London, EC4M 7AN on 13 May 2024 at 10:30am. A separate Notice of Meeting convening this AGM will be distributed to shareholders in due course and will include an explanation of the items of business to be considered at the meeting.
Investor communications	
Investor communications	The Company's Annual Report, together with the Company's Half Year Report and other public announcements and presentations, are designed to present a fair, balanced and understandable view of Phoenix Group's activities and prospects. These are available on the Company's website at www.thephoenixgroup.com, along with a wide range of relevant information for private and institutional investors, including the Company's financial calendar.

Board

Board membership	The membership of the Board of Directors during 2024 is given within the Corporate governance report on pages 86 to 89, which is incorporated by reference into this Directors' report. During 2024, and up to the date of this Directors' report, the following changes to the Board took place: • Rakesh Thakrar stepped down as a Director on 8 September 2024 • Nicolaos Nicandrou was appointed as a Director on 2 December 2024 • John Pollock retired as a Director on 31 December 2024 • Sherry Coutu will be appointed as a Director on 1 May 2025
Related party transactions	Details of related party transactions which took place during the year with Directors of the Company and consolidated entities where Directors are deemed to have significant influence, are provided in note I4 to the IFRS consolidated financial statements.
Appointment, re-election and removal of Directors	The rules about the appointment and replacement of Directors are contained in the Articles. These state that a Director may be appointed by an ordinary resolution of the shareholders or by a resolution of the Directors. If appointed by a resolution of the Directors, the Director concerned holds office only until the conclusion of the next AGM following their appointment. In accordance with the 2024 Code, all Directors must stand for election/re-election annually. The Board of Directors will be unanimously recommending that all of the Directors included in the Notice of Meeting for the AGM should be put forward for election/re-election at the forthcoming AGM to be held on 13 May 2025. The Articles give details of the circumstances in which Directors will be treated as having automatically vacated their office and also state that the Company's shareholders may remove a Director from office by passing an ordinary resolution.
Director powers and authorities	The powers of the Directors are determined by the Companies Act 2006, the provisions of the Articles and by any valid directions given by shareholders by way of special resolution. The Directors have been authorised to allot and issue securities and grant options over or otherwise dispose of shares under the Articles.
Directors' remuneration and interests	A report on Directors' remuneration is presented within the Directors' Remuneration report on pages 134 to 160 including details of their interests in shares and share options or any rights to subscribe for shares in the Company.
Directors' indemnities	The Company has entered into deeds of indemnity with each of its Directors whereby the Company has agreed to indemnify each Director against all losses incurred by them in the exercise, execution or discharge of their powers or duties as a Director of the Company, provided that the indemnity shall not apply when prohibited by any applicable law. The deeds of indemnity remain in force as at the date of signature of this Directors' report.
Directors' conflicts of interest	The Board has established procedures for handling conflicts of interest in accordance with the Companies Act 2006 and the Articles. See page 92 of the Corporate governance report for more detail. On an ongoing basis, Directors are responsible for informing the Group Company Secretary of any new, actual or potential conflicts that may arise.
Directors' and Officers' liability insurance	The Company maintains Directors' and Officers' liability insurance cover which is renewed annually.

Directors' report continued

> As part of its comprehensive assessment as to whether Phoenix Group is a Going concern, the Board has considered financial projections over the period to 31 March 2026, which demonstrate the ability of Phoenix Group to withstand market shocks in a range of severe but plausible stress scenarios.

Nicolaos Nicandrou
Group Chief Financial Officer

Governance

Going concern

Phoenix Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The Strategic report includes details of Phoenix Group's cash flow and solvency position, alongside details of any key events affecting the Company (and its consolidated subsidiaries) since the end of the financial year. Principal risks and their mitigation are detailed on pages 46 to 49. In addition, the IFRS consolidated financial statements include, amongst other things, notes on Phoenix Group's borrowings (note E5), management of its financial risk including market, credit and liquidity risk (note E6), its commitments and contingent liabilities (notes I5 and I6) and its capital management (note I3). The Strategic report (on pages 16 to 19) sets out the business model and how Phoenix Group creates value for shareholders and policyholders.

As part of its comprehensive assessment as to whether Phoenix Group is a Going concern, the Board has considered financial projections over the period to 31 March 2026, which demonstrate the ability of Phoenix Group to withstand market shocks in a range of severe but plausible stress scenarios. Further details of these stress scenarios are included in the Viability statement on pages 50 and 51. The projections demonstrate that appropriate levels of capital would remain in the Life Companies under both the base and reasonably foreseeable stress scenarios, thus supporting cash generation in the Going concern period. In addition, the Board noted Phoenix Group's access to additional funding through its undrawn £1.5 billion revolving credit facility. The stresses do not give rise to any material uncertainties over Phoenix Group's ability to continue as a Going concern.

The Directors therefore have a reasonable expectation that Phoenix Group has adequate resources to meet its liabilities as they fall due and continue in operational existence over the period to 31 March 2026, the period covered by the Going concern assessment. Thus, they continue to adopt the Going concern basis of accounting in preparing the annual financial statements.

The Directors have acknowledged their responsibilities in the Statement of Directors' Responsibilities in relation to the IFRS financial statements for the year ended 31 December 2024.

Viability statement

The Viability statement, as required by the 2018 Code, has been undertaken for a period of three years to align to Phoenix Group's business planning and is detailed on pages 50 and 51.

Corporate governance statement

The disclosures required by section 7.2 of the FCA's DTRs can be found in the Corporate governance report on pages 84 to 172 which is incorporated by reference into this Directors' report and comprises the Company's Corporate governance statement.

The 2018 Code applied to the Company for Full Year 2024 and details on the Company's compliance with the Code are included in the Corporate governance report on page 90. The 2018 Code is available on the website of the FRC – www.frc.org.uk. The new UK Corporate Governance Code 2024 was published in January 2024 and became effective on 1 January 2025. Provision 29 will become effective on 1 January 2026. Phoenix Group will ensure that compliance with the 2024 Code is appropriately measured and disclosed.

The disclosures required by the Companies Act 2006 in respect of the following matters are set out in the Strategic report, as below:

Our strategy and future developments	The Company's strategy and priorities for 2025 are highlighted in the Our strategic priorities section of the Strategic report.	• See pages 26 to 31 of the Strategic report.
Our people and diversity	The Company's People strategy for colleagues is detailed in the Group's Sustainability Report. The Company's diversity and inclusion targets for colleagues are also detailed in the Group Sustainability Report, with highlights set out in the Strategic report.	• See pages 30, 31 and 105. • See the Sustainability Report on the Company's website.

Governance continued

Disability	Phoenix Group has an Equal Opportunities and Diversity Framework which ensures full and fair consideration is given to applications from, and the continuing employment and training of, disabled people. Phoenix Group also has a Reasonable Adjustments guidelines which sets out Phoenix Group's duty to make reasonable adjustments to help ensure that all colleagues can access opportunities and thrive in employment. In addition, Phoenix Group has a Dignity at Work policy which sets out its commitment to creating a work environment free of discrimination where everyone is treated with dignity and respect. One of our colleague inclusion networks, 'Enable' promotes the interests of colleagues with disabilities and other long-term health conditions.	• See the Company's website for more information.
Our people and engagement	Details of how the Company has engaged with, and considered the interests of, employees in key decision-making can be found in the Stakeholder engagement and Workforce engagement sections of the Corporate governance report. During the year, information about Phoenix Group's performance and market trends impacting Phoenix Group was shared via an all-employee intranet. In addition, colleagues were invited to participate in Phoenix Group's ShareSave Scheme, advertised through the all-employee intranet.	• See pages 98 to 100 of the Corporate governance report (for Stakeholder engagement) and pages 101 to 102 (for Workforce engagement).
Our business relationships	Details of how the Company has engaged with stakeholders, along with details of how the Board has considered the need to foster the Company's business relationships with suppliers, customers and others, in line Section 172 of the Companies Act 2006, can be found in the Stakeholder engagement section of the Corporate governance report.	• See pages 98 to 100 of the Corporate governance report.
Greenhouse gas ('GHG') emissions	All disclosures concerning Phoenix Group's GHG emissions are contained in the Group's Streamlined Energy and Carbon Reporting ('SECR') statement forming part of the Strategic report.	• See pages 80 and 81 of the Strategic report.

Other disclosures required within this Corporate governance statement are set out below:

Task Force on Climate related Financial Disclosures ('TCFD')	In accordance with UKLR 6.6.6R, climate-related financial disclosures consistent with the TCFD Recommendations and Recommended Disclosures are contained in the Strategic report on pages 54 and 55. Given the progress we have made with embedding the recommendations of the TCFD across the business and the increasing need for transparent reporting, we have opted to integrate our TCFD disclosures into our Annual Report and Accounts. In response to UKLR 6.6.12G, we have also published a standalone Net Zero Transition Plan which sets out our approach to achieving net zero across our business by 2050.
Board diversity – gender and ethnicity	In accordance with UKLR 6.6.6R, a statement on Board diversity targets and numerical data on the ethnic background and gender of the Board of Directors and Executive Committee are included in the Corporate governance report on page 112. Data was collated through the standard process for preparing Phoenix Group's annual submission to the Department for Business and Trade in respect of the Parker Review: FTSE 350 Ethnic Diversity Data Submission and FTSE Women Leaders Review, under applicable data protection laws.
Energy usage and Carbon Emissions under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (SI 2018/1155)	Phoenix Group's SECR statement on the Group's UK and global energy consumption and GHG emissions for the financial year 1 January 2024 to 31 December 2024, and the 2023 comparative year is contained in the Strategic report on pages 80 and 81.
Branches	The Company, through its subsidiaries, has established branches in Germany, Hong Kong and Ireland.

Directors' report continued

Governance continued

Political donations	Phoenix Group is a politically neutral organisation and, as further explained below, did not make any political donations or incur any political expenditure (within the ordinary meaning of those words) in 2024. The Company regularly engages with regulators and policymakers (including those associated with political parties and governments) to listen and to contribute to discussions on a wide range of matters. Such engagement is an important part of our strategy and contributes to initiatives enabling the UK in its goal of reaching net zero by 2050. Further information on how we engage with stakeholders can be found on pages 98 to 100; and our Sustainability Report, which includes information on our own net zero ambitions can be found on our website at www.thephoenixgroup.com. Due to the broad definition of political donations under the Companies Act 2006 (the 'Act') and as a matter of good governance and transparency, we have provided information on areas of expenditure incurred as a result of this engagement which may be regarded as falling within the scope of the Act. During the year ended 31 December 2024, Phoenix Group exhibited at, sponsored, and held events at, conferences organised by political parties, spending a total of £49,105. This included sponsorship of events at the Labour Party Annual Conference, Conservative Party Annual Conference, Liberal Democrat Party Conference, Scottish Labour Conference, Scottish National Party Annual Conference and Scottish Conservation Conference. These events allow Phoenix Group to present its views on a non-partisan basis to politicians from across the political spectrum and non-political stakeholders such as Non-Government Organisations ('NGO') and other listed and non-listed companies. These payments do not indicate support for any political party. At the 2025 AGM, Phoenix Group will be seeking renewal from shareholders of the existing authority approved at the 2024 AGM. More details are contained in the Notice of Meeting which will be available on the Company's website at www.thephoenixgroup.com.
Articles of Association	Changes to the Articles require prior shareholder approval by special resolution. Updated Articles will be put to shareholders for approval at the AGM on 13 May 2025. The proposed new Articles, together with a copy showing all of the proposed changes to the existing Articles, are available for inspection on the Company's website at www.thephoenixgroup.com.
Re-appointment of the External Auditor	KPMG was appointed as Auditor of the Company on 14 May 2024. KPMG has indicated its willingness to continue in office and shareholder approval will be sought at the AGM on 13 May 2025. There is no cap on Auditor liability in place in relation to audit work carried out on the IFRS consolidated financial statements and the Group's UK subsidiaries' individual financial statements. Details of fees paid to KPMG during 2024 for audit and non-audit work are disclosed in note C6 to the IFRS consolidated financial statements.
Disclosure of information to External Auditor	The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's External Auditor is unaware and that each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's External Auditor is aware of that information.
Group Company Secretary	The Group Company Secretary during the period was Kulbinder Dosanjh.
Fair, balanced and understandable	In accordance with the 2024 Code, the Directors confirm that they have reviewed the Annual Report and Accounts and consider that it is fair, balanced and understandable and provides the information necessary for shareholders to assess Phoenix Group's position, performance, business model and strategy. Further information on the activity undertaken by the Board Audit Committee can be found on page 118.

Contractual/Other

Significant agreements impacted by a change of control of the Company	The £1.5 billion revolving credit facility has provisions which would enable the lending banks to require repayment of all amounts borrowed following a change of control. All of the Company's employee share and incentive plans contain specific provisions relating to a change of control. Outstanding awards and options would normally become exercisable/available on the date of notification, subject to the satisfaction of any performance conditions and pro rata reduction as may be applicable under the rules of the employee share incentive plans. Apart from the aforementioned, there are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts. None is considered to be significant in terms of their potential impact on the business of Phoenix Group.
Important post balance sheet events	Details of important events affecting the Company which have occurred since the end of the financial year are contained in note I7 to the IFRS consolidated financial statements.
Disclosures under UK Listing Rule 6.6.1R	For the purposes of UKLR 6.6.4R, the information required to be disclosed by UKLR 6.6.1R, where applicable, can be found within the following sections of the Annual Report:

Requirement	Location
Statement of interest capitalised	Note E5 to the consolidated financial statements
Details of long-term incentive schemes	Directors' Remuneration report
Waiver of emoluments by a Director	Directors' Remuneration report
Waiver of any future emoluments by a Director	Directors' Remuneration report

Statement of Directors' responsibilities

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 they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

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 Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule ('DTR') 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The External Auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Responsibility statement of the Directors in respect of the annual financial report

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 the Annual Report and Accounts, 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.

Andy Briggs
Group Chief
Executive Officer

Nicolaos Nicandrou
Group Chief
Financial Officer

16 March 2025

Financials

Additional information

Independent Auditor's Report to the members of Phoenix Group Holdings plc

1. Our opinion is unmodified

In our opinion:

- the financial statements of Phoenix Group Holdings plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2024, and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers
We have audited the Group and Parent Company financial statements of Phoenix Group Holdings plc ("the Company") for the year ended 31 December 2024 included in the Annual Report and Accounts, which comprise:

Group	Parent Company (Phoenix Group Holdings plc)
Consolidated income statement, statement of comprehensive income, statement of consolidated financial position, statement of consolidated changes in equity and statement of consolidated cash flows. Notes A1 to I7 to the Group financial statements, including the accounting policies in note A, except for the information marked as unaudited.	Statement of financial position, statement of changes in equity and statement of cash flows. Notes 1 to 22 to the Parent Company financial statements, including the accounting policies in note 1.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee ("AC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks
The risk associated with the valuation of insurance contract liabilities Key Audit Matter ("KAM") (4.1) is predominantly driven by the inherent subjectivity associated with the longevity, expense and discount rate assumptions for insurance contract liabilities as well as the ongoing change in the control environment as the Group continues to embed the processes and controls following the implementation of IFRS 17. We consider the impact of external factors such as the current uncertain economic conditions including higher market interest rates affecting the credit risk of assets backing annuity liabilities and the trends in demographic experience on longevity assumptions.

The risk associated with the valuation of certain illiquid financial investments KAM (4.2) is predominantly driven by the significant estimation uncertainty associated with valuing Level 3 investments, specifically modelled debt securities and equity release mortgages.

The financial significance of the Parent company's investment in subsidiaries drives the identification of its recoverability as a KAM for the Parent company's audit (4.3).

Key Audit Matters	Item
Valuation of insurance contract liabilities	4.1
Valuation of certain illiquid financial investments	4.2
Parent Company's recoverability of investments in its subsidiaries	4.3

Audit Committee interaction
During the year, the Audit Committee ("AC") met 9 times. KPMG are invited to attend all AC meetings and are provided with an opportunity to meet with the AC in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the AC in section 6, including matters that required particular judgement for each.

The matters included in the Audit Committee Chair's report on page 120 are materially consistent with our observations of those meetings.

Our independence
We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during 2024 or subsequently which are prohibited by the FRC Ethical Standard.

We were appointed as auditor by the shareholders for the year ended 31 December 2024.

The Group engagement partner is required to rotate every five years. As these are the first set of the Group's financial statements signed by Stuart Crisp, he will be required to rotate off after the FY28 audit.

These are the first set of the Group's financial statements that the partners signing component reporting are involved in.

Total audit fee	£22.4m
Audit related fees (including interim review)	£2.96m
Other services	£0.2m
Non-audit fee as a % of total audit and audit related fee %	0.78%
Date first appointed	14 May 2024
Uninterrupted audit tenure	1 year
Next financial period which requires a tender	2034
Tenure of Group engagement partner	1 year
Average tenure of component signing partners	1 year

Materiality
(Item 6 below)
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement ('RMM').

We have determined overall materiality for the Group financial statements as a whole to be £65m and for the Parent Company financial statements as a whole to be £62m.

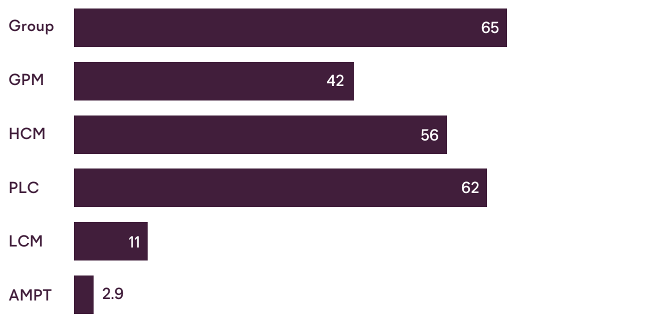
A key judgement in determining materiality was the most relevant metric to select as the benchmark, by considering factors including which metrics have the greatest bearing on shareholder decisions.

We determined that Group IFRS adjusted shareholders' equity, being shareholders' equity adjusted for the contractual service margin ('CSM') net of tax, as disclosed on page 336 is the most relevant benchmark for the Group. Group materiality represents 1.77% of this benchmark.

We applied a higher materiality for certain balances relating to the unit-linked and with-profits business in the statement of consolidated Balance Sheet financial position, Consolidated Income statement and related notes as follows:

- For unit linked assets and corresponding unit linked liabilities we applied materiality of £1.4bn which represents 0.73% of the total unit linked asset balance.
- For unsupported with-profit fund assets and liabilities we applied materiality of £540m which represents 1.05% of the total with profits asset balance.

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company net assets, of which it represents 0.92%.



Group	Group Materiality
GPM	Group Performance Materiality
HCM	Highest Component Materiality
PLC	Parent Company Materiality
LCM	Lowest Component Materiality
AMPT	Audit Misstatement Posting Threshold

Group scope
(Item 7 below)
We have performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, what audit procedures to perform at these components and the extent of involvement required from our component auditors.

In total, we identified seven components, having considered our evaluation of the Group's legal and operational structure, the existence of common information systems and the existence of common risk profiles across divisions and our ability to perform audit procedures centrally.

Of these, we identified two quantitatively significant components, and five other components included in the scope of our work for other reasons.

In addition, for the remaining components for which we performed no audit procedures, we performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.

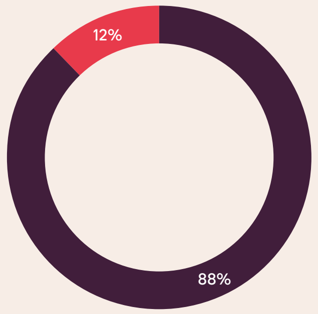
The impact of climate change on our audit
In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

Climate change, and the associated initiatives and commitments, impact the Group in a variety of ways including the potential financial risks which could arise from the associated physical and transition risks and the greater narrative and disclosure of the impact of climate change risk that is incorporated into the Annual Report and Accounts. The Group's exposure to climate change is primarily through climate related transition risks which potentially impact the carrying amount of investments and potential reputational risk associated with the Group's delivery of its climate related commitments.

As a part of our audit we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements, including how climate is considered as part of the investment making and monitoring processes, and the Group's preparedness for this.

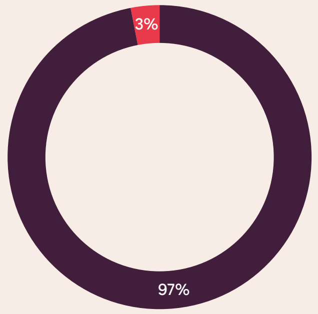
We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit. This included evaluating the impact of management's stress test scenarios and holding discussions with our own climate change professionals to challenge our risk assessment.

Coverage of Group financial statements
Our audit procedures covered 88% of Group revenue:



We performed audit procedures in relation to components that accounted for the following percentages:

Group Total assets



- Components where audit procedures were performed
- Remaining out of scope components

3. Going concern, viability and principal risks and uncertainties

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

Going concern
We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's available financial resources over this period were:

- Adverse impacts arising from fluctuations or negative trends in the economic environment including, but not limited to, interest rates and inflation, wider credit spreads, defaults and property price movements which affect regulatory capital solvency coverage ratios, liquidity ratios, the valuations of the Group's illiquid financial investments and valuation of insurance contract liabilities; and
- Severely adverse policyholder lapse or claims experience.

We also considered less predictable but realistic second order impacts, such as political or policy changes that could affect demand in the Group's markets.

We considered whether these risks could plausibly affect the liquidity and solvency in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of financial resources indicated by the Group's financial forecasts.

Our procedures also included:

- Critically assessing actuarial assumptions used in management's three-year Annual Operating Plan ('AOP'), which forms the basis for management's going concern projections and determining whether the models are appropriate to enable management to make an assessment on the going concern of the Group
- Critically assessing assumptions in base case and downside scenarios relevant to liquidity and solvency.
- Assessing whether downside scenarios applied mutually consistent and severe assumptions in aggregate, using our assessment of the possible range of each key assumption and our knowledge of inter-dependencies.
- Comparing past budgets to actual results to assess the Directors' track record of budgeting accurately.
- Evaluating the achievability of the contingent actions the Directors consider they would take to improve the position should the risks materialise.
- Assessing the entity's debt covenants and ability to meet maturities arising during the going concern period.
- We considered whether the going concern disclosure in note A1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and dependencies.

Accordingly, based on those procedures, we found the Directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions
- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the Directors' statement on page 197 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- The related statement under the Listing Rules set out on page 172 is materially consistent with the financial statements and our audit knowledge.

Independent auditor's report continued

Disclosures of emerging and principal risks and longer-term viability
Our responsibility
We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement on page 51 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal risks and uncertainties disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement set out on pages 50–51 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting
We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean
Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Valuation of insurance contract liabilities (Group)

Financial Statement Elements

£109,354m
Estimates of present value of future cash flows

£5,231m
CSM

Our results

Acceptable
FY24

Description of the Key Audit Matter	Our response to the risk
Subjective valuation The valuation of insurance contract liabilities is an inherently subjective area, requiring management judgement in the setting of key assumptions. The discount rate, longevity and expense assumptions involve the greatest level of subjectivity. A small change in these assumptions can have a significant impact on the estimates of future cash flows. **Discount rate methodology including allowance for credit defaults and targeted asset mix** The Group's current discount rates for its annuity portfolios are derived by applying an illiquidity premium to the risk-free rate. This illiquidity premium is determined based on the yield of a reference asset portfolio which has been adjusted for risks that are not present in the related insurance liabilities, in particular the risk of credit default. The credit risk deduction methodology is judgmental and small changes in this can have a significant impact on the present value of future cash flows. In addition, the reference portfolio is a derived from a targeted asset mix, the selection of which is judgemental requiring consideration of current and future asset portfolios. The assumptions surrounding this deduction require significant judgement and there is a risk that actual default experience and anticipated trends are not appropriately reflected. This is particularly significant during the current uncertain economic conditions of higher market interest rates and higher inflation. **Longevity assumptions** Longevity assumptions have two main components: longevity base assumptions and the rate of longevity improvements. The changing trends in longevity and emerging medical trends mean there is a high level of uncertainty in the assumptions. This uncertainty is considered to be heightened due to the potential medium and long-term impacts of COVID-19, pressures on the NHS and the economic outlook. There is also a high degree of expert judgement in the calibration of the Cause-of-Death model which management uses to derive the mortality improvement assumptions. **Expense assumptions** Judgement is required in setting the maintenance expense assumption which is based on management's long-term view of the expected future costs of administering the underlying policies and is also informed by expected inflation in costs and the allocation between cost centres and determination of costs that are directly attributable to the maintenance of insurance contracts, rather than other activities such as the acquisition of new business. Additional judgement is required to be applied where the future costs of administering policies include the expected benefits from cost saving initiatives and ongoing transition, transformation and policy administration transfer programmes ("transformation programmes"). In the period until those programmes are complete, judgement is required as to the provisions required for the short-term additional running costs and project costs required to complete the programmes. **Actuarial model overlays** There are numerous and significant manual overlay adjustments that are applied to the modelled actuarial valuations. This is particularly the case for the IFRS specific manuals and overlay adjustments made in the downstream CSM reporting processes. Many of these overlays are material in amount, complex and calculated through manual processes in a control environment which is continuing to embed processes and controls following the implementation of IFRS17. **Estimation uncertainty** The effect of these matters is that, as part of our risk assessment, we determined that the valuation of insurance contract liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements disclose the sensitivities (Note F11.1) estimated by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. We used our own actuarial specialists in order to assist us in performing procedures over methodology choice and assumptions in this area. Our procedures to address the risk included: • **Control design and implementation:** testing of the design and implementation of key controls over the valuation process, including the setting of assumptions, for insurance contract liabilities. • **Methodology choice:** Assessing the appropriateness of the methodology for selecting assumptions by applying our understanding of developments in the business and expectations derived from market experience, including consideration of the effects of uncertain economic conditions on policyholder longevity and credit risk. • **Accounting analysis:** Assessing whether management's proposed methodology for determining the discount rate, and in particular the credit deductions and reference portfolios which underpin it, is consistent with the requirements of IFRS 17. • **Historical comparisons:** Evaluating the longevity base assumptions used in the valuation of the liabilities by comparing to historic mortality experience. • **Benchmarking assumptions:** Assessing longevity improvement assumptions against industry data on expected future mortality rate improvements and industry historical mortality improvement rates and assessing the appropriateness of the credit risk assumptions by comparing to industry practice and our expectations derived from market experience. • **Test of detail:** Evaluating whether the expense assumptions reflect the expected future costs of administering the underlying policies by considering the historical accuracy of management's forecast expenses, analysing the allocations of the forecast costs to directly attributable maintenance expenses with reference to the historical allocations and future plans, and inclusion of benefits arising from cost saving initiatives and ongoing transformation programmes. • **Test of detail:** Evaluating whether the short-term provisions for expenses appropriately reflect the additional running costs and project costs associated with ongoing transformation programmes. • **Test of detail:** Assessing the appropriateness of the methodologies used in calculating the actuarial model IFRS specific overlay adjustments. For certain overlays, selected based on risk criteria, test the accuracy of the input data and either reperform the calculation of the overlay adjustment or develop our own expectation of the value of the overlay. Considering, through our resting of other parts of the IFRS17 process, whether these indicate that additional overlay adjustments are required. • **Assessing transparency:** Considering whether the disclosures in relation to the assumptions used in the calculation of the valuation of insurance contract liabilities are compliant with the relevant accounting requirements and appropriately represent the sensitivities of these assumptions to alternative scenarios and inputs.

Independent auditor's report continued

Communications with the Phoenix Group Holdings plc's Audit Committee
Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of insurance contract liabilities including the extent of our control reliance.
- Our conclusions on the appropriateness of the Group's methodology for setting assumptions.
- Our conclusions on the appropriateness of the discount rate methodology including allowance for credit defaults, longevity, and expense assumptions, including challenge of the assumptions using our sector experience and market knowledge.
- Our conclusions on the appropriateness of the manuals and overlay adjustments applied to the modelled actuarial valuations.
- The adequacy and appropriateness of the disclosures, including the sensitivity of insurance contract liabilities to key assumptions.

Areas of particular auditor judgement
We identified the following as the areas of particular auditor judgement:

- The appropriateness of the methodology used in determining the discount rate including the credit default deduction.
- The significance of the inputs into the actuarial models and the consequent impact on the valuation of policyholder liabilities.
- The approach and methods applied to determine the longevity, and expense assumption.

Our results
We found the resulting estimate of the valuation of insurance contract liabilities to be acceptable.

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 124 for details on how the Audit Committee considered valuation of insurance contract liabilities as an area of significant attention, pages 204 to 245 for the accounting policy on valuation of insurance contract liabilities, and note F for the financial disclosures.

4.2 Valuation of certain illiquid financial investments (Group)

Financial Statement Elements
£15,146m
Debt securities FY24

Our results
Acceptable
FY24

Description of the Key Audit Matter

Subjective valuation
6.37% of the investment portfolio as at 31 December 2024 was classified as Level 3 assets. Of this we consider the valuation of modelled debt securities and equity release mortgages backing insurance contract liabilities in the shareholder (rather than with profits or unit-linked) fund to involve the greatest level of subjectivity. The subjectivity of the asset valuations remains heightened due to the current economic conditions caused by the ongoing uncertainties as a result of higher inflation and higher market interest rates.

For these positions a reliable third-party price from a recent market transaction is not readily available and therefore the application of expert judgement from management in the valuations adopted is required.

The key assumptions underlying the valuations are:

- **Modelled debt securities:** credit ratings that are not provided by external credit rating agencies.
- **Equity release mortgages:** illiquidity premium.

Estimation uncertainty
The effect of these matters is that, as part of our risk assessment, we determined that the valuation of certain illiquid financial investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Our response to the risk

Our procedures to address the risk included:

We used our own actuarial, valuation and credit specialists in order to assist us in performing procedures over methodology and assumptions in this area. Our procedures to address the risk included:

- **Control design and implementation:** Testing of the design and implementation of key controls over the valuation process for modelled debt securities and equity release mortgages.
- **Control operation:** Testing of the operating effectiveness of key controls over the credit rating process for modelled debt securities.
- **Our valuation expertise:**
  - Using our own valuation specialists to assess the suitability of the valuation and credit rating methodologies used by the Group, and to independently recalculate a sample of the credit ratings derived from credit rating models; and
  - Using our own actuarial specialists to evaluate the appropriateness of the assumptions used in the valuation of equity release mortgages with reference to data on the Group's recent mortgage originations.
- **Methodology choice:** Assessing the appropriateness of the credit rating methodologies for modelled debt securities investments and Equity release mortgages with reference to relevant accounting standards and the Group's own valuation guidelines as well as industry practice.
- **Assessing transparency:** Assessing whether the disclosures in relation to the valuation of illiquid financial investments are compliant with the relevant financial reporting requirements and that the sensitivities of the valuation to alternative assumptions are appropriately presented.

Communications with the Phoenix Group Holding plc's Audit Committee
Our discussions with and reporting to the Audit Committee included:

- Our approach to the valuation of modelled debt securities and equity release mortgages, including details of our planned substantive procedures and the extent of our control reliance.
- Our conclusions on the appropriateness of the methodology adopted by the Group to the valuation of modelled debt securities and equity release mortgages.
- The adequacy of disclosures, particularly as they relate to the sensitivity of Level 3 investments to key assumptions.

Areas of particular auditor judgement
We identified the following as the areas of particular auditor judgement:

- Determination of the valuation methodology where external pricing sources are not readily available or unreliable.
- The appropriateness of the internally-generated credit ratings and valuation of internally rated investments.
- The appropriateness of the illiquidity premium used in the valuation of equity release mortgages.

Our results
We found the resulting estimate of the valuation of certain illiquid financial investments to be acceptable

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 124 for details on how the Audit Committee considered the valuation of certain illiquid financial investments as an area of significant attention, pages 216 to 218 for the accounting policy on valuation of certain illiquid financial investments, and note E for the financial disclosures.

4.3 Recoverability of investments in subsidiaries (Parent Company)

Financial Statement Elements
£9,247m
Investment in subsidiaries FY24

Our results
Acceptable
FY24

Subjective valuation
The carrying amount of the Parent Company's investments in subsidiaries is at risk of irrecoverability given the carrying value is significantly in excess of market capitalisation of the Group. Management perform an impairment test which for certain of the subsidiaries utilises cash flow based on the emergence of surplus for in-force business on a Solvency II basis, together with new business cash flows on a Solvency II basis to determine a value in use. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in forecasting and discounting cash flows used in the valuations of these subsidiaries.

The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the cost of investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements (note 11) disclose the sensitivity estimated by the Parent Company.

We performed the tests below rather than seeking to rely on any of the Parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures included:

Test of detail: Comparing the carrying amount of each subsidiary with the relevant subsidiaries' financial statements/draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount.

For investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with our procedures included:

- **Benchmarking assumptions:** Comparing the Group's assumptions to externally derived data in relation to key inputs such as Weighted Average Cost of Capital ("WACC") and terminal growth rates, with the support of our valuation specialists;
- **Our sector experience:** Evaluating the assumptions used, in particular those relating to the cash flows, discount rate and terminal growth rate based on our knowledge of the Group and the markets that the subsidiaries operate in;
- **Historical comparisons:** Assessing the reasonableness of the budgets by considering the historical accuracy of the previous forecasts;
- **Sensitivity analysis:** Assessing the sensitivity of the headroom on the Parent Company's investment in subsidiaries. This was performed considering reasonable possible changes in key assumptions underlying the business plans, including the discount rate and terminal growth rate;
- **Assessing transparency:** Assessing the whether the Parent Company's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the recoverable amount of the investment in subsidiaries.

Communications with the Phoenix Group Holdings plc's Audit Committee
Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the recoverability of the Parent company's investment in subsidiaries.
- Our conclusions on the appropriateness of the valuation of the Parent company's investment in subsidiaries.

Areas of particular auditor judgement
We identified the following as the areas of particular auditor judgement:

- The appropriateness of the methodology used in calculating the recoverable amount.
- The appropriateness of the methodology used in determining the discount rate applied.

Our results
We found the Parent Company's investment in subsidiaries and the related impairment charges in the period to be acceptable.

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 125 for details on how the Audit Committee considered the Parent Company's recoverability of investments in subsidiaries as an area of significant attention, page 314 for the accounting policy on the Parent Company's recoverability of investments in subsidiaries, and note 11 for the financial disclosures.

5. Our ability to detect irregularities, and our response

Fraud – identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment	**Identifying and responding to risks of material misstatement due to fraud** To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included: • Enquiring of Directors, the Audit Committee, Internal Audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud. • Reading Board, Audit Committee, and Risk Committee minutes. • Considering remuneration incentive schemes and performance targets for management. • Using analytical procedures to identify any unusual or unexpected relationships. Using our own professionals with forensic knowledge to assist us in identifying fraud risks based on discussion of the circumstances of the Group. • Inspecting correspondence with regulators to identify instances or suspected instances of fraud. • Reviewing the audit misstatements from prior period to identify fraud risk factors. • Reading broker reports and other public information to identify third-party expectations and concerns.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group auditor to component auditors of relevant fraud risks identified at the Group level and requesting component auditors performing procedures at the component level to report to the Group auditor any identified fraud risk factors or identified or suspected instances of fraud
Fraud risks	As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and exercise bias in accounting estimates and judgements. We do not believe there is a fraud risk related to Group revenue because there is limited management judgement involved in the recognition of and measurement of material revenue streams. We identified a fraud risk related to insurance contract liabilities, illiquid financial investments and Parent Company's investment in subsidiaries in response to possible pressures to meet profit targets.
Link to KAMs	Further detail in respect of insurance contract liabilities, illiquid financial investments and Parent Company's investment in subsidiaries is set out in the key audit matter disclosures in section 4 of this report.
Procedures to address fraud risks	We also performed procedures including: • Identifying journal entries and other adjustments to test at the Group level and for selected components based on risk criteria and comparing the identified entries to supporting documentation. These included but were not limited to those posted by senior finance management, those posted to seldom used accounts and are linked to an estimate, those posted to unusual accounts and journals impacting cash balances that were identified as unusual or unexpected in our risk assessment procedure. • Evaluating the business purpose of significant unusual transactions. • Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Laws and regulations – identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group auditor to component auditors of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.
Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/ regulation areas	Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such effect: • Specific aspects of regulatory capital and liquidity; • Consumer duty; • Financial crime and customer conduct regulations; • Market abuse regulations; • Data protection laws; • Employment legislation; • Environmental protection legislation; • Health and safety legislation; and • Certain aspects of company legislation, recognising the financial and regulated nature of the group's activities and certain regulated subsidiaries. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
Actual or suspected breaches discussed with AC	We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.
Context	
Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report continued

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£65m Materiality for the group financial statements as a whole

What we mean	Basis for determining materiality and judgements applied
A quantitative reference for the purpose of planning and performing our audit.	We determined materiality for the Group financial statements as a whole at £65m, with reference to a benchmark of Group IFRS adjusted shareholders' equity (shareholders' equity adjusted for the contractual service margin (CSM) net of tax). Adjusting Group IFRS adjusted shareholders' equity for CSM net of tax reflects the deferral of day 1 gains on annuity contracts, and so measures the ongoing value of the policies written to date. It is a measure of solvency, so is relevant to users because surplus funds above capital requirements are necessary to fund investment and pay returns to debt and equity holders. Our Group materiality of £65m was determined by applying a percentage to Group IFRS adjusted shareholders' equity. When using a benchmark of IFRS adjusted shareholders' equity to determine overall materiality, KPMG's approach for listed entities considers a guideline range 0.5%–2% of the measure. In setting Group materiality, we applied a percentage of 1.77% to the benchmark. We applied a higher materiality for certain balances relating to the unit-linked and with-profits business in the Consolidated Balance Sheet, Consolidated Income Statement and related notes, in accordance with FRC Practice Note 20. This is because changes in these balances are offset by changes in related balances such that the impact on the profit attributable to the shareholder is eliminated (in the case of unit-linked asset) or significantly reduced (in the case of with profit funds). The higher materiality amounts were as follows: • For unit linked assets and corresponding unit linked liabilities we applied materiality of £1.4bn which represents 0.73% of the total unit linked asset balance. • For unsupported with-profit fund assets and liabilities we applied materiality of £540m which represents 1.05% of the total with profits asset balance. For the purposes of our Group audit the materiality of the parent company is limited, such that it is lower than the materiality for the Group financial statements. Materiality for the Parent Company financial statements was set at £62m. This is lower than the materiality we would otherwise have determined with reference to Parent Company net assets, of which it represents 0.92%.

£42.3m Performance materiality

What we mean	Basis for determining performance materiality and judgements applied
Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.	We have considered performance materiality at a level of 65% of materiality for Phoenix Group Holdings plc financial statements as a whole to be appropriate. We applied this percentage in our determination of performance materiality based on our expectation of an increased level of identified misstatements and driven by the level of change within the business and the potential for that to impact the control environment during the period. The Parent Company performance materiality was set at £46.3m, which equates to 75% of materiality for the Parent Company financial statements as a whole.

£2.9m Audit misstatement posting threshold

What we mean	Basis for determining the audit misstatement posting threshold and judgements applied
This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud. This is also the amount above which all misstatements identified are communicated to the Group's Audit Committee.	We set our audit misstatement posting threshold at 4.5% of our materiality for the Group financial statements. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £65m compares as follows to the main financial statement caption amounts:

Total Group Revenue FY24	Total Group Assets FY24
£6,166m Financial statement Caption	£307,857m Financial statement Caption
1.05% Group Materiality as % of caption	0.02% Group Materiality as % of caption

7. The scope of our Audit

Group scope

What we mean
How the Group auditor determined the procedures to be performed across the Group.

We applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement. Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified seven components, having considered our evaluation of the Group's operational and legal structure, the existence of common information systems and the existence of common risk profiles across components and our ability to perform audit procedures centrally.

Of those, we identified quantitatively significant components which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

Additionally, having considered qualitative and quantitative factors, we selected additional components with accounts and/or disclosures contributing to the specific risks of material misstatement of the Group financial statements.

The below summarises where we performed audit procedures:

Component type	Number of components where we performed audit procedures	Range of materiality applied
Quantitatively significant components	2	£38m – £56m
Other components where we performed procedures	5	£11m – £56m
Total	7	

We involved component auditors in performing the audit work on six components. We set the component materialities having regard to the mix of size and risk profile of the Group across the components. We also performed the audit of the Parent Company.

Our audit procedures covered 88% of Group revenue.

We performed audit procedures in relation to components that accounted for 97% of total assets.

For the remaining components for which we performed no audit procedures, no component represented more than 6% of Group total revenue, Group loss before tax or Group total assets. We performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

The Group also operates a shared service centre that is relevant to our audit in the UK. This service centre performs accounting and reporting activities alongside related controls and processes a substantial portion of the Group's expense transactions. We have identified this service centre as a component and performed audit procedures over it.

We identified a number of IT systems to be relevant to our audit, including those supporting the consolidation, policy administration, actuarial data processing, financial reporting, investment management and expense payments. We used our IT auditors, including in the components, to assist us in assessing the design and operating effectiveness of the general IT controls of the relevant systems.

Following our testing, including additional testing performed to determine if deficiencies noted had resulted in exceptions, we relied on general IT controls over certain policy administration systems and the general ledger in determining the work to be performed in the audit. In other areas, we were not able to rely on general IT controls as we identified deficiencies and we expanded the scope of our substantive testing. This included increased direct manual testing over the completeness and reliability of data used in our approach to testing journals.

We tested operating effectiveness and placed reliance on manual controls in some areas of our audit, including over outsourced service providers, the valuation of level 3 debt securities and certain balance sheet accounts. As the Group has continued to embed its processes and controls associated with the newly implemented IFRS 17 Insurance contracts and IFRS 9 Financial instruments reporting requirements, we did not plan to place reliance on controls in these areas and our audit was fully substantive.

Group Auditor oversight

What we mean
The extent of the Group auditor's involvement in work performed by component auditors.

In working with component auditors, we:

- Included the component auditors' engagement partners and managers in the Group planning discussions to facilitate inputs from component auditors in the identification of matters relevant to the Group audit.
- Issued Group audit instructions to component auditors on the scope and nature of their work.
- Held meetings with component auditors as the audit progressed to understand and evaluate their work, and organised weekly video conferences and in person meetings with the component auditors. At these meetings and video conferences, the results of the planning procedures and further audit procedures communicated to us were discussed in more detail and any further work required by us was then performed by the component auditors.
- We inspected the work performed by the component auditors for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistencies between communicated findings and work performed.
- We inspected component teams' key work papers in-person and using remote technology capabilities to evaluate the quality of execution of the audits of the components with a particular focus on insurance contract liabilities and illiquid financial investments.

8. Other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information

Our responsibility	Our reporting
Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.	Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and directors' report

Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

Our responsibility	Our reporting
We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.	In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent auditor's report continued

Corporate governance disclosures

Our responsibility	Our reporting
We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and: • the directors' statement that they consider that the Annual Report and financial statements 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; • the section of the Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and • the section of the Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.	Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.
We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.	We have nothing to report in this respect.

Other matters on which we are required to report by exception

Our responsibility	Our reporting
Under the Companies Act 2006, we are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.	We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 172, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and Parent 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 they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Crisp (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London E14 5GL

16 March 2025

Consolidated income statement
For the year ended 31 December 2024

	Notes	2024 £m	2023 restated[1] £m
Insurance revenue	C1	5,139	4,861
Insurance service expenses	C5	(4,493)	(4,335)
Insurance service result before reinsurance contracts		646	526
Net expenses from reinsurance contracts		(245)	(180)
Insurance service result		401	346
Fees and commissions	C2	1,027	967
Net investment income	C3	18,852	20,838
Other operating income		89	86
Gain on acquisition	H2	–	66
Total income		20,369	22,303
Net finance expense from insurance contracts	C4	(3,656)	(7,058)
Net finance (expense)/income from reinsurance contracts	C4	(109)	179
Net insurance finance expense		(3,765)	(6,879)
Change in investment contract liabilities		(15,719)	(13,605)
Change in reinsurers' share of investment contract liabilities		681	873
Amortisation and impairment of acquired in-force business	G2	(266)	(318)
Amortisation of other intangibles	G2	(7)	(6)
Administrative expenses	C5	(1,825)	(1,662)
Net expense attributable to unit holders		(285)	(186)
(Loss)/profit before finance costs and tax		(817)	520
Finance costs	C7	(290)	(258)
(Loss)/profit for the year before tax		(1,107)	262
Tax charge attributable to policyholders' returns	C8	(347)	(184)
(Loss)/profit before the tax attributable to owners		(1,454)	78
Tax credit/(charge)	C8	29	(178)
Add: tax attributable to policyholders' returns	C8	347	184
Tax credit attributable to owners	C8	376	6
(Loss)/profit for the year attributable to owners		(1,078)	84
Attributable to:			
Owners of the parent		(1,090)	56
Non-controlling interests	D5	12	28
		(1,078)	84
Earnings per ordinary share			
Basic (pence per share)	B3	(111.8)p	3.3p
Diluted (pence per share)	B3	(111.8)p	3.3p

1 See note A3 for further details of the prior year restatements.

Statement of comprehensive income
For the year ended 31 December 2024

	Notes	2024 £m	2023 restated[1] £m
(Loss)/profit for the year		(1,078)	84
Other comprehensive income/(expense):			
Items that are or may be reclassified to profit or loss:			
Cash flow hedges:			
Fair value gains/(losses) arising during the period	D3	24	(107)
Reclassification adjustments for amounts recognised in profit or loss	D3	(15)	75
Exchange differences on translating foreign operations		33	4
Items that will not be reclassified to profit or loss:			
Remeasurements of owner-occupied property	D3	(2)	2
Remeasurements of net defined benefit asset/liability	G1	109	(94)
Tax (charge)/credit relating to other comprehensive income items	C8	(36)	28
Total other comprehensive income/(expense) for the year		113	(92)
Total comprehensive expense for the year		(965)	(8)
Attributable to:			
Owners of the parent		(977)	(36)
Non-controlling interests	D5	12	28
		(965)	(8)

1 See note A3 for further details of the prior year restatements.

Statement of consolidated financial position
As at 31 December 2024

	Notes	31 December 2024 £m	31 December 2023 restated[1] £m
ASSETS			
Pension scheme asset	G1	35	26
Reimbursement right assets	G1	183	215
Intangible assets			
Goodwill		10	10
Acquired in-force business		1,646	1,912
Other intangibles		128	106
	G2	1,784	2,028
Property, plant and equipment	G3	91	106
Investment property	G4	4,370	3,698
Investment in associate accounted for using the equity method	H4	4	–
Financial assets			
Loans and deposits		261	248
Derivatives	E3	2,600	2,766
Equities		96,351	87,628
Investment in associate		–	349
Debt securities		88,322	93,374
Collective investment schemes		82,740	78,909
Reinsurers' share of investment contract liabilities		9,265	9,672
	E1	279,539	272,946
Insurance assets			
Reinsurance contract assets	F1	5,187	4,876
Deferred tax assets	G8	146	143
Current tax	G8	523	502
Prepayments and accrued income		399	439
Other receivables	G5	3,043	2,652
Cash and cash equivalents	G6	9,453	7,168
Assets classified as held for sale	H3	3,100	4,594
Total assets		**307,857**	**299,393**

1 See note A3 for details of the prior year restatements.

Approved by the Board on 16 March 2025.

Andy Briggs
Chief Executive Officer

Nicolaos Nicandrou
Chief Financial Officer

Company registration number 11606773.

	Notes	31 December 2024 £m	31 December 2023 restated[1] £m
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	D1	100	100
Share premium		16	16
Shares held by employee benefit trust	D2	(18)	(15)
Foreign currency translation reserve		124	91
Merger relief reserve	D1	593	1,819
Other reserves	D3	23	16
Retained earnings		375	715
Total equity attributable to owners of the parent		**1,213**	**2,742**
Tier 1 Notes	D4	494	494
Non-controlling interests	D5	539	549
Total equity		**2,246**	**3,785**
Liabilities			
Pension scheme liability	G1	1,312	2,557
Reimbursement right liabilities	G1	34	79
Insurance liabilities			
Insurance contract liabilities	F1	115,791	115,727
Reinsurance contract liabilities	F1	158	147
		115,949	115,874
Financial liabilities			
Investment contracts		170,747	157,715
Borrowings	E5	3,622	3,892
Derivatives	E3	4,085	3,342
Net asset value attributable to unit holders		2,486	2,921
Obligations for repayment of collateral received		849	1,005
	E1	181,789	168,875
Provisions	G7	206	155
Deferred tax liabilities	G8	198	320
Current tax	G8	21	41
Lease liabilities	G9	64	74
Accruals and deferred income	G10	583	579
Other payables	G11	2,280	2,272
Liabilities classified as held for sale	H3	3,175	4,782
Total liabilities		**305,611**	**295,608**
Total equity and liabilities		**307,857**	**299,393**

1 See note A3 for details of the prior year restatements.

Statement of consolidated changes in equity
For the year ended 31 December 2024

	Share capital (note D1) £m	Share premium (note D1) £m	Shares held by employee benefit trust (note D2) £m	Foreign currency translation reserve £m	Merger relief reserve (note D1) £m	Other reserves (note D3) £m	Retained earnings £m	Total £m	Tier 1 Notes (note D4) £m	Non-controlling interests (note D5) £m	Total equity £m
At 31 December 2023 as reported	100	16	(15)	91	1,819	16	469	2,496	494	549	3,539
Restatements[1]	–	–	–	–	–	–	246	246	–	–	246
At 1 January 2024 (restated)	100	16	(15)	91	1,819	16	715	2,742	494	549	3,785
(Loss)/profit for the year	–	–	–	–	–	–	(1,090)	(1,090)	–	12	(1,078)
Other comprehensive income/(expense) for the year	–	–	–	33	–	7	73	113	–	–	113
Total comprehensive income/ (expense) for the year	–	–	–	33	–	7	(1,017)	(977)	–	12	(965)
Dividends paid on ordinary shares	–	–	–	–	–	–	(533)	(533)	–	–	(533)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(12)	(12)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	26	26	–	–	26
Reserve movement on exercise of share scheme awards	–	–	13	–	–	–	(13)	–	–	–	–
Shares acquired by the employee benefit trust	–	–	(16)	–	–	–	–	(16)	–	–	(16)
Decrease in non-controlling interests	–	–	–	–	–	–	–	–		(10)	(10)
Coupon paid on Tier 1 Notes	–	–	–	–	–	–	(29)	(29)	–	–	(29)
Transfer of merger relief reserve	–	–	–	–	(1,226)	–	1,226	–	–	–	–
At 31 December 2024	100	16	(18)	124	593	23	375	1,213	494	539	2,246

1 See note A3 for details of the prior year restatements.

Statement of consolidated changes in equity
For the year ended 31 December 2023

	Share capital (note D1) £m	Share premium (note D1) £m	Shares held by the employee benefit trust (note D2) £m	Foreign currency translation reserve £m	Merger relief reserve (note D1) £m	Other reserves (note D3) £m	Retained earnings[1] £m	Total £m	Tier 1 Notes £m	Non-controlling interests (note D5) £m	Total equity £m
At 31 December 2022 as reported	100	10	(13)	87	1,819	46	1,162	3,211	494	532	4,237
Restatements[1]	–	–	–	–	–	–	95	95	–	–	95
At 1 January 2023 (restated)	100	10	(13)	87	1,819	46	1,257	3,306	494	532	4,332
Profit for the year	–	–	–	–	–	–	56	56	–	28	84
Other comprehensive income/(expense) for the year	–	–	–	4	–	(30)	(66)	(92)	–	–	(92)
Total comprehensive income/ (expense) for the year	–	–	–	4	–	(30)	(10)	(36)	–	28	(8)
Issue of ordinary share capital, net of associated commissions and expenses	–	6	–	–	–	–	–	6	–	–	6
Dividends paid on ordinary shares	–	–	–	–	–	–	(520)	(520)	–	–	(520)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(11)	(11)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	22	22	–	–	22
Reserve movement on exercise of share scheme awards	–	–	12	–	–	–	(12)	–	–	–	–
Shares acquired by the employee benefit trust	–	–	(14)	–	–	–	–	(14)	–	–	(14)
Coupon paid on Tier 1 Notes, net of tax relief	–	–	–	–	–	–	(22)	(22)	–	–	(22)
At 31 December 2023 (restated)	100	16	(15)	91	1,819	16	715	2,742	494	549	3,785

1 See note A3 for further details of the prior year restatements.

Statement of consolidated cash flows
For the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Cash flows from operating activities			
Cash generated/(utilised) by operations	I2	3,549	(770)
Taxation paid		(177)	(93)
Net cash flows from operating activities		3,372	(863)
Cash flows from investing activities			
Capitalised software development costs	G2	(29)	–
Acquisition of Phoenix Life CA Holdings Limited (Formerly known as SLF of Canada UK Limited), net of cash acquired	H2	–	(20)
Net cash flows from investing activities		(29)	(20)
Cash flows from financing activities			
Proceeds from issuing ordinary shares, net of associated commission and expenses		–	6
Acquisition of non-controlling interests	D5	(10)	–
Ordinary share dividends paid	B4	(533)	(520)
Dividends paid to non-controlling interests	D5	(12)	(11)
Repayment of policyholder borrowings	E5.2	(96)	(58)
Repayment of shareholder borrowings	E5.2	(643)	(350)
Repayment of lease liabilities	G9	(11)	(14)
Proceeds from new shareholder borrowings, net of associated expenses	E5.2	390	346
Proceeds from new policyholder borrowings, net of associated expenses	E5.2	85	64
Coupon paid on Tier 1 Notes		(29)	(29)
Interest paid on policyholder borrowings		(8)	(3)
Interest paid on shareholder borrowings		(210)	(200)
Net cash flows from financing activities		(1,077)	(769)
Net increase/(decrease) in cash and cash equivalents		2,266	(1,652)
Cash and cash equivalents at the beginning of the year (before reclassification of cash and cash equivalents as held for sale)		7,220	8,872
Less: cash and cash equivalents of operations classified as held for sale	H3	(33)	(52)
Cash and cash equivalents at the end of the year		9,453	7,168

Notes to the consolidated financial statements

A. Significant accounting policies

A1. Basis of preparation

The consolidated financial statements for the year ended 31 December 2024 set out on pages 190 to 310 comprise the financial statements of Phoenix Group Holdings plc ('the Company') and its subsidiaries (together referred to as 'the Group') and were authorised by the Board of Directors for issue on 16 March 2025.

The consolidated financial statements have been prepared under the historical cost convention except for investment property, owner-occupied property and those financial assets and financial liabilities (including derivative instruments) that have been measured at fair value.

The consolidated financial statements are presented in sterling (£) rounded to the nearest million except where otherwise stated.

Assets and liabilities are offset and the net amount reported in the statement of consolidated financial position only when there is a legally enforceable right to offset the re cognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated income statement unless required or permitted by an International Financial Reporting Standard ('IFRS') or interpretation, as specifically disclosed in the accounting policies of the Group.

Statement of compliance

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards ('IASs') and the legal requirements of the Companies Act 2006.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings, including collective investment schemes, where the Group exercises overall control. In accordance with the principles set out in IFRS 10 Consolidated Financial Statements, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including relevant activities, substantive and protective rights, voting rights and purpose and design of an investee. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Further details about the consolidation of subsidiaries, including collective investment schemes, are included in note H1.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the period covered by the assessment having assessed the principal risks, forecasts, projections and other relevant evidence for a period of at least, but not limited to, 12 months from the date of approval of these consolidated financial statements, using the information available up to the date of issue of this Annual Report and Accounts. Further details of the going concern assessment are included in the Directors' Report on page 168.

A2. Adoption of new accounting pronouncements in 2024

In preparing the consolidated financial statements, the Group has adopted the following amendments to standards effective from 1 January 2024 and which have been endorsed by the UK Endorsement Board ('UKEB'):

- Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Non-current Liabilities with Covenants (Amendments to IAS 1).

None of the above amendments to standards are considered to have a material effect on these consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

A3. Restatement of prior year primary statements

Following the introduction of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments in the Group's financial statements for the year ended 31 December 2023, the Group has continued to embed its processes and controls associated with this significant change. In doing so, the Group has identified material corrections to previously reported results, resulting in the restatement of comparative information included in these consolidated financial statements. In addition, it has made an accounting policy change associated with IFRS 17. Further details on these items and their impact on the consolidated financial statements are set out below.

A third balance sheet, as at 1 January 2023, has not been provided within the statement of consolidated financial position as the restatement to the opening position has been assessed as immaterial in the context of the statement of consolidated financial position as at that date. Total assets reported of £281,040 million increased by £75 million to £281,115 million, total liabilities reported of £276,803 million reduced by £20 million to £276,783 million and total equity reported of £4,237 million increased by £95 million to £4,332 million.

The following table sets out the impact of the restatements on opening retained earnings and the results as at 31 December 2023:

Notes to the consolidated financial statements continued

A. Significant accounting policies continued
A3. Restatement of prior year primary statements continued

	As reported £m	Correction of errors: Valuation of IFRS 17 and IFRS 9 liabilities £m	Correction of errors: Deferred acquisition costs ('DAC') £m	Correction of errors: Valuation of reimbursement right £m	Change in accounting policy £m	Restated £m
Consolidated income statement:						
Insurance service expenses	(4,354)	–	–	–	19	(4,335)
Net investment income	20,840	–	–	(2)	–	20,838
Net finance expense from insurance contracts	(6,982)	(76)	–	–	–	(7,058)
Change in investment contract liabilities	(13,894)	289	–	–	–	(13,605)
Administrative expenses	(1,674)	–	12	–	–	(1,662)
Tax charge	(108)	(66)	–	1	(5)	(178)
(Loss)/profit for the year attributable to owners	(88)	147	12	(1)	14	84
Statement of comprehensive income:						
Remeasurements of net defined benefit asset/liability	(66)	–	–	(28)	–	(94)
Tax credit relating to other comprehensive income items	21	–	–	7	–	28
Total other comprehensive expense for the year	(71)	–	–	(21)	–	(92)
Statement of consolidated financial position:						
Reimbursement right assets	204	–	–	11	–	215
Other receivables	2,578	–	74	–	–	2,652
Total assets	299,308	–	74	11	–	299,393
Reimbursement right liabilities	–	–	–	79	–	79
Insurance contract liabilities	115,741	5	–	–	(19)	115,727
Investment contracts	158,004	(289)	–	–	–	157,715
Deferred tax liabilities	257	75	–	(17)	5	320
Total Liabilities	295,769	(209)	–	62	(14)	295,608
Retained earnings as at 1 January 2023	1,162	62	62	(29)	–	1,257
Retained earnings as at 31 December 2023	469	209	74	(51)	14	715
Total equity	3,539	209	74	(51)	14	3,785

- Valuation of IFRS 17 and IFRS 9 liabilities – As a result of the continued embedding of processes and controls following the implementation of IFRS 17 the Group has identified a number of corrections to previously reported IFRS 17 insurance contract liabilities, IFRS 9 investment contract liabilities and associated deferred tax. This included errors identified in the calculation of inputs to the IFRS 17 liability calculation, and an overstatement of liabilities arising from the inclusion of the liability for a group of contracts erroneously in both IFRS 17 and IFRS 9 liabilities. As at 1 January 2023 insurance contract liabilities were overstated by £71 million, deferred tax liabilities understated by £9 million, and consequently opening retained earnings were understated by £62 million.
- Deferred acquisition costs ('DAC') – On transition to IFRS 17, DAC recognised in respect of insurance contracts was derecognised. It was identified that the DAC on a portfolio of IFRS 9 contracts, which should remain, was derecognised in error and acquisition costs on new business to this portfolio were not deferred in line with the Group's accounting policy. During 2023 incurred DAC on the portfolio of IFRS9 contracts was not deferred but was expensed in error. At 1 January 2023 other receivables was understated by £62 million and consequently opening retained earnings were understated by £62 million.
- Valuation of reimbursement rights – It has been identified that the calculation of reimbursement rights used an out-of-date input resulting in an understatement of net reimbursement rights at 1 January 2023 of £38 million and an associated overstatement of deferred tax liabilities of £9 million consequently overstating opening retained earnings by £29 million.
- Tax-free cash methodology – The Group has made a change to its accounting policies such that it now treats tax-free cash payments on deferred annuities as a settlement of a non-distinct investment component (if a guaranteed annuity exists) and a premium refund where a non-distinct investment component does not exist or to the extent that the tax-free cash amount exceeds the value of the non-distinct investment component. This approach aligns with the requirements of IFRS 17 and therefore is no less relevant or reliable and simplifies internal processes. The impact is a decrease in insurance service expenses of £19 million and an increase in the tax charge of £5 million for the year ended 31 December 2023 (year ended 31 December 2024: £47 million decrease in insurance service expenses and £12 million increase in tax charge), and a corresponding decrease in the CSM within insurance contract liabilities and increase in deferred tax liabilities by the same amounts.

The impact on earnings per share of the tax-free cash methodology change in the year to 31 December 2024 is an increase in basic earnings per share and an increase in diluted earnings per share of 3.5 pence per share (year ended 31 December 2023: increase in basic earnings per share and an increase in diluted earnings per share of 1.4 pence per share). There was no impact on either basic operating earnings net of financing costs per share or diluted operating earnings net of financing costs per share in either period.

Disclosures
In addition, corrections have been made to the disclosures in respect of fair value hierarchy of corporate bonds in note E2.2, the allocation of BEL between disclosure groups in note F1, the illiquidity premiums and future costs of guaranteed annuity options in note F11.2, the sensitivities in notes E6.2 and F11.1 the analysis of the fair value of underlying items in note F9 and deferred tax assets not recognised in note G8. Further details of these corrections are set out in the relevant note.

A4. Accounting policies
The principal accounting policies have been consistently applied in these consolidated financial statements. Where an accounting policy can be directly attributed to a specific note to the consolidated financial statements, the policy is presented within that note, with a view to enabling greater understanding of the results and financial position of the Group. All other significant accounting policies are disclosed below.

A4.1 Foreign currency transactions
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in sterling, which is the Group's presentation currency.

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the period end;
- income, expenses and cash flows denominated in foreign currencies are translated at average exchange rates; and
- all resulting exchange differences are recognised through the statement of consolidated comprehensive income.

Foreign currency transactions are translated into the functional currency of the transacting Group entity using exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. Translation differences on non-monetary items at fair value through profit or loss are reported as part of the fair value gain or loss.

A4.2 Other operating income
Other operating income includes income from all other operating activities which are incidental to the principal activities of the Group.

A5. Critical accounting estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Disclosures of judgements made by management in applying the Group's accounting policies include those that have the most significant effect on the amounts that are recognised in the consolidated financial statements. Disclosures of estimates and associated assumptions include those that have a significant risk of resulting in a material change to the carrying value of assets and liabilities within the next year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements as to the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Group's business that typically require such estimates are the measurement of insurance and investment contract liabilities with discretionary participation features ('DPF'), determination of the fair value of certain financial assets and liabilities, and valuation of pension scheme assets and liabilities.

The application of critical accounting judgements that could have the most significant effect on the recognised amounts include classification of contracts to be accounted for as insurance or investment contracts and amortisation of those contracts, the determination of adjusted operating profit and determination of control with regard to underlying entities.

Details of all critical accounting estimates and judgements are included below and further consideration is also given to how climate risk affects our account judgements and estimates.

A5.1 Insurance contract and investment contract with DPF liabilities
The Group applies significant judgement and estimation when classifying and measuring insurance contracts, including determination of the inputs, assumptions and techniques it uses to determine the BEL, risk adjustment and CSM at each reporting period to measure the insurance contract and reinsurance contact liabilities/assets. The main areas where significant judgement and estimation were required are:

Contract classification
Classification of contracts as insurance (or reinsurance) is based upon an assessment of the significance of insurance risk transferred to the Group. Insurance contracts are defined by IFRS 17 as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract.

Classification of contracts as investment with DPF is based upon an assessment of whether the discretionary amount of benefits is expected to be a significant amount of the total benefits.

Measurement of insurance contract liabilities
In applying IFRS 17 requirements for the measurement of insurance contract liabilities, the following inputs and methods were used that include significant estimates:

- the present value of future cash flows is estimated using deterministic scenarios, except where stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns and where the cash flows reflect a series of interrelated options that are implicit or explicit;
- the approach and assumptions used to derive discount rates, including any illiquid premiums (see note F11.2.1);
- the approach and confidence level for estimating risk adjustments for non-financial risk (see note F11.2.2); and
- the assumptions about future cash flows relating to mortality, morbidity, policyholder behaviour, and expense inflation (see note F11.2.3).

Details of how insurance contract liabilities are accounted for are included within the accounting policies in note F1.

Notes to the consolidated financial statements continued

A. Significant accounting policies continued
A5. Critical accounting estimates and judgements continued
A5.1 Insurance contract and investment contract with DPF liabilities continued
Amortisation of the CSM

The Group applies judgements when determining the amount of CSM for a group of insurance contracts to be recognised in profit or loss as insurance revenue in each period to reflect the insurance contract services provided in that period. The amount is determined by considering for each group of contracts the quantity of benefits provided and the expected coverage period. Determining the coverage unit requires significant judgement, taking into consideration a number of areas, including:

- identification of a coverage unit that is deemed to be a suitable proxy for the service provided. This is particularly relevant for products that provide a combination of different types of insurance coverage, investment-related service and investment-return service; and
- the allowance for time value of money in the release of the coverage unit (i.e. whether or not the coverage units should be discounted).

For deferred annuities the weighting between the deferral phase and the payment phase coverage units is calculated so that the services provided in the deferral phase reflect the investment return and those in the payment phase reflect the annuity payment with the total services adjusted to provide a consistent level of service when transitioning between the deferral phase and the payment phase.

Following an assessment, the Group has determined the quantity of the benefits provided under each contract to be a suitable proxy for the service provided as follows:

Type of business/products	Coverage unit (quantity of benefits)
Term life assurance Endowment Non-participating whole-life Other protection products	Sum assured in force
Immediate annuity	Annuity payments
Deferred annuity	Fund size during deferred period and annuity payments for the payment period
Unit linked	Annual management charge and insurance charges
Conventional with-profits ('CWP') & Unitised with-profits ('UWP')	Maximum of the guaranteed benefit and asset share

In relation to the application of discount rate in determining the coverage units, the Group has elected to apply discounting as this gives a more even allocation of profit as services are provided over the life of a group of contracts. The discount rate is the locked-in rate for insurance contracts measured under the general model ('GM') and current rates for insurance contracts measured under the variable fee approach ('VFA').

A5.2 Fair value of financial assets and liabilities
A significant portion of the Group's financial assets and liabilities are measured at fair value and accounted for as set out in the accounting policies in note E1. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates.

Further details of the estimates made are included in note E2. In relation to the Level 3 financial instruments, sensitivity analysis is performed in respect of the key assumptions used in the valuation of these financial instruments. The details of this sensitivity analysis are included in note E2.4.

A5.3 Pension scheme obligations
The valuation of pension scheme obligations is determined using actuarial valuations that depend upon a number of assumptions, including discount rate, inflation and longevity. External actuarial advice is taken with regard to setting the financial assumptions to be used in the valuation. As defined benefit pension schemes are long-term in nature, such assumptions can be subject to significant uncertainty.

Further details of these estimates and the sensitivity of the defined benefit obligation to key assumptions are provided in note G1.

A5.4 Adjusted operating profit
Adjusted operating profit is the Group's non-GAAP measure of performance and provides stakeholders with a comparable measure of the underlying performance of the Group. The Group is required to make judgements as to the appropriate longer-term rates of investment return for the determination of adjusted operating profit based on yields at the start of the financial year, as detailed in note B2, and as to whether items are included within adjusted operating profit or excluded as an adjustment to adjusted operating profit in accordance with the accounting policy detailed in note B1. Items excluded from adjusted operating profit are referred to as 'non-operating items'.

A5.5 Control and consolidation
The Group has invested in a number of collective investment schemes and other types of investment where judgement is applied in determining whether the Group controls the activities of these entities. These entities are typically structured in such a way that owning the majority of the voting rights is not the conclusive factor in the determination of control in line with the requirements of IFRS 10 Consolidated Financial Statements. The control assessment therefore involves a number of further considerations such as whether the Group has a unilateral power of veto in general meetings and whether the existence of other agreements restrict the Group from being able to influence the activities. Further details of these judgements are given in note H1.

A5.6 How climate risk affects our accounting judgments and estimates
In preparation of these financial statements, the Group has considered the impact of climate change across a number of areas, predominantly in respect of the valuation of financial instruments, insurance and investment contract liabilities and goodwill and other intangible assets.

Many of the effects arising from climate change will be longer-term in nature, with an inherent level of uncertainty, and have been assessed as having a limited effect on accounting judgments and estimates for the current period.

The majority of the Group's financial assets are held at fair value and use quoted market prices or observable market inputs in their valuation. The use of quoted market prices and market inputs to determine fair value reflects current information and market sentiment regarding the effect of climate risk. For the valuation of level 3 financial instruments, there are no material unobservable inputs in relation to climate risk. Note E6 provides further risk management disclosures in relation to financial risks including sensitivities in relation to credit and market risk. In addition, further details on managing the related climate change risks are provided in the Task Force for Climate-related Financial Disclosures ('TCFD') on page 54 of the Annual Report and Accounts.

Insurance and investment contract liabilities with DPF use economic assumptions taking into account market conditions at the valuation date as well as non-economic assumptions such as future expenses, longevity and mortality, which are set based on past experience, market practice, regulations and expectations about future trends. Due to the level of annuities written by the Group, it is particularly exposed to longevity risk. While the impact of climate change on longevity assumptions has been considered, as at 31 December 2024 there are no adjustments made to the longevity assumptions to specifically allow for the impact of climate change on annuitant mortality. Further details as to how assumptions are set and of the sensitivity of the Group's results to annuitant longevity and other key insurance risks are set out in note F11.

The assessment of impairment for goodwill and intangible assets is based on value in use calculations. Value in use represents the value of future cash flows and uses the Group's three-year annual operating plan and the expectation of long-term economic growth beyond this period. The three-year annual operating plan reflects management's current expectations on competitiveness and profitability and reflects the expected impacts of the process of moving towards a low carbon economy. Note G2 provides further details on goodwill and other intangible assets and on impairment testing performed.

A6. New accounting pronouncements not yet effective
The IASB has issued the following standards or amended standards and interpretations which apply from the dates shown. The Group has decided not to early adopt any of these standards, amendments or interpretations where this is permitted.

Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates) (1 January 2025)

The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. These amendments are not expected to have any impact on the Group.

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (1 January 2026)

The IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest ('SPPI') criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income ('FVOCI').

The Group does not expect these amendments to have a material impact on its operations or consolidated financial statements.

Annual Improvements to IFRS Accounting Standards — Volume 11 (1 January 2026)

As part of the IASB's Annual Improvements process it has issued minor amendments to address potential areas of confusion within the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards – hedge accounting by a first-time adopter); IFRS 7 Financial Instruments: Disclosures – gain or loss on derecognition and clarifications within implementation guidance; IFRS 9 Financial Instruments – lessee derecognition of lease liabilities and transaction price; IFRS 10 Consolidated Financial Statements – determination of a 'de facto agent'; and IAS 7 Statement of Cash Flows – cost method.

The Group does not expect these amendments to have a material impact on its operations or consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements (1 January 2027)

The new standard will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, particularly those related to the statement of financial performance and the identification and disclosure of management-defined performance measures within the financial statements. Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of IFRS 18 will have no impact on the Group's net profit, the Group expects that grouping items of income and expenses in the consolidated income statement into the new categories will impact how operating profit is calculated and reported. For example, the Group is likely to specify investing activities as a main business activity which will result in income and expenses from investing activities being grouped within the operating category of the consolidated income statement, rather than in the investing category. Furthermore, the line items in the primary financial statements might change to achieve the objective of a 'useful structured summary' as defined in IFRS 18, and the Group may choose to include additional sub-totals, where permitted, in order to provide more understandable information.
- The Group's Alternative Performance Measure ('APM') of adjusted operating profit is considered to meet the definition in IFRS 18 of a management -defined performance measure and whilst the Group currently provides substantial information about adjusted operating profit, including a reconciliation to the most directly comparable total in the consolidated income statement, IFRS 18 contains more prescriptive disclosure requirements.
- There will be two new defined sub-totals in the consolidated income statement; operating profit and profit before financing and income taxes.
- The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the enhanced aggregation/disaggregation principles, particularly for items currently labelled as 'other'. For the first annual period of application of IFRS 18, a reconciliation for each line item in the consolidated income statement between the restated amounts presented by applying IFRS 18 and the amounts previously presented applying IAS 1.
- From a cash flow statement perspective, the Group is required to use the operating profit sub-total as a starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

Notes to the consolidated financial statements continued

A. Significant accounting policies continued
A6. New accounting pronouncements not yet effective continued
The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18, including a reconciliation for each line item in the consolidated income statement between the restated amounts applying IFRS 18 and the amounts previously presented applying IAS 1.

During 2025 the Group will carry out a detailed impact assessment to identify the actions required and set milestones for implementation activities.

IFRS 19 Subsidiaries without Public Accountability (1 January 2027)
IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements. The Group does not expect this standard to have an impact on its operations or consolidated financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (Effective date deferred)
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. These amendments are not expected to have any impact on the Group.

The following amendments to standards listed above have been endorsed for use in the UK by the UK Endorsement Board:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates); and
- Annual Improvements to IFRS Accounting Standards — Volume 11.

B. Earnings performance
B1. Segmental analysis
The Group defines and presents operating segments in accordance with IFRS 8 *Operating Segments* which requires such segments to be based on the information which is provided to the Board, and therefore segmental information in this note is presented on a different basis from profit or loss in the consolidated financial statements.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group. For management purposes the Group is organised into value centres and has five operating segments comprising Retirement Solutions, Pensions & Savings, With-Profits, SunLife & Protection, and Europe & Other. For reporting purposes, operating segments are aggregated where they share similar economic characteristics including the nature of products and services, types of customers and the nature of the regulatory environment. The SunLife & Protection operating segment has been aggregated with the Europe operating segment into the Europe & Other reportable segment.

The Retirement Solutions segment includes new and in-force individual annuity and Bulk Purchase Annuity contracts written within shareholder funds, with the exception of individual annuity contracts written as a result of Guaranteed Annuity Options on with-profit contracts. Such contracts remain in the With-Profits segment following the transition to IFRS 17, as they fall within the contract boundary of the original savings or pension contract. The Retirement Solutions segment also includes UK individual annuity business written within the Standard Life Heritage With-Profits Fund as the profits are primarily attributable to the shareholder through the Recourse Cash Flow mechanism established on demutualisation.

The Pensions & Savings segment includes new and in-force life insurance and investment unit-linked policies in respect of pensions and savings products that the Group continues to actively market to new and existing policyholders. This includes products such as workplace pensions and Self-Invested Personal Pension ('SIPPs') distributed through the Group's strategic partnership with Aberdeen Group plc (formerly abrdn plc) now trading as Aberdeen. In addition, it includes in-force insurance and investment unit-linked products from legacy businesses which no longer actively sell products to policyholders and which therefore run-off gradually over time. The Pensions & Savings segment also includes UK unitised business written in the Standard Life Heritage With-Profits funds, as profits are primarily attributable to the shareholder through the Recourse Cash Flow mechanism.

The With-Profits segment includes all policies written by the Group's with-profits funds, with the exception of Standard Life Heritage With-Profits Fund contracts reflected in other segments as noted above for Retirement Solutions and Pensions & Savings where profits are primarily attributable to the shareholder through the Recourse Cash Flow mechanism.

The Europe & Other segment includes business written in Ireland and Germany. This includes products that are actively being marketed to new policyholders and legacy in-force products that are no longer being sold to new customers. The segment also includes protection products and products sold under the SunLife brand.

The Corporate Centre segment, which is not a reportable segment, principally comprises central head office costs that are not directly attributable to the Group's insurance or investment contracts. Management services costs are allocated to the four reportable segments.

Inter-segment transactions are set on an arm's length basis in a manner similar to transactions with third parties. Segmental results include those transfers between business segments which are then eliminated on consolidation.

Segmental measure of performance: Adjusted operating profit
The Group uses a non-GAAP measure of performance, being adjusted operating profit, to evaluate segmental performance. Adjusted operating profit is considered to provide a comparable measure of the underlying performance of the business as it excludes the impact of short-term economic volatility, one-off items and certain other items.

The following sets out the adjusted operating profit methodology:

For unit-linked business accounted for under IFRS 9, adjusted operating profit includes the fees collected from customers less operating expenses including overheads.

For unit-linked and with-profits business accounted for under IFRS 17, adjusted operating profit includes the release of the risk adjustment, amortisation of CSM, and demographic experience variances in the period.

For shareholder annuity, other non-profit business and with-profits funds receiving shareholder support accounted for under IFRS 17, adjusted operating profit includes the release of the risk adjustment, amortisation of CSM, and demographic experience variances in the period. Adjusted operating profit also incorporates an expected return on the financial investments backing this business and any surplus assets, with allowance for the corresponding movement in liabilities.

Adjusted operating profit excludes the above items for non-profit business written in a with-profits fund where these amounts do not accrue directly to the shareholder.

Adjusted operating profit includes the effect of experience variances relating to the current period for non-economic items, such as mortality and expenses. It also incorporates the impacts of asset trading and portfolio rebalancing where not reflected in the discount rate used in calculating expected return.

Adjusted operating profit is reported net of policyholder finance charges and policyholder tax.

Adjusted operating profit excludes the impacts of the following items:

Economic variances
- the difference between actual and expected experience for economic items recognised in the consolidated income statement, impacts of economic assumptions on the valuation of liabilities measured under the General Model and the change in value of loss components on Variable Fee Approach business resulting from market movements on underlying items;
- economic volatility arising from the Group's hedging strategy which is calibrated to protect the Solvency II capital position and cash generation capability of the operating companies;
- the accounting mismatch resulting from the application of IFRS 17 between the measurement of non-profit business in a with-profits fund (noted above) and the change in fair value of this business included within the measurement of the with-profits contracts under the Variable Fee Approach;
- the accounting mismatch resulting from buy-in contracts between the Group's pension schemes and Phoenix Life Limited, the Group's main insurance subsidiary. The mismatch represents the difference between the unwind of the IAS 19 discount rate calculated with reference to a AA-rated corporate bond and the expected investment returns on the backing assets; and
- the effect of the mismatch between changes in estimates of future cash flows on General Model contracts measured at current discount rates and the corresponding adjustment to the CSM measured at the discount rate locked-in at inception.

Other
- amortisation and impairment of AVIF and brand intangible assets (net of policyholder tax);
- finance costs attributable to owners;
- gains or losses on the acquisition or disposal of subsidiaries (net of related costs);
- the financial impacts of mandatory regulatory change;
- the profit or loss attributable to non-controlling interests;
- integration, restructuring or other significant one-off projects impacting the income statement; and
- any other items which, in the Director's view, should be disclosed separately by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. This is typically the case where the nature of the item is not reflective of the underlying performance of the operating companies.

The items excluded from adjusted operating profit are referred to as 'non-operating items'. Whilst the excluded items are important to an assessment of the consolidated financial performance of the Group, management considers that the presentation of adjusted operating profit provides a good indicator of the underlying performance of the Group's operating segments and the Group uses this, as part of a suite of measures, for decision-making and monitoring performance. The Group's adjusted operating profit should be read in conjunction with the IFRS profit before tax.

B1.1 Segmental result

	Notes	2024 £m	2023 restated[1] £m
Adjusted operating profit			
Retirement Solutions		474	378
Pensions & Savings		316	190
With-Profits		41	10
Europe & Other		96	144
Corporate Centre		(102)	(93)
Total segmental adjusted operating profit		825	629
Economic variances	B2.2	(1,297)	377
Amortisation and impairment of acquired in-force business		(264)	(316)
Amortisation of brand intangibles	G2	(6)	(6)
Other non-operating items		(520)	(439)
Finance costs on borrowing attributable to owners		(204)	(195)
(Loss)/profit before the tax attributable to owners of the parent		(1,466)	50
Profit before tax attributable to non-controlling interests		12	28
(Loss)/profit before the tax attributable to owners		(1,454)	78

1 See note A3 for further details of the prior year restatements.

Notes to the consolidated financial statements continued

B. Earnings performance continued
B1. Segmental analysis continued
B1.1 Segmental result continued
Other non-operating items in respect of the year ended 31 December 2024 include:

- £208 million loss reflecting the net loss from the derecognition of the IAS 19 defined benefit obligation and reimbursement rights and the recognition of an insurance contract and associated reinsurance contracts following the completion of the PGL Pension Scheme buy-out transaction. A gain of £108 million arose on the remeasurement of the BEL and risk adjustment using the discount rate implicit in the buy-out transfer amount at initial recognition and the Group's discount rate applied for the subsequent measurement of annuity insurance and reinsurance contracts immediately after initial recognition. The resulting net loss of £106 million also includes pension scheme wind up costs of £6 million incurred in the period to date. Note G1 provides more detail on the derecognition of the IAS 19 balances;
- £134 million of costs associated with the delivery of the Group Target Operating Model for IT and Operations, including the migration of policyholder administration onto the Tata Consultancy Services ('TCS') platform. Under IFRS 17, the expected costs in respect of this activity that are directly attributable to insurance contracts have been included within insurance contract liabilities;
- costs of £93 million associated with finance transformation activities, including the migration to cloud-based systems and enhancements to actuarial modelling and reporting capabilities and the related control environment;
- £80 million of costs associated with strategic growth initiatives, including development of the Group's Internal Model, investment in digital and direct asset sourcing capabilities, and transformation of the Group's operating model to support efficient growth;
- £43 million of costs associated with delivery of the Group's 3-year cost saving programme;
- £22 million of costs associated with ongoing integration programmes;
- Corporate project costs and net other one-off items totalling a cost of £42 million.

Other non-operating items in respect of the year ended 31 December 2023 include:

- a gain on acquisition of £66 million reflecting the excess of the fair value of the net assets acquired over the consideration paid for the acquisition of Phoenix Life CA Holdings Limited (Formerly known as SLF of Canada UK Limited) (see note H2 for further details);
- £169 million of costs associated with strategic growth initiatives, including investment in digital and direct asset sourcing capabilities, establishment of the Group's Bermudan reinsurance operations and transformation of the Group's operating model to support efficient growth;
- £79 million of costs associated with the delivery of the Group Target Operating Model for IT and Operations, including the migration of policyholder administration onto the Tata Consultancy Services ('TCS') platform. Under IFRS 17, the expected costs in respect of this activity that are directly attributable to insurance contracts have been included within insurance contract liabilities;
- costs of £65 million associated with the implementation of IFRS 17;
- costs of £52 million associated with finance transformation activities, including the migration to cloud-based systems and enhancements to actuarial modelling capabilities and the related control environment;
- costs of £49 million associated with the consolidation by Part VII transfer of four of the Group's Life Companies into a single entity, completed in the second half of 2023;
- a £36 million adverse impact from the strengthening of actuarial reserves associated with the Part VII transfer of certain European business from the Group's UK Life Companies to a newly established European subsidiary;
- £32 million of costs associated with ongoing integration programmes;
- £12 million of past service costs in relation to a Group pension scheme (see note G1 for further details); and
- Corporate project costs and net other one-off items totalling a cost of £11 million.

Further details of the investment return variances and economic assumption changes on long-term business, and the variance on owners' funds are included in note B2.

B1.2 Segmental revenue

2024	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Revenue from external customers:					
Insurance revenue	3,918	274	378	569	5,139
Fees and commissions	–	886	51	90	1,027
Total segmental revenue	3,918	1,160	429	659	6,166

2023	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Revenue from external customers:					
Insurance revenue	3,751	272	267	571	4,861
Fees and commissions	–	828	52	87	967
Total segmental revenue	3,751	1,100	319	658	5,828

Of the revenue from external customers presented in the table above, £5,895 million (2023: £5,583 million) is attributable to customers in the United Kingdom ('UK') and £271 million (2023: £245 million) to the rest of the world. No revenue transaction with a single customer external to the Group amounts to greater than 10% of the Group's revenue.

The Group has total non-current assets (other than financial assets, deferred tax assets, pension schemes and rights arising under insurance contracts) of £4,325 million (2023: £3,622 million) located in the UK and £274 million (2023: £299 million) located in the rest of the world.

B2. Investment return variances and economic assumption changes

The long-term nature of much of the Group's operations means that, for internal performance management, the effects of short-term economic volatility are treated as non-operating items. The Group focuses instead on an adjusted operating profit measure that incorporates an expected return on investments supporting its long-term business. The accounting policy adopted in the calculation of adjusted operating profit is detailed in note B1. The methodology for the determination of the expected investment return is explained below together with an analysis of investment return variances and economic assumption changes recognised outside of adjusted operating profit.

B2.1 Calculation of the long-term investment return
Adjusted operating profit for life assurance business is based on expected investment returns on financial investments backing shareholder, annuity, other non-profit business, with-profits funds receiving shareholder support and surplus assets, with allowance for the corresponding movements in liabilities.

The methodology to determine the expected investment returns on financial investments uses the 1-year risk-free rate for deriving the expected investment return assumption on assets backing the insurance contract liabilities to reduce unintended economic volatility as set out in note B1.

The long-term risk-free rate used as the basis for deriving the long-term investment return is consistent with that set out in note F11.2.1 at the 1-year duration for assets backing the insurance contract liabilities and surplus cash assets, and at the 15-year duration for surplus non-cash assets.

A risk premium of 400 bps is added to the risk-free yield for equities (2023: 380 bps), 50 bps for properties (2023: 50 bps) and 170 bps for debt securities (2023: 130 bps).

The principal assumptions underlying the calculation of the long-term investment return for surplus assets are:

	2024 %	2023 %
Equities	7.4	7.4
Properties	3.9	4.1
Debt securities	5.1	4.9

B2.2 Life assurance business
The economic variances excluded from the long-term business operating profit are as follows:

	2024 £m	2023 restated[1] £m
Economic variances	(1,297)	377

1 See note A3 for further details of the prior year restatements.

The net adverse economic variances of £1,297 million (2023: £377 million favourable (restated)) have primarily arisen as a result of higher yields and a rise in global equity markets. Movements in yields and equity markets are hedged to protect our Solvency II surplus from volatility, but our IFRS balance sheet is, in effect, 'over-hedged' as it does not recognise the additional Solvency II balance sheet items such as future profits on investment contracts measured under IFRS 9 and the Solvency Capital Requirements.

B3. Earnings per share

The Group calculates its basic earnings per share based on the present shares in issue using the earnings attributable to ordinary equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share are calculated based on the potential future shares in issue assuming the conversion of all potentially dilutive ordinary shares. The weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive share awards granted to employees.

The basic and diluted earnings per share calculations are also presented based on the Group's adjusted operating earnings net of financing costs. Adjusted operating profit is a non-GAAP performance measure that is considered to provide a comparable measure of the underlying performance of the business as it excludes the impact of short-term economic volatility, one-off items and certain other items.

The result attributable to ordinary equity holders of the parent for the purposes of determining earnings per share has been calculated as set out below.

2024	Adjusted operating profit £m	Financing costs £m	Adjusted operating earnings net of financing costs £m	Other non-operating items £m	Total £m
Profit/(loss) before the tax attributable to owners	825	(204)	621	(2,075)	(1,454)
Tax (charge)/credit attributable to owners	(188)	51	(137)	513	376
Profit/(loss) for the year attributable to owners	637	(153)	484	(1,562)	(1,078)
Coupon paid on Tier 1 notes	–	(29)	(29)	–	(29)
Deduct: Share of result attributable to non-controlling interests	–	–	–	(12)	(12)
Profit/(loss) for the year attributable to ordinary equity holders of the parent	637	(182)	455	(1,574)	(1,119)

Notes to the consolidated financial statements continued

B. Earnings performance continued
B3. Earnings per share continued

2023 (restated)[1]	Adjusted operating profit £m	Financing costs £m	Adjusted operating earnings net of financing costs £m	Other non-operating items £m	Total £m
Profit/(loss) before the tax attributable to owners	629	(195)	434	(356)	78
Tax (charge)/credit attributable to owners	(134)	46	(88)	94	6
Profit/(loss) for the year attributable to owners	495	(149)	346	(262)	84
Coupon paid on Tier 1 notes, net of tax relief	–	(22)	(22)	–	(22)
Deduct: Share of result attributable to non-controlling interests	–	–	–	(28)	(28)
Profit/(loss) for the year attributable to ordinary equity holders of the parent	495	(171)	324	(290)	34

1 See note A3 for further details of the prior year restatements.

The weighted average number of ordinary shares outstanding during the period is calculated as follows:

	2024 Number million	2023 Number million
Issued ordinary shares at beginning of the year	1,002	1,000
Effect of ordinary shares issued	–	1
Effect of non-contingently issuable shares in respect of Group's long-term incentive plan	1	2
Own shares held by the employee benefit trust	(2)	(2)
Weighted average number of ordinary shares	1,001	1,001

The diluted weighted average number of ordinary shares outstanding during the period is 1,005 million (2023: 1,003 million). The Group's Long Term Incentive Plan, Deferred Bonus Share Scheme and ShareSave schemes increased the weighted average number of shares on a diluted basis by 4,318,665 shares for the year ended 31 December 2024 (2023: 2,259,377 shares). As losses have an anti-dilutive effect, none of the share-based awards had a dilutive effect in the calculation of basic earnings per share for the year ended 31 December 2024.

Earnings per share disclosures are as follows:

	2024 pence	2023 restated pence
Basic earnings per share	(111.8)	3.3
Diluted earnings per share	(111.8)	3.3
Basic adjusted operating earnings net of financing costs per share	45.4	32.4
Diluted adjusted operating earnings net of financing costs per share	45.3	32.3

B4. Dividends on ordinary shares

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's owners. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period. Declared dividends are those that are appropriately authorised and are no longer at the discretion of the entity.

	2024 £m	2023 £m
Dividends declared and paid in the year	533	520

On 21 March 2024, the Board recommended a final dividend of 26.65p per share in respect of the year ended 31 December 2023. The dividend was approved at the Group's Annual General Meeting, which was held on 14 May 2024. The dividend amounted to £267 million and was paid on 22 May 2024.

On 11 September 2024, the Board declared an interim dividend of 26.65p per share for the half year ended 30 June 2024. The dividend amounted to £266 million and was paid on 31 October 2024.

C. Other Income Statement notes
C1. Insurance revenue

The Group's insurance revenue reflects the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e. the amount of premiums paid to the Group adjusted for financing effect (the time value of money) and excluding any investment components). The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- the release of the CSM;
- changes in the risk adjustment for non-financial risk relating to current services;
- claims and other insurance service expenses incurred in the period, generally measured at the amounts expected at the beginning of the period;
- insurance acquisition cash flows recovery which is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts; and
- other amounts, including any other pre-recognition cash flow assets derecognised at the date of initial recognition.

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year.

The number of coverage units in a group is the quantity of service provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided under a contract and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

The Group consider the following when determining coverage units:

- the quantity of benefits provided by contracts in the group;
- the expected coverage period of contracts in the group;
- the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group;
- for insurance contracts without direct participation features, the generation of an investment return for the policyholder, if applicable (investment-return service); and
- for insurance contracts with direct participation features, the management of underlying items on behalf of the policyholder (investment-related service).

The coverage units for groups of reinsurance contracts held are determined based on the quantity of coverage provided by the reinsurance contracts held in the group but not the coverage provided by the insurer to its policyholders through the underlying insurance contracts. However, where the reinsurance held is a 100% quota share arrangement, it is expected that the coverage units would be consistent with the underlying insurance contracts. Where there is a change to the fulfilment cash flows of the group of underlying policies that does not adjust the CSM, it also would not adjust the CSM of the group of reinsurance contracts.

2024	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Amounts relating to changes in liabilities for remaining coverage:					
CSM recognised in period for services provided	278	36	74	56	444
Change in risk adjustment for non-financial risk	71	11	6	15	103
Expected incurred claims and other insurance service expenses	3,568	194	262	487	4,511
Policyholder tax charges	–	33	36	–	69
Amounts relating to recovery of insurance acquisition cash flows	1	–	–	11	12
Insurance revenue	3,918	274	378	569	5,139
Comprising contracts measured using:					
Fair value approach at transition	1,846	271	358	427	2,902
Fully retrospective approach at transition and new contracts	2,072	3	20	142	2,237

2023	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Amounts relating to changes in liabilities for remaining coverage:					
CSM recognised in period for services provided	260	25	77	47	409
Change in risk adjustment for non-financial risk	39	8	4	12	63
Expected incurred claims and other insurance service expenses	3,450	233	169	497	4,349
Policyholder tax charges	1	6	17	1	25
Amounts relating to recovery of insurance acquisition cash flows	1	–	–	14	15
Insurance revenue	3,751	272	267	571	4,861
Comprising contracts measured using:					
Fair value approach at transition	1,887	262	257	420	2,826
Fully retrospective approach at transition and new contracts	1,864	10	10	151	2,035

Notes to the consolidated financial statements continued

C. Other Income Statement notes continued
C2. Fees and commissions

Fees related to the provision of investment management services and administration services are recognised as services are provided. Front end fees, which are charged at the inception of service contracts, are deferred as a liability and recognised over the life of the contract. No significant judgements are required in determining the timing or amount of fee income or the costs incurred to obtain or fulfil a contract.

Fee income from investment contracts without DPF does not include amounts related to policyholder tax. Policyholder tax is collected through adjustments to unit prices and is therefore reflected in change in investment contract liabilities.

The table below disaggregates fees and commissions by segment.

2024	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Fee income from investment contracts without DPF	–	877	51	63	991
Initial fees deferred during the year	–	–	–	(8)	(8)
Revenue from investment contracts without DPF	–	877	51	55	983
Other revenue from contracts with customers	–	9	–	35	44
Fees and commissions	–	886	51	90	1,027

2023	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Fee income from investment contracts without DPF	–	814	52	60	926
Initial fees deferred during the year	–	–	–	(9)	(9)
Revenue from investment contracts without DPF	–	814	52	51	917
Other revenue from contracts with customers	–	14	–	36	50
Fees and commissions	–	828	52	87	967

Remaining performance obligations

The practical expedient under IFRS 15 Revenue from Contracts with Customers has been applied and remaining performance obligations are not disclosed as the Group has the right to consideration from customers in amounts that correspond with the performance completed to date. Specifically management charges become due over time in proportion to the Group's provision of investment management services.

In the period, no amortisation or impairment losses from contracts with customers were recognised in the statement of comprehensive income.

C3. Net investment income

Net investment income comprises interest, dividends, rents receivable, net interest income/(expense) on the Group defined benefit pension scheme asset/(liability), fair value gains and losses on financial assets (except for reinsurers' share of investment contract liabilities without DPF, see note E1), financial liabilities and investment property at fair value and impairment losses on loans and receivables.

Interest income is recognised in the consolidated income statement as it accrues using the effective interest method.

Dividend income is recognised in the consolidated income statement on the date the right to receive payment is established, which in the case of listed securities is the ex-dividend date.

Rental income from investment property is recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Fair value gains and losses on financial assets and financial liabilities designated at fair value through profit or loss are recognised in the consolidated income statement. Fair value gains and losses includes both realised and unrealised gains and losses.

	2024 £m	2023 restated[1] £m
Investment income		
Interest income on financial assets at amortised cost	31	37
Interest income on financial assets at FVTPL	4,363	3,901
Dividend income	6,403	5,923
Rental income	329	324
Net interest expense on Group defined benefit pension scheme liability/asset (restated)[1]	(56)	(111)
	11,070	10,074
Fair value gains/(losses)		
Financial assets and financial liabilities at FVTPL	7,882	11,126
Investment property	(100)	(362)
	7,782	10,764
Net investment income	18,852	20,838

1 See note A3 for further details of the prior year restatements.

C4. Net finance expense from insurance contracts

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items. The Group presents insurance finance income or expenses in profit or loss.

2024	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Insurance contracts issued					
Changes in fair value of underlying items of direct participating contracts	–	(773)	(265)	(682)	(1,720)
Group's share of changes in fair value of underlying items or fulfilment cash flows that do not adjust the CSM	–	14	–	–	14
Unwind of discount on fulfilment cash flows	(2,359)	(964)	(1,342)	(890)	(5,555)
Interest accreted on the CSM	(102)	–	(10)	(5)	(117)
Effect of changes in interest rates and other financial assumptions	2,997	1	495	229	3,722
Insurance finance income/(expense)	536	(1,722)	(1,122)	(1,348)	(3,656)
Reinsurance contracts held					
Unwind of discount on fulfilment cash flows	296	–	50	19	365
Interest accreted on the CSM	45	–	3	1	49
Effect of changes in interest rates and other financial assumptions	(336)	–	(71)	(116)	(523)
Reinsurance finance income/(expense)	5	–	(18)	(96)	(109)
Net insurance finance income/(expense)	541	(1,722)	(1,140)	(1,444)	(3,765)

2023	Retirement Solutions restated[1] £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total restated[1] £m
Insurance contracts issued					
Changes in fair value of underlying items of direct participating contracts	–	(581)	(629)	(376)	(1,586)
Group's share of changes in fair value of underlying items or fulfilment cash flows that do not adjust the CSM	–	10	–	–	10
Unwind of discount on fulfilment cash flows	(1,930)	(902)	(1,320)	(1,040)	(5,192)
Interest accreted on the CSM	(62)	–	(10)	(5)	(77)
Effect of changes in interest rates and other financial assumptions (restated)[1]	(45)	(117)	45	(96)	(213)
Insurance finance expense	(2,037)	(1,590)	(1,914)	(1,517)	(7,058)
Reinsurance contracts held					
Unwind of discount on fulfilment cash flows	272	–	47	6	325
Interest accreted on the CSM	23	–	3	–	26
Effect of changes in interest rates and other financial assumptions	(173)	–	(5)	6	(172)
Reinsurance finance income	122	–	45	12	179
Net insurance finance expense	(1,915)	(1,590)	(1,869)	(1,505)	(6,879)

1 See note A3 for further details of the prior year restatements.

There is a close relationship between the net investment income in note C3, as it relates to assets backing contracts within the scope of IFRS 17, and net insurance finance (expense)/income. Net investment income includes the results for all investment assets including those backing investment contracts and surplus assets.

For Retirement Solutions the principal product is annuities. The insurance finance (expense)/income primarily reflects the unwind of the discount rate on the liabilities. This is largely offset by the interest income earned, included within net investment income, on the assets backing the annuity contracts which primarily consist of debt securities and equity release mortgages. Changes in the discount rates used to discount the annuity cash flows in the measurement of the insurance contract liabilities are largely offset by changes in the fair value of the backing assets, included in net investment income, in respect of the best estimate liability ('BEL') and risk adjustment.

Notes to the consolidated financial statements continued

C. Other Income Statement notes continued

C4. Net finance expense from insurance contracts continued

Mismatches between net investment income and insurance finance expense arises for the following reasons:

- the annuity business within the Retirement Solutions segment uses the General Model for measurement. As a result, the contractual service margin ('CSM') is measured using discount rates locked in at inception, whereas the assets backing the CSM are based on current economic assumptions;
- the discount rate for annuity business uses a reference portfolio constructed in line with the Group's investment strategy as set out in Note F11.2.1, and therefore insurance finance expenses are impacted by changes to the asset mix within this reference portfolio. Net investment income is determined with reference to the actual assets held by the Group during the reporting period;
- changes in non-economic assumptions for General Model business impacts BEL and risk adjustment using current discount rates and CSM using locked in discount rates. This gives rise to a mismatch for which there is no corresponding item within net investment income;

For Pensions & Savings the principal products are unit-linked and hybrid contracts, which contain an element of unit-linked and unitised with-profits within a single contract. These contracts are measured primarily using the variable fee approach ('VFA') as the amounts payable to policyholders reflect a substantial share of the fair value returns on the backing assets. As a result, the change in fair value of underlying items within insurance finance (expense)/income will be closely matched by changes in the value of backing assets which are also measured at fair value.

The unwind of discount rate on cash flows within insurance finance (expenses)/income is offset by the investment income recognised in respect of backing assets. The discount rate used for BEL and risk adjustment is determined on a bottom-up basis, as set out in note F11.2.1, based on the liquidity characteristics of the liabilities rather than with reference to the backing assets and therefore a mismatch occurs.

For With-Profits business there are differing impacts dependent on the nature of the liabilities within the fund. For with-profits business without guarantees, the relationship between net investment income and insurance finance (expense)/income will be consistent with that for the business within Pensions & Savings. In respect of guarantees, the value of these is typically influenced by changes in interest rates. The Group hedges its interest rate risk in respect of these guarantees with derivatives such that the effect of changes in interest rates on guarantees within insurance finance (expense)/income are largely offset by changes in the fair value of the derivatives used for hedging in net investment income.

For non-profit business in a with-profits fund where profits from these contracts accrue to the with-profits policyholders or to the with-profits fund estate, the non-profit contracts and their backing assets are considered to be an underlying item of the with-profits contracts and therefore changes in their fair value are included within insurance finance (expense)/income.

The non-profit contracts will be measured based on their substance. For non-profit annuities which fall within the scope of IFRS 17 they are measured using the IFRS 17 General Model and the treatment of the non-profit contract is consistent with the non-profit annuities within the Retirement Solutions segment. The effect of these non-profit annuities on the income statement, does not match the change in fair value measurement used to measure their effect on the with-profits policyholders and therefore a mismatch arises. For unit-linked business which falls within the scope of IFRS 9 the liabilities are measured in line with the Group's accounting policy for investment contracts with movements being taken through 'change in investment contract liabilities'. Movements in the related assets which are reflected in net investment income largely match the movements in the liabilities. The assets backing the non-profit business in the with-profits fund are typically measured at fair value with investment income and changes in fair value being included within net investment income.

The Europe & Other segment contains business consistent with that in the segments noted above and will mirror the relationships between net investment income and insurance finance (expense)/income as noted above for the relevant type of business. In addition, this segment contains protection business which uses a bottom-up discount rate based on the liability characteristics rather than being based on the backing assets, which leads to mismatches between net investment income and insurance finance (expenses)/income.

C5. Expenses

Insurance service expenses
Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items:

- adjustment to liabilities for incurred claims and benefits, excluding investment components reduced by loss component allocations;
- other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;
- insurance acquisition cash flows amortisation;
- insurance acquisition cash flows assets impairment; and
- reversal of impairment of assets for insurance acquisition cash flows.

Net income or expense from reinsurance contracts held
Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relates to services for which the Group expects to pay consideration.

Administrative expenses
Administrative expenses are recognised in the consolidated income statement as incurred.

Total expenses are analysed by expenses type as follows:

	2024 £m	2023 restated[1] £m
Claims and benefits net of reinsurance contracts (restated)[1,3]	1,458	1,423
Reversal of losses on onerous insurance contracts	(30)	(22)
Cost of retroactive cover on reinsurance contracts held	5	3
Employee costs	750	664
Outsourcer expenses	368	308
Professional fees	285	376
Temporary staff costs	143	167
Audit fees	26	28
Commission expenses	161	155
Office and IT costs	280	260
Investment management expenses and transaction costs	388	413
Direct costs of collective investment schemes	25	20
Depreciation	21	21
Pension past service costs	–	13
Pension administrative expenses	17	7
Advertising and sponsorship	58	66
Loss on completion of buy-out of PGL Pension Scheme liabilities (see note B1.1)	208	–
Regulatory fees	18	17
Other	65	60
	4,246	3,979
Acquisition costs deferred during the year (restated)[1]	(29)	(21)
Amortisation of deferred acquisition costs (restated)[1]	9	9
Amounts attributed to insurance acquisition cash flows incurred during the year	(179)	(154)
Amortisation of insurance acquisition cash flows	12	15
Total expenses	**4,059**	3,828
Reported within:		
Insurance service expenses (restated)[1]	4,493	4,335
Net expenses from reinsurance contracts[2]	(2,259)	(2,169)
Administrative expenses	1,825	1,662
Total expenses	**4,059**	3,828

1 See note A3 for further details of the prior year restatements.
2 Reported as part of the 'Net expenses from reinsurance contracts' balance in the consolidated income statement.
3 Claims and benefits is presented net of reinsurance recovery but stated gross in the consolidated income statement.

Employee costs comprise:

	2024 £m	2023 £m
Wages and salaries	677	603
Social security contributions	73	61
	750	664

	2024 Number	2023 Number
Average number of persons employed	7,505	7,512

C6. Auditor's remuneration

During the year the Group obtained the following services from its auditor at costs as detailed in the table below. In 2024, total fees payable are in relation to those payable to KPMG with the comparative period information relating to fees payable to EY.

	2024 £m	2023 £m
Audit of the consolidated financial statements	7.5	12.7
Audit of the Company's subsidiaries	14.9	12.9
	22.4	25.6
Audit-related assurance services	3.0	2.8
Other assurance services	0.2	–
Total fee for assurance services	**25.6**	28.4
Total auditor's remuneration	**25.6**	28.4

EY resigned as auditor and KPMG appointed effective from 14 May 2024.

Notes to the consolidated financial statements continued

C. Other Income Statement notes continued

C6. Auditor's remuneration continued

No services were provided by the Company's auditors to the Group's pension schemes in either 2024 or 2023.

The decrease in the audit fee during 2024 principally reflects the reduction in work undertaken in connection with the transition to IFRS 17 which was complete in 2023.

Audit-related assurance services includes fees payable for services where the reporting is required by law or regulation to be provided by the auditor, such as reporting on regulatory returns. It also includes fees payable in respect of reviews of interim financial information and services where the work is integrated with the audit itself.

Non-audit services during the year of £0.2 million (2023: £nil) were in respect to ESG assurance services over key metrics reported in the Company's annual report and sustainability report for the year ended 31 December 2024.

Further information on auditor's remuneration and the assessment of the independence of the external auditor is set out in the Audit Committee report on pages 92 to 99.

C7. Finance costs

Interest payable is recognised in the consolidated income statement as it accrues and is calculated using the effective interest method.

	2024 £m	2023 £m
Interest expense		
On financial liabilities at amortised cost	288	256
On leases	2	2
	290	258
Attributable to:		
– policyholders	68	8
– owners	222	250
	290	258

C8. Tax charge

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in the statement of consolidated comprehensive income or the statement of consolidated changes in equity, in which case it is recognised in these statements.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the statement of consolidated financial position together with adjustments to tax payable in respect of previous years.

The tax charge is analysed between tax that is payable in respect of policyholders' returns and tax that is payable on owners' returns.

C8.1 Current year tax charge

	2024 £m	2023 restated[1] £m
Current tax:		
UK corporation tax	42	28
Overseas tax	92	110
	134	138
Adjustment in respect of prior years	(6)	(16)
Total current tax charge	**128**	122
Deferred tax:		
Origination and reversal of temporary differences	(154)	58
Change in the rate of UK corporation tax	1	(9)
Write (up)/down of deferred tax assets	(4)	7
Total deferred tax (credit)/charge	**(157)**	56
Total tax (credit)/charge	**(29)**	178
Attributable to:		
– policyholders	347	184
– owners	(376)	(6)
Total tax (credit)/charge	**(29)**	178

1 See note A3 for further details of the prior year restatements.

The Group, as a proxy for policyholders in the UK, is required to pay taxes on investment income and gains each year. Accordingly, the tax credit or expense attributable to UK life assurance policyholder earnings is included in income tax expense. The tax charge attributable to policyholder earnings was £347 million (2023: £184 million charge).

C8.2 Tax charged/(credited) to other comprehensive income

	2024 £m	2023 restated[1] £m
Current tax charge/(credit)	4	(8)
Deferred tax charge/(credit) on defined benefit schemes	32	(20)
	36	(28)

1 See note A3 for further details of the prior year restatements.

C8.3 Tax credited to equity

	2024 £m	2023 restated[1] £m
Current and deferred tax credit on Tier 1 Notes	–	(7)

1 See note A3 for further details of the prior year restatements.

C8.4 Reconciliation of tax (credit)/charge

	2024 £m	2023 restated[1] £m
(Loss)/profit for the year before tax	(1,107)	262
Policyholder tax charge	(347)	(184)
(Loss)/profit before the tax attributable to owners	**(1,454)**	78
Tax (credit)/charge at standard UK rate of 25% (2023:23.5%)[2]	(364)	18
Non-taxable gains[3]	–	(16)
Disallowable expenses	4	1
Prior year tax (credit)/charge for shareholders[4]	(67)	12
Movement on acquired in-force amortisation at rates other than 25% (2023: 23.5%)	10	12
Profits taxed at rates other than 25% (2023: 23.5%)[5]	51	7
Recognition of previously unrecognised deferred tax assets[6]	(14)	(59)
Deferred tax rate change	1	(9)
Current year losses not valued	1	15
Other	2	13
Owners' tax credit	(376)	(6)
Policyholder tax charge	347	184
Total tax (credit)/charge for the year	**(29)**	178

1 See note A3 for further details of the prior year restatements.
2 The Phoenix operating segments are predominantly in the UK. The reconciliation of tax charge has therefore, been completed by reference to the standard rate of UK tax.
3 2023 movement relates principally to a profit arising on consolidation due to the purchase of the Phoenix Life CA Holdings Limited (formerly known as SLF of Canada UK Limited), not subject to deferred tax.
4 The 2024 prior year tax charge relates principally to true-ups between group reporting and statutory reporting and reassessment of tax provisions.
5 Profits taxed at rates other than 25%/23.5% relates to overseas profits, consolidated fund investments and UK life company profits subject to marginal shareholder tax rates.
6 Relates principally to reassessment of deferred tax assets recognition relating to losses and refinement of deferred tax assets between tax jurisdictions.

D. Equity

D1. Share Capital

The Group has issued ordinary shares which are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

	2024 £m	2023 £m
Issued and fully paid:		
1,003.1 million ordinary shares of £0.10 each (2023: 1,001.5 million)	100	100

The holders of ordinary shares are entitled to one vote per share on matters to be voted on by owners and to receive such dividends, if any, as may be declared by the Board of Directors in its discretion out of legally available profits.

Movements in issued share capital during the year:

	2024 Number	2024 £	2023 Number	2023 £
Shares in issue at 1 January	1,001,538,419	100,153,841	1,000,352,477	100,035,247
Ordinary shares issued in the year	1,573,419	157,342	1,185,942	118,594
Shares in issue at 31 December	**1,003,111,838**	**100,311,183**	1,001,538,419	100,153,841

Notes to the consolidated financial statements continued

D. Equity continued

D1. Share Capital continued

During the year, 1,573,419 shares (2023: 1,185,942) were issued at a premium of £nil (2023: £6 million) in order to satisfy obligations to employees under the Group's shares schemes (see note I1). This included 1,500,000 shares (2023: nil) that were issued to the Group's Employee Benefit Trust at nominal value.

The balance in the merger relief reserve arose upon the issuance of equity shares in 2020 as part consideration for the acquisition of the entire share capital of ReAssure Group plc. The Group applied the relief in section 612 of the Companies Act 2006 to present the difference between the consideration received and the nominal value of the shares issued of £1,819 million in a merger reserve as opposed to in share premium. During the period £1,226 million of the reserve was transferred to retained earnings following the impairment of the Company's investment in the ReAssure group of companies as a result of the distribution of dividends to the Company.

D2. Shares held by the employee benefit trust

Where the Phoenix Group Employee Benefit Trust ('EBT') acquires shares in the Company or obtains rights to purchase its shares, the consideration paid (including any attributable transaction costs, net of tax) is shown as a deduction from owners' equity. Gains and losses on sales of shares held by the EBT are charged or credited to the own shares account in equity.

The EBT holds shares to satisfy awards granted to employees under the Group's share-based payment schemes.

	2024 £m	2023 £m
At 1 January	15	13
Shares acquired by the EBT	16	14
Shares awarded to employees by the EBT	(13)	(12)
At 31 December	18	15

During the year 2,267,832 (2023: 1,942,979) shares were awarded to employees by the EBT, 2,994,854 (2023: 2,477,897) shares were purchased on market and a further 1,500,000 shares were issued to the EBT by the Company (2023: nil). The number of shares held by the EBT at 31 December 2024 was 4,853,962 (2023: 2,626,940).

The Company provided the EBT with an interest-free non-recourse facility arrangement to enable it to purchase the shares.

D3. Other Reserves

The other reserves comprise the owner-occupied property revaluation reserve and the cash flow hedging reserve.

Owner-occupied property revaluation reserve
This reserve comprises the revaluation surplus arising on revaluation of owner-occupied property. When a revaluation loss arises on a previously revalued asset it should be deducted first against the previous revaluation gain. Any excess impairment will then be recorded as an impairment expense in the consolidated income statement.

Cash flow hedging reserve
Where a cash flow hedging relationship exists, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement, and is reported in net investment income.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time is recycled to profit or loss over the period the hedged item impacts profit or loss.

Further details of the Group's hedge accounting policy are included in note E1.

2024	Owner-occupied property revaluation reserve £m	Cash flow hedging reserve £m	Total other reserves £m
At 1 January 2024	2	14	16
Other comprehensive (expense)/income for the year	(2)	9	7
At 31 December 2024	–	23	23

2023	Owner-occupied property revaluation reserve £m	Cash flow hedging reserve £m	Total other reserves £m
At 1 January 2023	–	46	46
Other comprehensive income/(expense) for the year	2	(32)	(30)
At 31 December 2023	2	14	16

At 31 December 2023, the Group had in place four cross currency swaps which were designated as hedging instruments in order to effect cash flow hedges of the Group's Euro and US Dollar denominated borrowings. On 12 June 2024, the Company issued US $500 million Contingent Convertible Tier 1 notes and the cross currency swap that was entered into at this time was designated as a hedging instrument. On 18 June 2024, $500 million of the $750 million Contingently Convertible T1 notes were repurchased via a tender offer, leading to an unwinding of $500 million of the related swap arrangement, which was then treated as a partial discontinuance.

Hedge accounting has been adopted effective from the date of designation of the hedging relationships. The objective of the hedging relationships is to hedge the risk of variability in functional currency equivalent cash flows with the foreign currency denominated borrowings due to changes in forward rates. The hedge ratio (i.e. the relationship between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting) is such that there is an exact match in the relative weightings of the hedged items and hedging instruments within each of the hedging relationships.

D4. Tier 1 notes

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the Group's own equity instruments.

The Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes ('Tier 1 Notes') meet the definition of equity and accordingly are shown as a separate category within equity at the proceeds of issue. The coupons on the instruments are recognised as distributions on the date of payment and are charged directly to the statement of consolidated changes in equity.

	2024 £m	2023 £m
Tier 1 Notes	494	494

On 26 April 2018, Old PGH (the Group's ultimate parent company up to December 2018) issued £500 million of Tier 1 Notes, the proceeds of which were used to fund a portion of the cash consideration for the acquisition of the Standard Life Assurance businesses. The Tier 1 Notes bear interest on their principal amount at a fixed rate of 5.75% per annum up to the 'First Call Date' of 26 April 2028. Thereafter the fixed rate of interest will be reset on the First Call Date and on each fifth anniversary of this date by reference to a 5-year gilt yield plus a margin of 4.169%. Interest is payable on the Tier 1 Notes semi-annually in arrears on 26 October and 26 April. The coupon paid in the year was £29 million (2023: £29 million).

At the issue date, the Tier 1 Notes were unsecured and subordinated obligations of Old PGH. On 12 December 2018, the Company was substituted in place of Old PGH as issuer.

The Tier 1 Notes have no fixed maturity date and interest is payable only at the sole and absolute discretion of the Company; accordingly the Tier 1 Notes meet the definition of equity for financial reporting purposes and are disclosed as such in the consolidated financial statements. If an interest payment is not made, it is cancelled and it shall not accumulate or be payable at any time thereafter.

The Tier 1 Notes may be redeemed at par on the First Call Date or on any interest payment date thereafter at the option of the Company and also in other limited circumstances. In respect of any redemption or purchase of the Tier 1 Notes, such redemption or purchase is subject to the receipt of permission to do so from the PRA.

On 27 October 2020, the terms of the Tier 1 Notes were amended and the consequence of a trigger event, linked to the Solvency II capital position, was changed. Previously, the Tier 1 Notes were subject to a permanent write-down in value to zero. The amended terms require that the Tier 1 Notes would automatically be subject to conversion to ordinary shares of the Company at the conversion price of £1,000 per share, subject to adjustment in accordance with the terms and conditions of the notes and all accrued and unpaid interest would be cancelled. Following any such conversion there would be no reinstatement of any part of the principal amount of, or interest on, the Tier 1 Notes at any time.

D5. Non-controlling interests

Non-controlling interests are stated at the share of net assets attributed to the non-controlling interest holder at the time of acquisition, adjusted for the relevant share of subsequent changes in equity.

	2024 £m	2023 £m
At 1 January	549	532
Profit for the year	12	28
Dividends paid	(12)	(11)
Decrease in non-controlling interests	(10)	–
At 31 December	539	549

The non-controlling interests of £539 million (2023: £549 million) reflects third party ownership of Patria Private Equity Trust plc ('PPET') (formerly known as abrdn Private Equity Opportunities Trust plc) determined at the proportionate value of the third party interest in the underlying assets and liabilities. PPET is a UK Investment Trust listed and traded on the London Stock Exchange. As at 31 December 2024, the Group held 54.3% (2023: 53.6%) of the issued share capital of PPET. The decrease in non-controlling interests reflects the impact of a share buyback undertaken during the year.

The Group's interest in PPET is held in the with-profits and unit-linked funds of the Group's life companies. Therefore, the shareholder exposure to the results of PPET is limited to the impact of those results on the shareholder share of distributed profits of the relevant fund.

Notes to the consolidated financial statements continued

Financials

D. Equity continued
D5. Non-controlling interests continued
Summary financial information showing the interest that non-controlling interests have in the Group's activities and cash flows is shown below:

PPET	2024 £m	2023 £m
Statement of financial position:		
Financial assets	529	586
Other assets	56	10
Total assets	585	596
Total liabilities	46	47
Income statement:		
Net income	23	37
Profit after tax	12	28
Comprehensive income	12	28
Cash flows:		
Net increase in cash and cash equivalents	1	(1)

E. Financial assets & liabilities
E1. Fair values

Financial assets
Financial assets are to be classified into one of the following measurement categories: Fair value through profit or loss ('FVTPL'), fair value through other comprehensive income ('FVOCI') and amortised cost. Classification is made based on the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments.

Financial assets are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial asset. All transaction costs directly attributable to the acquisition are also included in the cost of the financial asset. Subsequent to initial recognition, these financial assets are carried at amortised cost, using the effective interest method.

Equities, debt securities, collective investment schemes, derivatives and certain loans and deposits are measured at FVTPL as they are managed and evaluated on a fair value basis.

Purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset.

Where derivative financial instruments are held to hedge the Group's Euro and US Dollar borrowings, and are designated as cash flow hedges, the effective portion of any gain or loss that arises on remeasurement to fair value is initially recognised in other comprehensive income and is recycled to profit or loss as the hedged item impacts the profit or loss. For such instruments, the timing of the recognition of any gain or loss that arises on remeasurement to fair value in profit or loss depends on the nature of the hedge relationship.

The Group has treaties in place with third party insurance companies to provide reinsurance in respect of liabilities that are linked to the performance of funds maintained by those companies. The contracts in question do not transfer significant insurance risk and therefore are classified as financial instruments and are valued at fair value through profit and loss. These contracts are disclosed under Reinsurers' share of investment contract liabilities in the statement of consolidated financial position.

Impairment of financial assets
The Group assesses the expected credit losses associated with its loans and deposits, receivables, cash and cash equivalents and other financial assets carried at amortised cost. The measurement of credit impairment is based on an Expected Credit Loss ('ECL') model and depends upon whether there has been a significant increase in credit risk.

For those credit exposures for which credit risk has not increased significantly since initial recognition, the Group measures loss allowances at an amount equal to the total expected credit losses resulting from default events that are possible within 12 months after the reporting date ('12-month ECL'). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the Group measures and recognises an allowance at an amount equal to the expected credit losses over the remaining life of the exposure, irrespective of the timing of the default ('Lifetime ECL'). If the financial asset becomes 'credit-impaired' (following significant financial difficulty of issuer/borrower, or a default/breach of a covenant), the Group will recognise a Lifetime ECL. ECLs are derived from unbiased and probability-weighted estimates of expected loss.

The loss allowance reduces the carrying value of the financial asset and is reassessed at each reporting date. ECLs and subsequent remeasurements of the ECL, are recognised in the consolidated income statement.

Fair value estimation
The fair values of financial instruments traded in active markets such as publicly traded securities and derivatives are based on quoted market prices at the period end. The quoted market price used for financial assets is the applicable bid price on the period end date. The fair value of investments that are not traded in an active market is determined using valuation techniques such as broker quotes, pricing models or discounted cash flow techniques. Where pricing models are used, inputs are based on market related data at the period end. Where discounted cash flow techniques are used, estimated future cash flows are based on contractual cash flows using current market conditions and market calibrated discount rates and interest rate assumptions for similar instruments.

For units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published bid values. The fair value of receivables and floating rate and overnight deposits with credit institutions is their carrying value. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques.

Associates
Investments in associates that are held for investment purposes are accounted for under IFRS 9 *Financial Instruments* as permitted by IAS 28 *Investments in Associates and Joint Ventures*. These are measured at fair value through profit or loss.

Derecognition of financial assets
A financial asset (or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities
On initial recognition, financial liabilities are recognised when due and measured at the fair value of the consideration received less directly attributable transaction costs (with the exception of liabilities at FVTPL for which all transaction costs are expensed).

Subsequent to initial recognition, financial liabilities (except for liabilities under investment contracts without DPF and other liabilities designated at FVTPL) are measured at amortised cost using the effective interest method.

Financial liabilities are designated upon initial recognition at FVTPL where doing so results in more meaningful information because either:

- it eliminates or significantly reduces accounting mismatches that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated and managed on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the investments is provided internally on that basis to the Group's key management personnel.

Investment contracts without DPF
Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts and accounted for as financial liabilities.

Receipts and payments on investment contracts without DPF are accounted for using deposit accounting, under which the amounts collected and paid out are recognised in the statement of consolidated financial position as an adjustment to the liability to the policyholder.

Investment contracts without DPF are measured at fair value which is determined using a valuation technique to provide a reliable estimate of the amount for which the liability could be transferred in an orderly transaction between market participants at the measurement date, subject to a minimum equal to the surrender value. The valuation of liabilities on unit-linked contracts are held at the fair value of the related assets and liabilities. The liability is the sum of the unit-linked liabilities plus an additional amount to cover the present value of the excess of future policy costs over future charges.

Movements in the fair value of investment contracts without DPF and reinsurers' share of investment contract liabilities are included in Change in investment contract liabilities in the consolidated income statement.

Investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, they are deferred and recognised over those periods. 'Front end' fees are charged on some non-participating investment contracts. Where the non-participating investment contract is measured at fair value, such fees which relate to the provision of future investment management services are deferred and recognised as the services are provided.

Net asset value attributable to unitholders
The net asset value attributable to unitholders represents the non-controlling interest in collective investment schemes which are consolidated by the Group. This interest is classified at FVTPL and measured at fair value, which is equal to the bid value of the number of units of the collective investment scheme not owned by the Group.

Obligations for repayment of collateral received
It is the Group's practice to obtain collateral in stock lending and derivative transactions, usually in the form of cash or marketable securities. Where cash collateral received is available to the Group for investment purposes, it is recognised as a 'financial asset' and the collateral repayable is recognised as 'obligations for repayment of collateral received' in the statement of consolidated financial position. The 'obligations for repayment of collateral received' are measured at amortised cost, which in the case of cash is equivalent to the fair value of the consideration received. Further details of the Group's collateral arrangements are included in note E4.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Offsetting financial assets and financial liabilities
Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. When financial assets and liabilities are offset any related interest income and expense is offset in the income statement.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued
E1. Fair values continued

Hedge accounting
The Group designates certain derivatives as hedging instruments in order to effect cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Where a cash flow hedging relationship exists, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in net investment income.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

Hedge accounting is discontinued if: the Group's hedging objective has changed (can result in a partial discontinuance); the hedged item or hedging instrument no longer exists or is sold; there is no longer an economic relationship between the hedged item and the hedging instrument; or the effect of credit risk starts to dominate the value changes that result from the economic relationship. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time is recycled to profit or loss over the period the hedged item impacts profit or loss.

E1.1 Fair value analysis
The table below sets out a comparison of the carrying amounts and fair values of financial instruments:

2024	Carrying value Total £m	Carrying value Amounts due for settlement after 12 months £m	Fair value £m
Financial assets			
Financial assets mandatorily held at fair value through profit or loss ('FVTPL'):			
Loans and deposits	249	–	249
Derivatives	2,600	2,281	2,600
Equities[1]	96,365	–	96,365
Debt securities	89,301	78,854	89,301
Collective investment schemes[1]	83,700	–	83,700
Reinsurers' share of investment contract liabilities[1]	9,297	–	9,297
Financial assets measured at amortised cost:			
Loans and deposits	12	10	12
Total financial assets	281,524		281,524
Less amounts classified as financial assets held for sale (see note H3)[2]	(1,985)		(1,985)
Total financial assets less financial assets classified as held for sale	279,539		279,539

2024	Carrying value Total £m	Carrying value Amounts due for settlement after 12 months £m	Fair value £m
Financial liabilities			
Financial liabilities mandatorily held at FVTPL:			
Derivatives	4,085	3,443	4,085
Financial liabilities designated at FVTPL upon initial recognition:			
Borrowings	31	31	31
Net asset value attributable to unitholders[1]	2,486	–	2,486
Investment contract liabilities[1]	173,922	–	173,922
Financial liabilities measured at amortised cost:			
Borrowings	3,591	3,304	3,599
Obligations for repayment of collateral received	849	–	849
Total financial liabilities	184,964		184,972
Less amounts classified as financial liabilities held for sale (see note H3)[3]	(3,175)		(3,175)
Total financial liabilities less financial liabilities held for sale	181,789		181,797

1 These assets and liabilities have no specified settlement date.
2 Amounts classified as financial assets held for sale include equities of £14 million, debt securities of £979 million, collective investment schemes of £960 million and reinsurers' share of investment contract liabilities of £32 million.
3 Amounts classified as financial liabilities held for sale include investment contract liabilities of £3,175 million.

2023	Carrying value Total £m	Carrying value Amounts due for settlement after 12 months £m	Fair value £m
Financial assets			
Financial assets mandatorily held at fair value through profit or loss ('FVTPL'):			
Loans and deposits	231	4	231
Derivatives	2,769	2,338	2,769
Equities[1]	87,656	–	87,656
Investment in associate (see note H4.1)[1]	349	–	349
Debt securities	94,785	79,994	94,785
Collective investment schemes[1]	79,937	–	79,937
Reinsurers' share of investment contract liabilities[1]	9,700	–	9,700
Financial assets measured at amortised cost:			
Loans and deposits	17	17	17
Total financial assets	275,444		275,444
Less amounts classified as financial assets held for sale (see note H3)[2]	(2,498)		(2,498)
Total financial assets less financial assets classified as held for sale	272,946		272,946

2023	Carrying value Total restated[3] £m	Carrying value Amounts due for settlement after 12 months £m	Fair value restated[3] £m
Financial liabilities			
Financial liabilities mandatorily held at FVTPL:			
Derivatives	3,344	2,976	3,344
Financial liabilities designated at FVTPL upon initial recognition:			
Borrowings	45	45	45
Net asset value attributable to unitholders[1]	2,921	–	2,921
Investment contract liabilities[1,3]	162,495	–	162,495
Financial liabilities measured at amortised cost:			
Borrowings	3,847	3,757	3,739
Obligations for repayment of collateral received	1,005	–	1,005
Total financial liabilities	173,657		173,549
Less amounts classified as financial liabilities held for sale (see note H3)[4]	(4,782)		(4,782)
Total financial liabilities less financial liabilities held for sale	168,875		168,767

1 These assets and liabilities have no specified settlement date.
2 Amounts classified as financial assets held for sale include derivatives of £3 million, equities of £28 million, debt securities of £1,411 million, collective investment schemes of £1,028 million and reinsurers' share of investment contract liabilities of £28 million.
3 See note A3 for further details of the prior year restatements.
4 Amounts classified as financial liabilities held for sale include derivative liabilities of £2 million and investment contract liabilities of £4,780 million.

E1.2 impairment of financial assets held at amortised cost
The Group applies a forward-looking expected credit loss ('ECL') approach to the financial assets carried at amortised cost. A significant portion of the Group's financial assets are carried at FVTPL and are therefore not subject to ECL assessment. The financial assets classified as amortised cost and subject to ECL mainly relate to certain loan assets, other receivables and certain cash and cash equivalents balances.

For the in-scope financial assets at the reporting date either the lifetime expected credit loss or a 12-month expected credit loss is provided for, depending on the Group's assessment of whether the credit risk associated with the specific asset has increased significantly since initial recognition. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12 month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	There is evidence indicating the asset is credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The financial assets held at amortised cost are assessed as at 31 December 2024 as 'performing' and this assessment is summarised below.

Loans and deposits – the Group has assessed the estimated credit losses of these loans and deposits as low due to the external credit ratings of the counterparties resulting in low credit risk and there being no past-due amounts.

Other receivables – these balances relate to investment broker balances and other regular receivables due to the Group in the normal course of business. Expected credit losses are assessed as being immaterial given the typically short-term nature of these balances.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

E1. Fair values continued

Cash and cash equivalents – the Group's cash and cash equivalents are held with banks and financial institutions, which have investment grade credit ratings of 'BBB' or above. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and, there being no history of default. The impact to the net carrying amount stated in the table above is therefore not considered to be material.

Based on the above assessment, an immaterial credit loss balance has been determined due to these financial assets being predominantly short-term and having low credit risk.

E2. Fair value hierarchy

E2.1 Determination of fair value and fair value hierarchy of financial instruments

Level 1 financial instruments

The fair value of financial instruments traded in active markets (such as exchange traded securities and derivatives) is based on quoted market prices at the period end provided by recognised pricing services. Market depth and bid-ask spreads are used to corroborate whether an active market exists for an instrument. Greater depth and narrower bid-ask spread indicate higher liquidity in the instrument and are classed as Level 1 inputs. For collective investment schemes and reinsurers' share of investment contract liabilities, fair value is by reference to published bid prices.

Level 2 financial instruments

Financial instruments traded in active markets with less depth, or wider bid-ask spreads, which do not meet the classification as Level 1 inputs, are classified as Level 2. The fair values of financial instruments not traded in active markets are determined using broker quotes or valuation techniques with observable market inputs. Financial instruments valued using broker quotes are classified as Level 2, only where there is a sufficient range of available quotes. The fair value of over-the-counter derivatives is estimated using pricing models or discounted cash flow techniques. Collective investment schemes where the underlying assets are not priced using active market prices are determined to be Level 2 instruments and will include collective investment schemes which have a material underlying holdings within real estate/property. Where pricing models are used, inputs are based on market related data at the period end. Where discounted cash flows are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. The fair value of investment contract liabilities reflects the fair value of the underlying assets and liabilities in the funds plus an additional amount to cover the present value of the excess of future policy costs over future charges. The liabilities are consequently determined to be Level 2 instruments.

Level 3 financial instruments

The Group's financial instruments determined by valuation techniques using non-observable market inputs are based on a combination of independent third party evidence and internally developed models. In relation to investments in hedge funds and private equity investments, non-observable third party evidence in the form of net asset valuation statements is used as the basis for the valuation. Adjustments may be made to the net asset valuation where other evidence, for example recent sales of the underlying investments in the fund, indicates this is required. Securities that are valued using broker quotes which could not be corroborated across a sufficient range of quotes are considered as Level 3. For a small number of investment vehicles and debt securities, standard valuation models are used, as due to their nature and complexity they have no external market. Inputs into such models are based on observable market data where possible. The fair value of loans, derivatives and some borrowings with no external market is determined by internally developed discounted cash flow models using appropriate assumptions corroborated with external market data where possible.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) during each reporting period.

Fair value hierarchy information for non-financial assets measured at fair value is included in note G3 for owner-occupied property and in note G4 for investment property.

E2.2 Fair value hierarchy of financial instruments

The tables below separately identify financial instruments carried at fair value from those measured on another basis but for which fair value is disclosed.

2024	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets measured at fair value				
Financial assets at FVTPL (mandatory)				
Loans and deposits	–	249	–	249
Derivatives	114	2,321	165	2,600
Equities	93,708	81	2,576	96,365
Debt securities	49,624	24,531	15,146	89,301
Collective investment schemes	79,921	3,292	487	83,700
Reinsurers' share of investment contract liabilities	9,297	–	–	9,297
Total financial assets measured at fair value	232,664	30,474	18,374	281,512
Less amounts classified as held for sale[1]	(1,283)	(147)	(555)	(1,985)
Total financial assets measured at fair value, excluding amounts classified as held for sale	231,381	30,327	17,819	279,527
Financial assets measured at amortised cost for which fair values are disclosed				
Loans and deposits	–	12	–	12
	231,381	30,339	17,819	279,539

1 Amounts classified as held for sale includes £14 million of equities (Level 1), £32 million of reinsurers' share of investment contract liabilities (Level 1), £960 million of collective investment schemes (£956 million Level 1 and £4 million Level 2) and £979 million of debt securities (£281 million Level 1; £143 million Level 2; and £555 million Level 3).

2024	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial liabilities measured at fair value				
Financial liabilities at FVTPL (mandatory)				
Derivatives	70	3,882	133	4,085
Financial liabilities designated at FVTPL upon initial recognition:				
Borrowings	–	–	31	31
Net asset value attributable to unitholders	2,486	–	–	2,486
Investment contract liabilities	–	173,922	–	173,922
	2,486	173,922	31	176,439
Total financial liabilities measured at fair value	2,556	177,804	164	180,524
Less amounts classified as held for sale	–	(3,175)	–	(3,175)
Total financial liabilities measured at fair value, excluding amounts classified as held for sale[1]	2,556	174,629	164	177,349
Financial liabilities measured at amortised cost for which fair values are disclosed				
Borrowings	–	3,599	–	3,599
Obligations for repayment of collateral received	–	849	–	849
Total financial liabilities measured at amortised cost for which fair values are disclosed	–	4,448	–	4,448
	2,556	179,077	164	181,797

1 Amounts classified as held for sale includes £3,175 million of investment contract liabilities.

2023	Level 1 restated[1] £m	Level 2 restated[1] £m	Level 3 £m	Total fair value £m
Financial assets measured at fair value				
Financial assets at FVTPL (mandatory)				
Loans and deposits	–	231	–	231
Derivatives	139	2,398	232	2,769
Equities	85,029	132	2,495	87,656
Investment in associate	349	–	–	349
Debt securities[1]	51,998	28,969	13,818	94,785
Collective investment schemes	76,343	3,193	401	79,937
Reinsurers' share of investment contract liabilities	9,700	–	–	9,700
Total financial assets measured at fair value	223,558	34,923	16,946	275,427
Less amounts classified as held for sale[2]	(1,639)	(181)	(678)	(2,498)
Total financial assets measured at fair value, excluding amounts classified as held for sale	221,919	34,742	16,268	272,929
Financial assets measured at amortised cost for which fair values are disclosed				
Loans and deposits	–	17	–	17
	221,919	34,759	16,268	272,946

1 Level 1 and Level 2 debt securities have been restated to correctly reflect £6,469 million of debt securities within Level 1 instead of Level 2 as previously reported.

2 Amounts classified as held for sale includes £28 million of equities (Level 1), £3 million of derivatives (Level 2), £28 million of reinsurers' share of investment contract liabilities (Level 1), £1,028 million of collective investment schemes (£996 million Level 1; £28 million Level 2; and £4 million Level 3) and £1,411 million of debt securities (£587 million Level 1; £150 million Level 2; and £674 million Level 3).

2023	Level 1 £m	Level 2 restated[1] £m	Level 3 £m	Total fair value restated[1] £m
Financial liabilities measured at fair value				
Financial liabilities FVTPL (mandatory)				
Derivatives	152	2,986	206	3,344
Financial liabilities designated at FVTPL upon initial recognition:				
Borrowings	–	–	45	45
Net asset value attributable to unitholders	2,921	–	–	2,921
Investment contract liabilities (restated)[1]	–	162,495	–	162,495
	2,921	162,495	45	165,461
Total financial liabilities measured at fair value	3,073	165,481	251	168,805
Less amounts classified as held for sale[2]	–	(4,782)	–	(4,782)
Total financial liabilities measured at fair value, excluding amounts classified as held for sale	3,073	160,699	251	164,023
Financial liabilities measured at amortised cost for which fair values are disclosed				
Borrowings	–	3,739	–	3,739
Obligations for repayment of collateral received	–	1,005	–	1,005
Total financial liabilities measured at amortised cost for which fair values are disclosed	–	4,744	–	4,744
	3,073	165,443	251	168,767

1 See note A3 for further details of the prior year restatements.

2 Amounts classified as held for sale includes £4,780 million of investment contract liabilities and £2 million of derivatives.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued
E2. Fair value hierarchy continued
E2.3 Significant inputs and input values for Level 3 financial instruments

Description	Valuation technique	Significant inputs	Key unobservable input value 2024	Key unobservable input value 2023
Equities	Net asset value	Net asset statement	**£2,576m**	£2,495m
Debt securities (see E2.3.1 for further details)				
Loans guaranteed by export credit agencies & supranationals	DCF model[1]	Credit spread	**79bps (weighted average)**	78bps (weighted average)
Private corporate credit	DCF model[1]	Credit spread	**134bps (weighted average)**	145bps (weighted average)
Infrastructure loans	DCF model[1]	Credit spread	**146bps (weighted average)**	160bps (weighted average)
Loans to housing associations	DCF model[1]	Credit spread	**140bps (weighted average)**	139bps (weighted average)
Local authority loans	DCF model[1]	Credit spread	**118bps (weighted average)**	130bps (weighted average)
Equity Release Mortgage loans ('ERM')	DCF model and Black-Scholes model[2]	Spread	**159bps over Sonia plus 36bps**	256bps over Sonia plus 36bps
		House price inflation	**+75bps adjustment to RPI**	+75bps adjustment to RPI
		House prices	**£385,838 (average)**	£371,380 (average restated)
		Mortality	**Average life expectancy of a male and female currently aged 75 is 14.2 years and 15.8 years respectively**	Average life expectancy of a male and female currently aged 75 is 14.1 years and 15.6 years respectively
		Voluntary redemption rate	**190bps to 400bps**	190bps to 650bps
Commercial real estate loans	DCF model[1]	Credit spread	**230bps (weighted average)**	253bps (weighted average)
Income strips[3]	Income capitalisation	Credit spread	**674bps**	613bps
Collective investment schemes	Net asset value	Net asset statement	**£487m**	£401m
Borrowings				
Property reversions loans (see note E5)	Internally developed model	Mortality rate	**130% IFL92C15 (Female)[4]**	130% IFL92C15 (Female)[4]
			130% IML92C15 (Male)[4]	130% IML92C15 (Male)[4]
		House price inflation	**3-year RPI rate plus 75bps**	3-year RPI rate plus 75bps
		Discount rate	**3-year swap rate plus 170bps**	3-year swap rate plus 170bps
		Deferred possession rate	**370bps**	370bps
Derivative assets and liabilities				
Forward private placements, infrastructure and local authority loans[5]	DCF model[1]	Credit spread	**98bps (weighted average)**	111bps (weighted average)
Longevity swaps[6]	DCF model[1]	Swap curve	**swap curve**	swap curve
Equity Release Income Plan total return swap[7]	DCF model[1]	Credit spread	**500bps**	500bps

1 Discounted cash flow ('DCF') model: Except where otherwise stated, the discount rate used is based on a risk-free curve and a credit spread. The risk-free rate is taken from an appropriate gilt of comparable duration. The spread is derived from a basket of comparable securities.

2 ERM loans: The loans are valued using a DCF model and a Black-Scholes model for valuation of the No-Negative Equity Guarantee ('NNEG'). The NNEG caps the loan repayment in the event of death or entry into long-term care to be no greater than the sales proceeds from the property. The future cash flows are estimated based on assumed levels of mortality derived from published mortality tables, entry into long-term care rates and voluntary redemption rates. Cash flows include an allowance for the expected cost of providing a NNEG assessed under a real world approach using a closed form model including an assumed level of property value volatility. For the NNEG assessment, property values are indexed from the latest property valuation point and then assumed to grow in line with an RPI based assumption. Cash flows are discounted using a risk-free curve plus a spread, where the spread is based on recent originations, with margins to allow for the different risk profiles of ERM loans.

3 Income strips are transactions where an owner-occupier of a property has sold a freehold or long leasehold interest to the Group, and has signed a long lease (typically 30-45 years) or a ground lease (typically 45-175 years) and retains the right to repurchase the property at the end of the lease for a nominal sum (usually £1). The income strips are valued using an income capitalisation approach, where the annual rental income is capitalised using an appropriate yield. The yield is determined by considering recent transactions involving similar income strips.

4 IFL92C15 and IML92C15 relate to immediate annuitant female and male lives and refer to the 92 series mortality tables produced by the Continuous Mortality Investigation ('CMI').

5 Derivative liabilities include forward investments of £33 million (2023: £54 million) which include a commitment to acquire or provide funding for fixed rate debt instruments at specified future dates.

6 Included within derivative assets and liabilities are longevity swap contracts with corporate pension schemes with a fair value of £165 million (2023: £230 million) and £63 million (2023: £100 million) respectively. (see note E3.2 for further details).

7 Included within derivative liabilities is the Equity Release Income Plan ('ERIP') total return swap with a value of £38 million (2023: £50 million), under which a share of the disposal proceeds arising on a portfolio of property reversions is payable to a third party (see note E.3.3 for further details).

E2.3.1 Debt securities

Analysis of Level 3 debt securities	2024 £m	2023 £m
Unquoted corporate bonds:		
Loans guaranteed by export credit agencies & supranationals	**461**	486
Private corporate credit	**3,046**	1,829
Infrastructure loans – project finance	**1,011**	1,097
Infrastructure loans – corporate	**1,613**	1,493
Loans to housing associations	**1,172**	1,186
Local authority loans	**823**	932
ERM	**4,795**	4,486
Commercial real estate loans	**1,170**	1,147
Income strips	**555**	674
Bridging loans to private equity funds	**498**	470
Other	**2**	18
Total Level 3 debt securities	**15,146**	13,818
Less amounts classified as held for sale	**(555)**	(674)
Total Level 3 debt securities excluding amounts classified as held for sale	**14,591**	13,144

E2.4 Sensitivities of Level 3 instruments

	Key unobservable input	Reasonable alternative	2024 Impact from increase £m	2024 Impact from decrease £m	2023 Impact from increase £m	2023 Impact from decrease £m
Equities	Net asset value statements	+/- 10%	258	(258)	250	(250)
Debt securities						
Loans guaranteed by export credit agencies and supranationals	Credit spread	+/- 65bps	(11)	11	(13)	14
Private corporate credit	Credit spread	+/- 65bps	(169)	181	(103)	116
Infrastructure loans	Credit spread	+/- 65bps	(121)	129	(129)	134
Loans to housing associations	Credit spread	+/- 65bps	(97)	106	(93)	105
Local authority loans	Credit spread	+/- 65bps	(62)	66	(82)	90
ERM	Credit spread	+/- 100bps	(416)	457	(373)	410
	House price inflation	+/- 1%	57	(80)	52	(74)
	House prices	+/- 10%	37	(55)	38	(59)
	Mortality	+/- 5%	18	(20)	16	(18)
	Voluntary redemption rate	+/- 15%	36	(38)	44	(47)
Commercial real estate loans	Credit spread	+/- 65bps	(52)	57	(44)	48
Income strips	Credit spread	+/- 65bps	(64)	68	(89)	109
Collective investment schemes	Net asset value statements	+/- 10%	49	(49)	40	(40)
Derivative assets and liabilities						–
Forward private placements, infrastructure and local authority loans	Credit spread	+/- 65bps	(8)	9	(6)	7
Longevity swap contracts	Swap curve	+/- 100bps	(14)	17	(20)	25
Equity Release Income Plan total return swap	Credit spread	+/- 100bps	1	(1)	1	(1)

For the property reversions loans and bridging loans to private equity funds, there are no reasonably possible movements in unobservable input values which would result in a significant movement in the fair value of the financial instruments.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued
E2. Fair value hierarchy continued
E2.5 Transfers of financial instruments between Level 1 and Level 2

2024	From Level 1 to Level 2 £m	From Level 2 to Level 1 £m
Financial assets measured at fair value		
Financial assets mandatorily held at FVTPL		
Derivatives	21	–
Equities	21	2
Debt securities	1,319	244
Collective investment schemes	56	5

2023	From Level 1 to Level 2 £m	From Level 2 to Level 1 £m
Financial assets measured at fair value		
Financial assets mandatorily held at FVTPL		
Derivatives	–	21
Financial assets designated at FVTPL upon initial recognition:		
Equities	10	12
Debt securities	1,023	725
Collective investment schemes[1]	1,188	16

1 As a result of the assessment of the liquidity of the underlying investments held within collective investment schemes, in accordance with the Group's fair value hierarchy classification methodology a net £1,172 million of collective investment schemes has transferred from Level 1 to Level 2.

Consistent with the prior year, all the Group's Level 1 and Level 2 assets have been valued using standard market pricing sources.

The application of the Group's fair value hierarchy classification methodology at an individual security level, in particular observations with regard to measures of market depth and bid-ask spreads, resulted in an overall net movement of debt securities from Level 1 to Level 2 in both the current and prior period.

E2.6 Movement in Level 3 financial instruments measured at fair value

2024	At 1 January 2024 £m	Net (losses)/ gains in income statement £m	Purchases £m	Sales £m	Transfers from Level 1 and Level 2[2] £m	Transfers to Level 1 and Level 2 £m	At 31 December 2024[1] £m	Unrealised (losses)/gains on assets held at end of period £m
Financial assets measured at fair value								
Financial assets mandatorily held at FVTPL:								
Derivatives	232	(67)	–	–	–	–	165	(67)
Equities	2,495	50	446	(415)	–	–	2,576	82
Debt securities	13,818	(335)	7,424	(6,027)	282	(16)	15,146	(259)
Collective investment schemes	401	6	140	(60)	2	(2)	487	5
Total financial assets measured at fair value	16,946	(346)	8,010	(6,502)	284	(18)	18,374	(239)

1 Total financial assets of £18,374 million includes £555 million of assets classified as held for sale.

2 During the year, £282 million of debt securities were transferred from Level 1 and Level 2 to Level 3 to harmonise the approach for determining the fair value hierarchy across the Group following the acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canada UK Limited) in the prior period.

2024	At 1 January 2024 £m	Net (gains)/ losses in income statement £m	Purchases £m	Sales/ repayments £m	Transfers from Level 1 and Level 2 £m	Transfers to Level 1 and Level 2 £m	At 31 December 2024 £m	Unrealised (gains)/losses losses on liabilities held at end of period £m
Financial liabilities measured at fair value								
Financial liabilities mandatorily held at FVTPL:								
Derivatives	206	(56)	–	(17)	–	–	133	(67)
Financial liabilities designated at FVTPL upon initial recognition:								
Borrowings	45	2	–	(16)	–	–	31	2
Total financial liabilities measured at fair value	251	(54)	–	(33)	–	–	164	(65)

2023	At 1 January 2023 £m	Net (losses)/ gains in income statement £m	Purchases £m	Sales £m	Transfers from Level 1 and Level 2 £m	Transfers to Level 1 and Level 2 £m	At 31 December 2023[1] £m	Unrealised gains on assets held at end of period £m
Financial assets measured at fair value								
Financial assets mandatorily held at FVTPL:								
Loans and deposits	7	(1)	–	(6)	–	–	–	–
Derivatives	152	80	–	–	–	–	232	80
Equities	2,192	163	433	(293)	2	(2)	2,495	14
Debt securities	11,465	416	7,011	(5,224)	150	–	13,818	475
Collective investment schemes	312	46	47	(5)	1	–	401	46
Total financial assets measured at fair value	14,128	704	7,491	(5,528)	153	(2)	16,946	615

1 Total financial assets of £16,946 million includes £678 million of assets classified as held for sale.

2023	At 1 January 2023 £m	Net losses in income statement £m	Purchases £m	Sales/ Repayments £m	Transfers from Level 1 and Level 2 £m	Transfers to Level 1 and Level 2£m	At 31 December 2023 £m	Unrealised losses on liabilities held at end of period £m
Financial liabilities measured at fair value								
Financial liabilities mandatorily held at FVTPL:								
Derivatives	243	67	–	(104)	–	–	206	59
Financial liabilities designated at FVTPL upon initial recognition:								
Borrowings	64	2	–	(21)	–	–	45	2
Total financial liabilities measured at fair value	307	69	–	(125)	–	–	251	61

Gains and losses on Level 3 financial instruments are included in net investment income in the consolidated income statement. There were no gains or losses recognised in other comprehensive income in either the current or comparative period.

E3. Derivatives

The Group purchases derivative financial instruments principally in connection with the management of its insurance contract and investment contract liabilities based on the principles of reduction of risk and efficient portfolio management. The Group does not typically hold derivatives for the purpose of selling and repurchasing in the near term or with the objective of generating a profit from short-term fluctuations in price or margin. The Group also holds derivatives which are designated as hedging instruments in order to hedge the Group's Euro and US Dollar borrowings. These hedging relationships qualify for hedge accounting under IFRS 9 and are designated as cash flow hedges.

Derivative financial instruments are recognised initially at fair value and are subsequently remeasured to fair value. The gain or loss on remeasurement to fair value is recognised in the consolidated income statement where the derivatives are held for trading. Where derivative financial instruments are held to hedge the Group's Euro and US Dollar borrowings, the effective portion of any gain or loss that arises on remeasurement to fair value is initially recognised in other comprehensive income and is recycled to profit or loss as the hedged item impacts the profit or loss. See notes E1 and D3 for further details of the Group's hedging accounting policy.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued
E3. Derivatives continued
E3.1 Summary
The fair values of derivative financial instruments are as follows:

	Assets 2024 £m	Liabilities 2024 £m	Assets 2023 £m	Liabilities 2023 £m
Forward currency	130	296	265	97
Credit default swaps	12	–	9	2
Contracts for difference	1	–	2	1
Interest rate swaps	1,526	2,605	1,456	2,290
Total return bond swaps	41	43	–	–
Swaptions	147	44	164	65
Inflation swaps	283	339	187	142
Equity options	36	187	107	106
Stock index futures	74	13	18	87
Fixed income futures	23	71	84	124
Longevity swap contracts	165	63	230	100
Currency futures	5	19	15	5
Cross currency swaps	156	366	232	274
Equity Release Income Plan total return swap	–	38	–	50
Other	1	1	–	1
	2,600	4,085	2,769	3,344
Less amounts classified as held for sale	–	–	(3)	(2)
	2,600	4,085	2,766	3,342

E3.2 Longevity swap contracts
The Group has in place longevity swap arrangements with corporate pension schemes which do not meet the definition of insurance contracts under the Group's accounting policies. Under these arrangements the majority of the longevity risk has been passed to third parties. Derivative assets of £165 million and derivative liabilities of £63 million have been recognised as at 31 December 2024 (2023: £230 million and £100 million respectively).

E3.3 Equity Release Income Plan ('ERIP') total return swap
ERIP contracts are an equity release product under which the Group holds a reversionary interest in the residential property of policyholders who have been provided with a lifetime annuity in return for the legal title to their property (see note G4). The Group is party to an ERIP total return swap under which a share of the future generated cash flows arising under the ERIP contracts is payable to a third party. Over time, as the property reversions are realised, the relevant share of disposal proceeds is transferred to a third party who also holds a beneficial interest in these residential properties. The carrying amount of the derivative liability is the present value of all future cash flows due to the third party under the total return swap.

E4. Collateral arrangements

The Group receives and pledges collateral in the form of cash or non-cash assets in respect of stock lending transactions, derivative contracts and reinsurance arrangements in order to reduce the credit risk of these transactions. The amount and type of collateral required where the Group receives collateral depends on an assessment of the credit risk of the counterparty, but is usually in the form of cash and marketable securities.

Collateral received in the form of cash, where the Group has contractual rights to receive the cash flows generated and is available to the Group for investment purposes, is recognised as a financial asset in the statement of consolidated financial position with a corresponding financial liability for its repayment. Non-cash collateral received is not recognised in the statement of consolidated financial position, unless the counterparty defaults on its obligations under the relevant agreement.

Non-cash collateral pledged where the Group retains the contractual rights to receive the cash flows generated is not derecognised from the statement of consolidated financial position, unless the Group defaults on its obligations under the relevant agreement. Cash collateral pledged, where the counterparty has contractual rights to receive the cash flows generated, is derecognised from the statement of consolidated financial position and a corresponding receivable is recognised for its return.

The Group is also party to reverse repurchase agreements under which securities are purchased from third parties with an obligation to resell the securities. The securities are not recognised as financial assets on the statement of consolidated financial position, unless the counterparty defaults on its obligations under the relevant agreement. The right to receive the return of any cash paid as purchase consideration plus interest is recognised as a financial asset on the statement of financial position.

E4.1 Financial instrument collateral arrangements
The Group has no financial assets and financial liabilities that have been offset in the statement of consolidated financial position as at 31 December 2024 (2023: none).

The table below contains disclosures related to financial assets and financial liabilities recognised in the statement of consolidated financial position that are subject to enforceable master netting arrangements or similar agreements. Such agreements do not meet the criteria for offsetting in the statement of consolidated financial position as the Group has no current legally enforceable right to offset recognised financial instruments. Furthermore, certain related assets received as collateral under the netting arrangements will not be recognised in the statement of consolidated financial position as the Group does not have permission to sell or re-pledge, except in the case of default. Details of the Group's collateral arrangements in respect of these recognised assets and liabilities are provided below.

2024	Gross and net amounts of recognised financial assets £m	Related amounts not offset: Financial instruments and cash collateral received £m	Related amounts not offset: Derivative liabilities £m	Net amount £m
Financial assets				
OTC derivatives	2,487	759	1,537	191
Exchange traded derivatives	113	68	17	28
Stock lending	1,156	1,156	–	–
Repurchase arrangement	151	151	–	–
Total	3,907	2,134	1,554	219

2024	Gross and net amounts of recognised financial liabilities £m	Related amounts not offset: Financial instruments and cash collateral pledged £m	Related amounts not offset: Derivative assets £m	Net amount £m
Financial liabilities				
OTC derivatives	3,983	2,305	1,537	141
Exchange traded derivatives	102	7	17	78
Total	4,085	2,312	1,554	219

2023	Gross and net amounts of recognised financial assets £m	Related amounts not offset: Financial instruments and cash collateral received £m	Related amounts not offset: Derivative liabilities £m	Net amount £m
Financial assets				
OTC derivatives	2,629	976	1,459	194
Exchange traded derivatives	137	33	28	76
Stock lending	836	836	–	–
Repurchase arrangement	100	100	–	–
Total	3,702	1,945	1,487	270

2023	Gross and net amounts of recognised financial liabilities £m	Related amounts not offset: Financial instruments and cash collateral pledged £m	Related amounts not offset: Derivative assets £m	Net amount £m
Financial liabilities				
OTC derivatives	3,126	1,520	1,459	147
Exchange traded derivatives	216	68	28	120
Total	3,342	1,588	1,487	267

E4.2 Derivative collateral arrangements
Assets accepted

It is the Group's practice to obtain collateral to mitigate the counterparty risk related to over-the-counter ('OTC') derivatives usually in the form of cash or marketable financial instruments.

The fair value of financial assets accepted as collateral for OTC derivatives but not recognised in the statement of consolidated financial position amounts to £377 million (2023: £505 million).

The amounts recognised as financial assets and liabilities from cash collateral received at 31 December are set out below.

	OTC derivatives 2024 £m	OTC derivatives 2023 £m
Financial assets	790	971
Financial liabilities	(790)	(971)

The maximum exposure to credit risk in respect of OTC derivative assets is £2,487 million (2023: £2,629 million) of which credit risk of £2,296 million (2023: £2,434 million) is mitigated by use of collateral arrangements (which are settled net after taking account of any OTC derivative liabilities owed to the counterparty).

Credit risk on exchange traded derivative assets of £113 million (2023: £137 million) is mitigated through regular margining and the protection offered by the exchange.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued
E4. Collateral arrangements continued
E4.2 Derivative collateral arrangements continued
Assets pledged
The Group pledges collateral in respect of its OTC derivative liabilities. The value of assets pledged at 31 December 2024 in respect of OTC derivative liabilities of £3,983 million (2023: £3,126 million) amounted to £2,717 million (2023: £1,936 million).

E4.3 Stock lending collateral arrangements
The Group lends listed financial assets held in its investment portfolio to other institutions.

The Group conducts stock lending only with well-established, reputable institutions in accordance with established market conventions. The financial assets do not qualify for derecognition as the Group retains all the risks and rewards of the transferred assets except for the voting rights.

It is the Group's practice to obtain collateral in stock lending transactions, usually in the form of cash or marketable financial instruments.

The fair value of financial assets accepted as such collateral but not recognised in the statement of consolidated financial position amounts to £1,284 million (2023: £897 million).

The maximum exposure to credit risk in respect of stock lending transactions is £1,156 million (2023: £836 million) of which credit risk of £1,156 million (2023: £833 million) is mitigated through the use of collateral arrangements.

E4.4 Other collateral arrangements
At 31 December 2024, the Group had entered into reverse repurchase transactions under which it purchased securities and had taken on the obligation to resell the securities. The fair value of the financial assets accepted as collateral in respect of these transactions, but not recognised in the statement of consolidated financial position, is £151 million (2023: £100 million).

The maximum exposure to credit risk in respect of reverse repurchase transactions is £151 million (2023: £100 million) of which credit risk of £151 million (2023: £100 million) is mitigated through the use of collateral arrangements.

Details of collateral received to mitigate the counterparty risk arising from the Group's reinsurance transactions is given in note F10.

Collateral has also been pledged and charges have been granted in respect of certain Group borrowings. The details of these arrangements are set out in note E5.

E5. Borrowings

The Group classifies the majority of its interest-bearing borrowings as financial liabilities carried at amortised cost and these are recognised initially at fair value less any directly attributable transaction costs. The difference between initial cost and the redemption value is amortised through the consolidated income statement over the period of the borrowing using the effective interest method.

Certain borrowings are designated upon initial recognition at fair value through profit or loss and measured at fair value where doing so provides more meaningful information due to the reasons stated in the financial liabilities accounting policy (see note E1). Transaction costs relating to borrowings designated upon initial recognition at fair value through profit or loss are expensed as incurred.

Borrowings are classified as either policyholder or shareholder borrowings. Policyholder borrowings are those borrowings where there is either no or limited shareholder exposure, for example, borrowings attributable to the Group's with-profits operations.

E5.1 Analysis of borrowings

	Carrying value		Fair value	
	2024 £m	2023 £m	2024 £m	2023 £m
£300 million multi-currency revolving credit facility	90	90	90	90
Property reversions loan	31	45	31	45
Total policyholder borrowings	121	135	121	135
£428 million Tier 2 notes	197	197	199	202
US $500 million Tier 2 notes	399	391	399	377
€500 million Tier 2 notes	411	430	423	419
US $750 million Perpetual Contingent Convertible Tier 1 notes	199	587	200	563
£500 million 5.625% Tier 2 notes	490	489	485	476
US $500 million Fixed Rate Reset Callable Tier 2 notes	279	274	275	262
£500 million 5.867% Tier 2 notes	529	536	500	493
£250 million Fixed Rate Reset Callable Tier 2 notes	–	254	–	239
£250 million Tier 3 notes	252	253	246	250
£350 million Fixed Rate Reset Callable Tier 2 notes	347	346	367	368
US $500 million Perpetual Contingent Convertible Tier 1 notes	398	–	415	–
Total shareholder subordinated borrowings	3,501	3,757	3,509	3,649
Total borrowings	3,622	3,892	3,630	3,784
Amount due for settlement after 12 months	3,335	3,802		

On 18 November 2024, the Group replaced its £1.75 billion unsecured revolving credit facility with a new £1.5 billion unsecured revolving credit facility (the 'revolving facility'), maturing in November 2029. The new facility remains undrawn as at 31 December 2024.

Policyholder borrowings
Patria Private Equity Trust plc ('PPET') (formerly known as abrdn Private Equity Opportunities Trust plc) has in place a syndicated multi-currency revolving credit facility, of which £90 million (2023: £90 million) had been drawn down as at 31 December 2024. The facility term maturity is December 2025 and interest accrues at a margin over the reference rate of the currency drawn.

The Property Reversions loan from Santander UK plc ('Santander') was recognised in the consolidated financial statements at fair value. It relates to the sale of Extra-Income Plan policies that Santander finances to the value of the associated property reversions. As part of the arrangement Santander receives an amount calculated by reference to the movement in the Halifax House Price Index and the Group is required to indemnify Santander against profits or losses arising from mortality or surrender experience which differs from the basis used to calculate the reversion amount. During 2024, repayments totalling £16 million were made (2023: £21 million). Note G4 contains details of the assets that support this loan.

Shareholder subordinated borrowings
The principal features of the Group's subordinated borrowings are detailed in the table below.

2024	Nominal amount	Coupon	Maturity
£428 million Tier 2 notes[1]	£197m[2]	6.625%	18 December 2025
US $500 million Tier 2 notes[1]	US $500m	5.375%	6 July 2027
€500 million Tier 2 notes[1]	€500m	4.375%	24 January 2029
US $750 million Perpetual Contingent Convertible Tier 1 notes	US $250m[3]	5.625%[4]	Perpetual
£500 million 5.625% Tier 2 notes	£500m	5.625%	28 April 2031 (with optional redemption from 28 January 2031)
US $500 million Fixed Rate Reset Callable Tier 2 notes	US $350m[5]	4.750% up to reset date of 4 September 2026	4 September 2031 (with optional redemption between 4 June and 4 September 2026)
£500 million 5.867% Tier 2 notes[6]	£500m	5.867%	13 June 2029
£250 million Fixed Rate Reset Callable Tier 2 notes[6]	–[7]	5.766%	13 June 2029 (with option to call on 13 June 2024 which the Company exercised)
£250 million Tier 3 notes[6]	£250m	4.016%	13 June 2026
£350 million Fixed Rate Reset Callable Tier 2 notes	£350m	7.750% up to reset date of 6 December 2033[8]	6 December 2053 (with optional redemption between 6 June and 6 December 2033)
US $500 million Perpetual Contingent Convertible Tier 1 notes	US $500m	8.500% up to first reset date of 12 June 2030[4]	Perpetual (with optional redemption between 12 December 2029 and 12 June 2030)

1 The Company was substituted as issuer on 12 December 2018.
2 On 7 December 2023, the Company repurchased £231 million of the original £428m principal amount of the notes via a tender offer.
3 On 18 June 2024, the Company repurchased US $500 million of the original $750m principal amount of the notes via a tender offer.
4 Interest is cancellable at the absolute discretion of the Company.
5 On 7 December 2023, the Company repurchased US $150 million of the original $500m principal amount of the notes via a tender offer.
6 The Company was substituted as issuer on 22 July 2020 on acquisition of ReAssure Group plc and the notes were recognised at fair value.
7 On 13 June 2024, the Company redeemed the £250 million notes at their principal amount together with accrued and unpaid interest to the redemption date.
8 Interest is deferrable at the discretion of the Company.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

E5. Borrowings continued

E5.2 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes (with the exception of lease liabilities, which have been included in note G9). Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

		Cash movements		Non-cash movements			
	At 1 January 2024 £m	New borrowings, net of costs £m	Repayments £m	Changes in fair value £m	Movement in foreign exchange £m	Other movements[1] £m	At 31 December 2024 £m
£300 million multi-currency revolving credit facility	90	85	(80)	–	(5)	–	90
Property Reversions loan	45	–	(16)	2	–	–	31
£428 million Tier 2 notes	197	–	–	–	–	–	197
US $500 million Tier 2 notes	391	–	–	–	7	1	399
€500 million Tier 2 notes	430	–	–	–	(20)	1	411
US $750 million Perpetual Contingent Convertible Tier 1 notes	587	–	(393)	–	4	1	199
£500 million 5.625% Tier 2 notes	489	–	–	–	–	1	490
US $500 million Fixed Rate Reset Callable Tier 2 notes	274	–	–	–	5	–	279
£500 million 5.867% Tier 2 notes	536	–	–	–	–	(7)	529
£250 million Fixed Rate Reset Callable Tier 2 notes	254	–	(250)	–	–	(4)	–
£250 million Tier 3 notes	253	–	–	–	–	(1)	252
£350 million Fixed Rate Reset Callable Tier 2 notes	346	–	–	–	–	1	347
US $500 million Perpetual Contingent Convertible Tier 1 notes	–	390	–	–	8	–	398
Total borrowings	3,892	475	(739)	2	(1)	(7)	3,622
Interest payable on borrowings[3]	63	–	(218)	–	–	215	60
Derivative assets[2]	(118)	–	–	12	–	–	(106)
	3,837	475	(957)	14	(1)	208	3,576

1 Principally comprises amortisation under the effective interest method applied to borrowings held at amortised cost. No interest was capitalised in the year.

2 Cross currency swaps to hedge against adverse currency movements in respect of Group's Euro and US Dollar denominated borrowings. These instruments are reported within the derivative balances detailed within note E3.1.

3 Other movement represents the non-cash movement in the interest liability on borrowings.

		Cash movements		Non-cash movements			
	At 1 January 2023 £m	New borrowings, net of costs £m	Repayments £m	Changes in fair value £m	Movement in foreign exchange £m	Other movements[1] £m	At 31 December 2023 £m
£300 million multi-currency revolving credit facility	62	64	(37)	–	–	1	90
Property Reversions loan	64	–	(21)	2	–	–	45
£428 million Tier 2 notes	427	–	(231)	–	–	1	197
US $500 million Tier 2 notes	413	–	–	–	(22)	–	391
€500 million Tier 2 notes	439	–	–	–	(10)	1	430
US $750 million Perpetual Contingent Convertible Tier 1 notes	618	–	–	–	(32)	1	587
£500 million 5.625% Tier 2 notes	487	–	–	–	–	2	489
US $500 million Fixed Rate Reset Callable Tier 2 notes	412	–	(119)	–	(20)	1	274
£500 million 5.867% Tier 2 notes	543	–	–	–	–	(7)	536
£250 million Fixed Rate Reset Callable Tier 2 notes	259	–	–	–	–	(5)	254
£250 million Tier 3 notes	256	–	–	–	–	(3)	253
£350 million Fixed Rate Reset Callable Tier 2 notes	–	346	–	–	–	–	346
Total borrowings	3,980	410	(408)	2	(84)	(8)	3,892
Interest payable on borrowings[3]	64	–	(203)	–	–	202	63
Derivative assets[2]	(225)	–	–	108	–	(1)	(118)
	3,819	410	(611)	110	(84)	193	3,837

1 Principally comprises amortisation under the effective interest method applied to borrowings held at amortised cost. No interest was capitalised in the year.

2 Cross currency swaps to hedge against adverse currency movements in respect of Group's Euro and US Dollar denominated borrowings. These instruments are reported within the derivative balances detailed within note E3.1

3 Other movement represents the non-cash movement in the interest liability on borrowings.

E6. Risk management – financial and other risks

This note forms one part of the risk management disclosures in the consolidated financial statements. An overview of the Group's approach to risk management is outlined in note I3 and the Group's management of insurance risk is detailed in note F11.

E6.1 Financial risk and the Asset Liability Management ('ALM') framework

The use of financial instruments naturally exposes the Group to the risks associated with them, chiefly market risk, credit risk and financial soundness risk.

Responsibility for agreeing the financial risk profile rests with the Board of each Life Company, as advised by investment managers, internal committees and the actuarial function. In setting the risk profile, the Board of each Life Company will receive advice from the Chief Investment Officer, the relevant With-profits Actuary and the relevant actuarial function holder/Chief Actuary as to the potential implications of that risk profile with regard to the probability of both realistic insolvency and of failing to meet the regulatory Minimum Capital Requirement. The Chief Actuary will also advise the extent to which the investment risk taken is consistent with the Group's commitment to help customers secure a life of possibilities, including meeting the FCA's expectations under Consumer Duty.

Derivatives are used in many of the Group's funds, within policy guidelines agreed by the Board of each Life Company and overseen by investment committees of the Boards of each Life Company supported by management oversight committees. Derivatives are primarily used for risk hedging purposes or for efficient portfolio management, including the activities of the Group's Treasury function.

More detail on the Group's exposure to financial risk is provided in note E6.2 below.

The Group is also exposed to insurance risk arising from its Life, Pensions and Savings business. Life insurance risk in the Group arises through its exposure to longevity, persistency, mortality and to other variances between assumed and actual experience. These variances can be in factors such as administrative expenses and new business pricing. More detail on the Group's exposure to insurance risk is provided in note F11.

The Group's overall exposure to market and credit risk is monitored by appropriate committees, which agree policies for managing each type of risk on an ongoing basis, in line with the investment strategy developed to achieve investment returns in excess of amounts due in respect of insurance contracts. The effectiveness of the Group's ALM framework relies on the matching of assets and liabilities arising from insurance and investment contracts, taking into account the types of benefits payable to policyholders under each type of contract. Separate portfolios of assets are maintained for with-profits business funds (which include all of the Group's participating business), non-linked non-profits funds and unit-linked funds.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

E6. Risk management – financial and other risks continued

E6.2 Financial risk analysis

Transactions in financial instruments result in the Group assuming financial risks. These include credit risk, market risk and financial soundness risk. Each of these are described below, together with a summary of how the Group manages the risk, along with sensitivity analysis where appropriate. The sensitivity analysis does not include second order impacts of market movements, for example, where a market movement may give rise to potential indicators of impairment for the Group's intangible balances.

Climate risk

The Group is exposed to financial risks (in particular market and credit risk) related to the transition to a low carbon economy, and the physical impacts resulting from climate change which could result in long-term market, credit, insurance, reputation, proposition and operational implications. As such, this risk is treated as a component of the cross-cutting Sustainability risk in the Group's Risk Universe.

Identification of climate related risks has been embedded into the Group's Risk Management Framework. Significant progress has been made in recent years in developing risk metrics and establishing appropriate governance and risk management processes. The Group has adopted a proactive approach towards combatting climate change, with key net zero targets. Further details on these targets and on managing the related climate change risks are provided in the Task Force for Climate-related Financial Disclosures ('TCFD') within the Strategic Report.

Restatement of prior year comparatives

The prior year comparatives for the market and credit risk sensitivities have been restated. These sensitivities were materially impacted by including the Group's pension schemes within the scope of the sensitivity, providing a more holistic view of the impact of these stresses on the Group, and improvements made to the modelling of sensitivities following the introduction of IFRS 17.

E6.2.1 Credit risk

Credit risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, as a result of the default of a counterparty or an associate of such a counterparty to a financial transaction (i.e. failure to honour their financial obligations, or failing to perform them in a timely manner), whether on or off balance sheet.

There are two principal sources of credit risk for the Group:

- credit risk which results from direct investment activities, including investments in debt securities, derivatives counterparties, collective investment schemes, hedge funds and the placing of cash deposits; and
- credit risk which results indirectly from activities undertaken in the normal course of business. Such activities include premium payments, outsourcing contracts, reinsurance agreements, exposure from material suppliers and the lending of securities.

The amount disclosed in the statement of consolidated financial position in respect of all financial assets, together with rights secured under off balance sheet collateral arrangements, but excluding the minority interest in consolidated collective investment schemes and those assets that back policyholder liabilities, represents the Group's maximum exposure to credit risk. The credit risk borne by the shareholder on with-profits policies is dependent on the extent to which the underlying insurance fund is relying on shareholder support.

The impact of non-government debt securities and, inter alia, the change in market credit spreads during the year is fully reflected in the values shown in these consolidated financial statements. Credit spreads are the excess of corporate bond yields over gilt yields to reflect the higher level of risk. Similarly, the value of derivatives that the Group holds takes into account fully the changes in swap rates.

There is an exposure to spread changes affecting the prices of corporate bonds and derivatives. This exposure applies to supported with-profits funds (where risks and rewards fall wholly to shareholders), non-profit funds and shareholders' funds.

The Group holds £17,554 million (2023: £18,479 million) of corporate bonds which are used to back annuity liabilities in non-profit funds. These annuity liabilities include an aggregate credit default provision of £330 million (2023: £388 million) to fund against the risk of default.

The credit spread sensitivity represents a 100bps widening of credit spreads, with no change in the risk-free interest rate curve. Under this sensitivity it is also assumed that both expected and unexpected defaults remain unchanged. The illiquidity premium used in the valuation of primarily annuity liabilities, and associated reinsurance contracts, is adjusted to reflect the impact of the change in credit spreads arising on assets containing credit risk held within the reference portfolio.

A 100bps widening of credit spreads, with all other variables held constant and no change in assumed expected defaults, would result in an increase in the profit after tax in respect of a full financial year of £14 million (2023: decrease £108 million (restated)), an increase in equity of £141 million (2023: £166 million (restated)), and a decrease in CSM of £3 million (2023: £14 million (restated)).

A 100bps narrowing of credit spreads, with all other variables held constant and no change in assumed expected defaults, would result in an increase in the profit after tax in respect of a full financial year of £42 million (2023: £202 million (restated)), a decrease in equity of £113 million (2023: £136 million (restated)), and an increase in CSM of £3 million (2023: £9 million (restated)).

Details of the restatement of the prior year comparatives is disclosed in note E6.2.

Credit risk is managed by the monitoring of aggregate Group exposures to individual counterparties and by appropriate credit risk diversification (including by industry, credit rating, asset class and country). The Group manages the level of credit risk it accepts through an established Group Credit Risk Policy and Group Credit Limit and Counterparty Framework that includes the use of credit risk tolerances and limits. Additional controls for illiquid asset concentration risk are set out via specific risk limits within the framework. Credit risk on derivatives and securities lending is mitigated through the use of collateral with appropriate haircuts.

Credit quality of assets

An indication of the Group's exposure to credit risk is the quality of the investments and counterparties with which it transacts. The following table provides information regarding the aggregate credit exposure split by credit rating.

2024	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Non-rated £m	Unit-linked £m	Total £m	Less amounts classified as held for sale £m	Total £m
Loans and deposits	–	2	–	–	–	259	–	261	–	261
Derivatives	–	1,536	662	43	–	335	24	2,600	–	2,600
Debt securities[1,2]	7,329	32,892	17,752	14,967	2,518	7,071	6,772	89,301	(979)	88,322
Reinsurance contract assets	–	3,131	2,056	–	–	–	–	5,187	–	5,187
Reinsurers' share of investment contract liabilities	–	–	–	–	–	–	9,297	9,297	(32)	9,265
Cash and cash equivalents	1	1,453	5,820	82	–	–	2,130	9,486	(33)	9,453
	7,330	39,014	26,290	15,092	2,518	7,665	18,223	116,132	(1,044)	115,088

1 For financial assets that do not have credit ratings assigned by external ratings agencies, the Group assigns internal ratings for use in management and monitoring of credit risk. £55 million of AAA, £865 million of AA, £1,837 million of A, £2,266 million of BBB and £240 million of BB and below debt securities are internally rated. If a financial asset is neither rated by an external agency nor internally rated, it is classified as 'non-rated'.

2 Non-rated debt securities includes equity release mortgages with a value of £4,795 million (further details are set out in note E2.3) and non-rated bonds.

2023	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Non-rated £m	Unit-linked £m	Total £m	Less amounts classified as held for sale £m	Total £m
Loans and deposits	–	3	–	–	–	245	–	248	–	248
Derivatives	–	1,314	736	–	–	662	57	2,769	(3)	2,766
Debt securities[1,2]	7,427	34,133	21,170	14,769	2,933	7,332	7,021	94,785	(1,411)	93,374
Reinsurance contract assets	–	2,690	2,163	–	–	23	–	4,876	–	4,876
Reinsurers' share of investment contract liabilities	–	–	–	–	–	–	9,700	9,700	(28)	9,672
Cash and cash equivalents	–	1,254	4,383	88	–	–	1,495	7,220	(52)	7,168
	7,427	39,394	28,452	14,857	2,933	8,262	18,273	119,598	(1,494)	118,104

1 For financial assets that do not have credit ratings assigned by external ratings agencies, the Group assigns internal ratings for use in management and monitoring of credit risk. £169 million of AAA, £1,435 million of AA, £2,470 million of A, £1,819 million of BBB and £247 million of BB and below debt securities are internally rated. If a financial asset is neither rated by an external agency nor internally rated, it is classified as 'non-rated'.

2 Non-rated debt securities includes equity release mortgages with a value of £4,486 million (further details are set out in note E2.3) and non-rated bonds.

Credit ratings have not been disclosed in the above tables for the assets of the unit-linked funds since the shareholder is not directly exposed to credit risks from these assets. Included in unit-linked funds are assets which are held as reinsured external fund links. Under certain circumstances, the shareholder may be exposed to losses relating to the default of the reinsured external fund link.

Credit ratings have not been disclosed in the above tables for holdings in unconsolidated collective investment schemes and investments in associates. The credit quality of the underlying debt securities within these vehicles is managed by the safeguards built into the investment mandates for these vehicles.

The Group maintains accurate and consistent risk ratings across its asset portfolio. This enables management to focus on the applicable risks and to compare credit exposures across all lines of business, geographical regions and products. The rating system is supported by a variety of financial analytics combined with market information to provide the main inputs for the measurement of counterparty risk. All risk ratings are tailored to the various categories of assets and are assessed and updated regularly.

The Group operates an Asset Management Risk Committee, a Rating Committee and a Portfolio Credit Committee to monitor and control oversight of internal credit ratings for externally rated and internally rated assets. A variety of methods are used to validate the appropriateness of credit assessments from external institutions and fund managers. Internally rated assets are those that do not have a public rating from an external credit rating agency ('CRA') or from external asset managers (where the methodology and framework is assessed as being CRA comparable). Instead, internal credit ratings are used by the Group which are provided by fund managers or for certain assets (in particular, equity release mortgages and illiquid assets) are determined by the Life Companies. The Committees review the policies, processes and practices to ensure the appropriateness of the internal ratings, and to ensure they are in line with regulatory requirements.

Throughout 2024, the Group has continued to undertake actions to increase the overall credit quality of its asset portfolio and mitigate the impact of future downgrades on risk capital. Additionally, the Group has increased exposure to an array of illiquid credit assets such as equity release mortgages, commercial real estate loans and infrastructure loans. This is as a result of BPA transactions with the aim of achieving greater diversification and investment returns, consistent with the Strategic Asset Allocation and Risk Appetite approved by the Board.

A further indicator of the quality of the Group's financial assets is the extent to which they are neither past due nor impaired. All of the amounts in the table above for the current and prior year are neither past due nor impaired.

Additional life company asset disclosures are included on page 306 and include information on the Group's market exposure analysed by credit rating, sector and country of exposure for the shareholder debt portfolio.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued
E6. Risk management – financial and other risks continued
E6.2.1 Credit risk continued

Impact of credit risk on value of financial liabilities designated at FVTPL
The fair value of investment contracts and net asset value attributable to unitholders liabilities are determined based upon the performance of the assets backing those liabilities. This has the effect that the fair value of the liability primarily reflects asset-specific performance risk rather than credit risk. As a result, the impact of credit risk on the fair value of financial liabilities designated at FVTPL is not considered to be significant.

Concentration of credit risk
Concentration of credit risk might exist where the Group or its insurance subsidiaries has significant exposure to an individual counterparty or a group of counterparties with similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The Group has most of its counterparty risk within its life business and is monitored by the Group Credit Limit and Counterparty Framework contained within the Group Credit Risk Policy. It is further provided for in investment management agreements, overlaid by regulatory requirements and the monitoring of aggregate counterparty exposures across the Group against additional Group counterparty limits. Counterparty risk in respect of over-the-counter derivative counterparties is monitored using a Potential Future Exposure ('PFE') value metric.

The Group is also exposed to concentration risk with outsource partners. The Group operates a policy to manage outsourcer service counterparty exposures and the impact from default is reviewed regularly by executive committees and measured through stress and scenario testing.

Reinsurance
The Group is exposed to credit risk as a result of insurance risk transfer contracts with reinsurers. The Group's policy is to place reinsurance only with highly rated counterparties. The Group restricts concentration with individual external reinsurers by specifying limits on ceding and minimum conditions for acceptance and retention of reinsurers. The Group has made progress in increasing the number of reinsurers it transacts with, however, an element of concentration remains due to the nature of the reinsurance market and the restricted range of reinsurers available. The Group manages its exposure to reinsurance credit risk through the operation of a credit policy, collateralisation, and regular monitoring of exposures at the Reinsurance Management Committee and other credit focused committees.

Collateral
The credit risk of the Group is mitigated, in certain circumstances, by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained in respect of stock lending, certain reinsurance arrangements and to provide security against the daily mark to model value of derivative financial instruments. Management monitors the market value of the collateral received, requests additional collateral when needed, and performs an impairment valuation when impairment indicators exist. See note E4 for further information on collateral arrangements.

E6.2.2 Market risk
Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. The risk typically arises from exposure to equity, property and fixed income asset classes and the impact of changes in interest rates, inflation rates and currency exchange rates.

The Group is mainly exposed to market risk as a result of:

- the mismatch between liability profiles and the related asset investment portfolios;
- the investment of assets held to meet regulatory capital and solvency requirements;
- the investment of surplus assets including shareholder reserves yet to be distributed, surplus assets within the with-profits funds and assets held to meet regulatory capital and solvency requirements; and
- the income flow of management charges derived from the value of invested assets of the business.

The Group manages the levels of market risk that it accepts through the operation of a market risk policy using a number of controls and techniques including:

- defined lists of permitted securities and/or application of investment constraints and portfolio limits;
- clearly defined investment benchmarks for policyholder and shareholder funds;
- stochastic and deterministic asset/liability modelling;
- active use of derivatives to improve the matching characteristics of assets and liabilities and to reduce the risk exposure of a portfolio; and
- setting risk limits for main market risks and managing exposures against these appetites.

All operations comply with regulatory requirements relating to the taking of market risk.

Assets in the shareholder funds are managed against benchmarks that ensure they are diversified across a range of asset classes, instruments and geographies that are appropriate to the liabilities of the funds or are held to match the cash flows anticipated to arise in the business. A combination of limits by name of issuer, sector, geographical region and credit rating are used where relevant to reduce concentration risk among the assets held.

The assets of the participating business are principally managed to support the liabilities of the participating business and are appropriately diversified by both asset class and geography, considering:

- the economic liability and how this varies with market conditions;
- the need to invest assets supporting participating business in a manner consistent with the participating policyholders' reasonable expectations and Principles and Practices of Financial Management ('PPFM'); and
- the need to ensure that regulatory and capital requirements are met.

In practice, an element of market risk arises as a consequence of the need to balance these considerations, for example, in certain instances participating policyholders may expect that equity market risk will be taken on their behalf, and derivative instruments may be used to manage these risks.

Markets retain the potential to be volatile particularly given geopolitical instability, with escalation of regional conflicts and increasing protectionist policies able to result in increased inflationary pressures due to global policy changes and supply change disruption. More detail is covered within the Principal Risks section within the Group's Annual Report and Accounts.

Interest rate and inflation risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate relative to the respective liability due to the impact of changes in market interest rates on the value of interest-bearing assets and on the value of future guarantees provided under certain contracts of insurance. The paragraphs in this section also apply to inflation risk, but references to fixed rate assets and liabilities would be replaced with index-linked assets and liabilities.

The Group is required to manage its interest rate exposures in line with qualitative risk appetite statements, quantitative risk metrics and any additional hedging benchmarks. Interest rate risk is managed by matching assets and liabilities where practicable and by entering into derivative arrangements for hedging purposes where appropriate. This is particularly the case for the non-participating funds and supported participating funds. The market risks arising from participating business are born primarily by the with-profits policyholders. Market risk exposures, including the exposure to interest rate risk, are set with the aims of (i) ensuring that the with-profits funds are strong enough to honour guarantees and to smooth investment returns, and (ii) to optimise the risks and returns for with-profits policyholders, taking into account previous undertakings made to policyholders as well as legal and regulatory requirements.. In practice, the life companies of the Group maintain an appropriate mix of fixed and variable rate instruments according to the underlying insurance or investment contracts and will review this at regular intervals to ensure that overall exposure is kept within the risk profile agreed for each particular fund. This also requires the maturity profile of these assets to be managed in line with the liabilities to policyholders.

The sensitivity analysis for interest rate and inflation risk indicates how changes in the fair value or future cash flows of a financial instrument arising from changes in market interest and inflation rates at the reporting date result in a change in profit after tax, equity and CSM. It takes into account the effect of such changes in market interest and inflation rates on all assets and liabilities that contribute to the Group's reported profit after tax and in equity.

With-profits business and non-participating business within the with-profits funds are exposed to interest rate risk as guaranteed liabilities are valued relative to market interest rates and investments include fixed interest securities and derivatives. For unsupported with-profits business the profit or loss arising from mismatches between such assets and liabilities is largely offset by increased or reduced discretionary policyholder benefits dependent on the existence of policyholder guarantees. The contribution of unsupported participating business to the Group result is largely limited to the shareholders' share of bonuses. The contribution of the supported participating business to the Group result is determined in line with IFRS 17, which exposes the shareholder to changes in the value of the liabilities backed by shareholder assets and the value of capital advanced to the with-profits funds.

In the non-participating funds, policy liabilities' sensitivity to interest rates are matched primarily with debt securities and hedging if necessary to match duration on a regulatory basis for the Group's Solvency II position, with the result that sensitivity to changes in interest rates is very low. The Group's exposure to interest rates on an IFRS basis principally arises from the Group's hedging strategy to protect the regulatory capital position, which results in an adverse impact on profit on an increase in interest rates.

The Group is exposed to inflation risk through certain contracts, such as annuities, which may provide for future benefits to be paid taking account of changes in the level of experienced and implied inflation, and also through the Group's cost base. The Group seeks to manage inflation risk within the ALM framework through the holding of derivatives, such as inflation swaps, or physical positions in relevant assets, such as index-linked gilts, where appropriate.

The interest rate sensitivity reflects a 100bps change in risk-free yields at each time step on the risk-free curve applied to assets and liabilities as at the balance sheet date. The illiquidity premium used in the measurement of insurance contracts, and associated reinsurance contracts, as an addition to the risk-free curve does not change as a result of this sensitivity.

		2024			2023 restated[1]		
	Change in interest rate	Impact on profit after tax £m	Impact on equity £m	Impact on CSM £m	Impact on profit after tax £m	Impact on equity £m	Impact on CSM £m
Insurance contract and reinsurance contract balances	+1%	3,717	3,717	3	3,946	3,946	12
Investment contract without DPF balances	+1%	2,097	2,097	–	1,935	1,935	–
Financial assets subject to interest rate risk backing insurance and reinsurance contract balances	+1%	(3,991)	(3,991)	–	(4,334)	(4,334)	–
Financial assets subject to interest rate risk backing investment contract without DPF balances	+1%	(2,095)	(2,095)	–	(1,934)	(1,934)	–
Other financial assets subject to interest rate risk	+1%	(168)	(168)	–	(222)	(222)	–
Pension scheme liability	+1%	–	127	–	–	274	–
		(440)	(313)	3	(609)	(335)	12
Insurance contract and reinsurance contract balances	-1%	(4,493)	(4,493)	(12)	(4,821)	(4,821)	(11)
Investment contract without DPF balances	-1%	(2,431)	(2,431)	–	(2,216)	(2,216)	–
Financial assets subject to interest rate risk backing insurance and reinsurance contract balances	-1%	4,885	4,885	–	5,390	5,390	–
Financial assets subject to interest rate risk backing investment contract without DPF balances	-1%	2,428	2,428	–	2,215	2,215	–
Other financial assets subject to interest rate risk	-1%	169	169	–	222	222	–
Pension scheme liability	-1%	–	(155)	–	–	(338)	–
		558	403	(12)	790	452	(11)

1 See note E6.2 for further details of the prior year restatements.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued
E6. Risk management – financial and other risks continued
E6.2.2 Market risk continued

The inflation sensitivity reflects a 100bps change in future inflation rates at each time step on the inflation curve, with no change in the risk-free interest rate curve. The illiquidity premium used in the measurement of insurance contracts, and associated reinsurance contracts, as an addition to the risk-free interest rate curve is adjusted to reflect the impact on values of inflation-linked instruments included within the reference portfolio used to determine the illiquidity premium.

		2024			2023 restated[1]		
	Change in inflation	Impact on profit after tax £m	Impact on equity £m	Impact on CSM £m	Impact on profit after tax £m	Impact on equity £m	Impact on CSM £m
Insurance contract and reinsurance contract balances	+1%	(1,184)	(1,184)	(30)	(1,179)	(1,179)	(36)
Investment contract without DPF balances	+1%	(16)	(16)	–	(33)	(33)	–
Financial assets subject to inflation risk backing insurance and reinsurance contract balances	+1%	1,673	1,673	–	1,599	1,599	–
Financial assets subject to inflation risk backing investment contract without DPF balances	+1%	16	16	–	33	33	–
Pension scheme liability	+1%	–	(114)	–	–	(246)	–
		489	375	(30)	420	174	(36)
Insurance contract and reinsurance contract balances	-1%	1,137	1,137	22	1,096	1,096	42
Investment contract without DPF balances	-1%	14	14	–	28	28	–
Financial assets subject inflation risk backing insurance and reinsurance contract balances	-1%	(1,393)	(1,393)	–	(1,309)	(1,309)	–
Financial assets subject to inflation risk backing investment contract without DPF balances	-1%	(14)	(14)	–	(28)	(28)	–
Pension scheme liability	-1%	–	109	–	–	222	–
		(256)	(147)	22	(213)	9	42

1 See note E6.2 for further details of the prior year restatements.

Equity and property risk

The Group is exposed to the risk of reductions in the valuation of equities (or changes in the volatility) or property investments which could result in reductions in asset values and losses for policyholders or shareholders. In this context, equity assets should be taken to include shares, equity derivatives, equity collectives and unlisted equities. Property assets include direct property investment, shares in property companies, property collectives and structured property assets.

The portfolio of marketable equity securities and property investments which is carried in the statement of consolidated financial position at fair value has exposure to price risk. The Group's objective in holding these assets is to earn higher long-term returns by investing in a diverse portfolio of equities and properties. Portfolio characteristics are analysed regularly and price risks are actively managed in line with investment mandates. The Group's holdings are diversified across industries and concentrations in any one company or industry are limited.

Equity and property price risk is primarily borne in respect of assets held in with-profits funds, unit-linked funds or equity release mortgages in the non-profit funds. For unit-linked funds this risk is borne by policyholders and asset movements directly impact unit prices and hence policy values. For with-profits funds policyholders' future bonuses will be impacted by the investment returns achieved and hence the price risk, whilst the Group also has exposure to the value of guarantees provided to with-profits policyholders. In addition, some equity investments are held in respect of shareholders' funds. For the non-profit fund property price risk from equity release mortgages is borne by the Group with the aim of achieving greater diversification and investment returns, consistent with the Strategic Asset Allocation approved by the Board. The Group as a whole is exposed to price risk fluctuations impacting the income flow of management charges from the invested assets of all funds; this is primarily managed through the use of derivatives.

Equity and property price risk is managed through the agreement and monitoring of financial risk profiles that are appropriate for each of the Group's life funds in respect of maintaining adequate regulatory capital and Consumer Duty. This is largely achieved through asset class diversification and within the Group's ALM framework through the holding of derivatives or physical positions in relevant assets where appropriate.

The shareholders' exposure to equity risk principally arises from the Group's hedging strategy to protect the regulatory capital position, which results in an adverse impact on profit on an increase in equity prices.

The sensitivity analysis for equity and property price risk illustrates how a change in the fair value of equities and properties affects the Group result. It takes into account the effect of such changes in equity and property prices on all assets and liabilities that contribute to the Group's reported profit after tax and in equity.

The equity sensitivity represents a 10% change in equity prices at the balance sheet date. This is applied to investment assets/liabilities and to policyholder liabilities directly measured with reference to the value of backing equities, such as investment contract liabilities, unit-linked insurance contracts and with-profits contracts, and associated reinsurance contracts. The illiquidity premiums used in the measurement of insurance contracts do not change as a result of this sensitivity.

		2024			2023 restated[1]		
	Change in equity prices	Impact on profit after tax £m	Impact on equity £m	Impact on CSM £m	Impact on profit after tax £m	Impact on equity £m	Impact on CSM £m
Insurance contract and reinsurance contract balances	+10%	(2,239)	(2,239)	44	(2,192)	(2,192)	49
Investment contract without DPF balances	+10%	(8,197)	(8,197)	–	(7,962)	(7,962)	–
Financial assets subject to equity price risk backing insurance and reinsurance contract balances	+10%	2,293	2,293	–	2,241	2,241	–
Financial assets subject to equity price risk backing Investment contract without DPF balances	+10%	8,107	8,107	–	7,876	7,876	–
Other financial assets subject to equity price risk	+10%	(209)	(209)	–	(223)	(223)	–
		(245)	(245)	44	(260)	(260)	49
Insurance contract and reinsurance contract balances	-10%	2,274	2,274	(50)	2,227	2,227	(48)
Investment contract without DPF balances	-10%	8,301	8,301	–	8,074	8,074	–
Financial assets subject to equity price risk backing insurance and reinsurance contract balances	-10%	(2,328)	(2,328)	–	(2,279)	(2,279)	–
Financial assets subject to equity price risk backing Investment contract without DPF balances	-10%	(8,208)	(8,208)	–	(7,988)	(7,988)	–
Other financial assets subject to equity price risk	-10%	211	211	–	229	229	–
		250	250	(50)	263	263	(48)

1 See note E6.2 for further details of the prior year restatements.

The property sensitivity represents a 10% change in property prices at the balance sheet date. This is applied to investment assets/liabilities and to policyholder liabilities directly measured with reference to the value of backing property assets, such as investment contract liabilities, unit-linked insurance contracts and with-profit contracts, and associated reinsurance contracts. The illiquidity premium used in the valuation of primarily annuity liabilities, and associated reinsurance contracts, is adjusted to reflect the impact of property values on the change in spreads arising on equity release mortgage assets held within the reference portfolio.

		2024			2023 restated[1]		
	Change in property prices	Impact on profit after tax £m	Impact on equity £m	Impact on CSM £m	Impact on profit after tax £m	Impact on equity £m	Impact on CSM £m
Insurance contract and reinsurance contract balances	+10%	(121)	(121)	3	(141)	(141)	4
Investment contract without DPF balances	+10%	(291)	(291)	–	(278)	(278)	–
Financial assets subject to property price risk backing insurance and reinsurance contract balances	+10%	181	181	–	193	193	–
Financial assets subject to property price risk backing Investment contract without DPF balances	+10%	291	291	–	278	278	–
		60	60	3	52	52	4
Insurance contract and reinsurance contract balances	-10%	114	114	(4)	135	135	(4)
Investment contract without DPF balances	-10%	296	296	–	283	283	–
Financial assets subject to property price risk backing insurance and reinsurance contract balances	-10%	(190)	(190)	–	(204)	(204)	–
Financial assets subject to property price risk backing Investment contract without DPF balances	-10%	(296)	(296)	–	(283)	(283)	–
		(76)	(76)	(4)	(69)	(69)	(4)

1 See note E6.2 for further details of the prior year restatements.

The sensitivity to changes in equity prices is primarily driven by the Group's equity hedging arrangements over the value of future management charges that are linked to asset values.

Currency risk

Currency risk is the risk that changes in the value of currencies could lead to reductions in asset values which may result in losses for policyholders and shareholders. With the exception of Standard Life International business sold in Germany and the Republic of Ireland and some historic business written in the Republic of Ireland, the Group's principal transactions are carried out in sterling. The assets for these books of business are generally held in the same currency denomination as their liabilities, therefore, any foreign currency mismatch is largely mitigated. Consequently, the foreign currency risk relating to this business mainly arises when the assets and liabilities are translated into sterling.

The Group's financial assets are primarily denominated in the same currencies as its insurance and investment liabilities. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment liabilities are expected to be settled and, indirectly, from the non-UK earnings of UK companies.

Both the with-profits and non-profit funds have some exposure to overseas assets which is not driven by liability considerations. The purpose of this exposure is to reduce overall risk whilst maximising returns by diversification. This exposure is limited and managed through investment mandates

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued
E6. Risk management – financial and other risks continued
E6.2.2 Market risk continued

which are subject to the oversight of the investment committees of the Boards of each insurance subsidiary, and in the case of the with-profits funds consistent with policyholders' reasonable expectations and PPFM. Fluctuations in exchange rates from certain holdings in overseas assets are hedged against currency risks.

At 31 December 2023, the Group had in place four cross currency swaps which were designated as hedging instruments in order to effect cash flow hedges of the Group's Euro and US Dollar denominated borrowings. On 12 June 2024, the Company issued US $500 million Contingent Convertible Tier 1 notes and the cross currency swap that was entered into at this time was designated as a hedging instrument. On 18 June 2024, $500 million of the $750 million Contingently Convertible T1 notes were repurchased via a tender offer, leading to an unwinding of $500 million of the related swap arrangement.

E6.2.3 Financial soundness risk

Financial soundness risk is a broad risk category encompassing capital management risk, tax risk and liquidity and funding risk.

Capital management risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, due to a failure to maintain sufficient capital to provide appropriate security for policyholders and meet all regulatory capital requirements whilst not retaining unnecessary capital. The Group has exposure to capital management risk through the regulatory capital requirements mandated by the PRA. The Group's approach to managing capital management risk is described in detail in note I3.

Tax risk

Tax risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, due to an unforeseen tax cost, or by the inappropriate reporting and disclosure of information in relation to taxation. Tax risk can be caused by:

- the Group, or one of its subsidiaries, making a material error in its tax reporting;
- incorrect calculation of tax provisions;
- failure to implement the optimum financial arrangements to underpin a commercial transaction; and
- incorrect operation of policyholder tax requirements.

Tax risk is managed by maintaining an appropriately-staffed tax team who have the qualifications and experience to make judgements on tax issues, augmented by advice from external specialists where required. In addition, the Group has a formal tax risk policy, which sets out its risk appetite in relation to specific aspects of tax risk, and which details the controls the Group has in place to manage those risks.

Liquidity risk

Liquidity risk is defined as failure to maintain adequate levels of financial resources to meet obligations as they fall due. Funding risk relates to the potential inability to raise additional capital or liquidity when required in order to maintain the resilience of the balance sheet. The Group has exposure to liquidity risk as a result of servicing its external debt and equity investors, and from the operating requirements of its subsidiaries. The Group's subsidiaries have exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet short-term cash flow requirements and to meet obligations to policy liabilities. The Board of Phoenix Group Holdings plc has defined a number of governance objectives and principles and the liquidity risk frameworks of each subsidiary are designed to ensure that:

- liquidity risk is managed in a manner consistent with the subsidiary company Boards' strategic objectives, risk appetite and PPFM;
- cash flows are appropriately managed and the reputation of the Group is safeguarded; and
- appropriate information on liquidity risk is available to those making decisions.

The Group's liquidity risk management strategy is based on a risk appetite of less than a 1 in 200 chance of having insufficient liquid or tangible assets to meet financial obligations as they fall due and is supported by:

- holding appropriate assets to meet liquidity buffers;
- holding high quality liquid assets to support day to day operations;
- an effective stress testing framework to ensure survival horizons are met under different severe, but plausible scenarios;
- effective liquidity portfolio management including Early Warning Indicators; and
- liquidity risk contingency planning.

The Group's funding strategy aims to maintain the appropriate level of debt and equity in order to support the Group's organic and inorganic growth ambitions, while maintaining sufficient headroom for hybrid capital under regulatory rules.

Liquidity forecasts showing headroom against liquidity buffers are prepared regularly to predict required liquidity levels over both the short and medium-term allowing management to respond appropriately to changes in circumstances. In the event of a liquidity shortfall, either current or projected, this would be managed in line with the Group's Contingency Liquidity Plan where the latest available contingency management actions would be considered.

In extreme circumstances, the Group could be exposed to liquidity risk in its unit-linked funds. This could occur where a high volume of surrenders coincides with a tightening of liquidity in a unit-linked fund to the point where assets of that fund have to be sold to meet those withdrawals. Where the fund affected consists of less liquid assets such as property, it can take several months to complete a sale and this would impede the proper operation of the fund. In these situations, the Group considers its risk to be low since there are steps that can be taken first within the funds themselves both to ensure the fair treatment of all investors in those funds and to protect the Group's own risk exposure.

The vast majority of the Group's derivative contracts are traded OTC and have a two-day collateral settlement period. The Group's derivative contracts are monitored daily, via an end-of-day valuation process, to assess the need for additional funds to cover margin or collateral calls.

Some of the Group's commercial property investments, cash and cash equivalents are held through collective investment schemes. The collective investment schemes have the power to restrict and/or suspend withdrawals, which would, in turn, affect liquidity.

The following table provides a maturity analysis showing the remaining contractual maturities of the Group's undiscounted financial liabilities and associated interest.

2024	1 year or less or on demand £m	1-5 years £m	6-10 years £m	Greater than 10 years £m	No fixed term £m	Total £m	Less amounts classified as held for sale (see note H3) £m	Total £m
Investment contracts	173,922	–	–	–	–	173,922	(3,175)	170,747
Borrowings[1]	483	2,767	1,303	–	31	4,584	–	4,584
Derivatives[1]	641	245	745	8,372	–	10,003	–	10,003
Net asset value attributable to unitholders	2,486	–	–	–	–	2,486	–	2,486
Obligations for repayment of collateral received	849	–	–	–	–	849	–	849
Lease liabilities[1]	13	30	17	17	–	77	–	77
Accruals and deferred income	545	25	13	–	–	583	–	583
Other payables	2,280	–	–	–	–	2,280	–	2,280

2023	1 year or less or on demand £m	1-5 years £m	6-10 years £m	Greater than 10 years £m	No fixed term £m	Total £m	Less amounts classified as held for sale (see note H3) £m	Total £m
Investment contracts (restated)[2]	162,495	–	–	–	–	162,495	(4,780)	157,715
Borrowings[1]	298	2,065	2,563	–	45	4,971	–	4,971
Derivatives[1]	366	403	634	5,084	–	6,487	(2)	6,485
Net asset value attributable to unitholders	2,921	–	–	–	–	2,921	–	2,921
Obligations for repayment of collateral received	1,005	–	–	–	–	1,005	–	1,005
Lease liabilities[1]	9	35	26	37	–	107	–	107
Accruals and deferred income	536	29	14	–	–	579	–	579
Other payables	2,272	–	–	–	–	2,272	–	2,272

1 These financial liabilities are disclosed at their undiscounted value and therefore differ from amounts included in the statement of consolidated financial position which discloses the discounted value.
2 See note A3 for further details of the prior year restatements.

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. Although these liabilities are payable on demand, and are therefore included in the contractual maturity analysis as due within one year, the Group does not expect all these amounts to be paid out within one year of the reporting date.

The following tables present the estimated amount and timing of the remaining contractual discounted cash flows arising from insurance contract liabilities.

2024	Up to 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	>5 years £m	Total £m
Insurance contract liabilities	8,054	5,183	4,585	4,916	5,282	81,334	109,354

2023 restated[1]	Up to 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	>5 years £m	Total £m
Insurance contract liabilities	8,467	4,986	4,958	5,292	5,632	80,437	109,772

1 See note A3 for further details of the prior year restatements.

The following table sets out the amounts that are payable on demand and the carrying value of the related portfolios of contracts.

	2024		2023 restated[1]	
	Amounts payable on demand £m	Carrying value of portfolio £m	Amounts payable on demand £m	Carrying value of portfolio £m
With-profits	(42,695)	(49,233)	(44,076)	(51,646)
Annuities	(6,564)	(36,513)	(5,163)	(34,293)
Unit-linked	(17,773)	(17,016)	(15,793)	(16,404)
Protection	(384)	(975)	(612)	(1,722)
Short-term payables and receivables (including deposits from reinsurers)	(3,248)	(3,248)	(3,541)	(3,541)
	(70,664)	(106,985)	(69,185)	(107,606)

1 See note A3 for further details of the prior year restatements.

A significant proportion of the Group's financial assets are held in gilts, cash, supranationals and investment grade securities which the Group considers sufficient to meet the liabilities as they fall due. The vast majority of these investments are readily realisable immediately since most of them are quoted in an active market.

The Group has a set of established policies and processes to manage its exposure to liquidity risk, including impacts arising from the economic environment, business developments and funding changes. Where liquidity risk is heightened, such as during periods of significant market volatility, triggers are in place to enhance the frequency of liquidity monitoring and to implement available contingency actions to ensure sufficient liquidity is maintained.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued
E6. Risk management – financial and other risks continued
E6.2.4 Strategic risk
Strategic risks threaten the achievement of the Group strategy through poor strategic decision-making, implementation or response to changing circumstances. The Group recognises that core strategic activity brings with it exposure to strategic risk. However, the Group seeks to proactively review, manage and control these exposures.

The Group's strategy and business plan are exposed to external events that could prevent or impact the achievement of the strategy; events relating to how the strategy and business plan are executed; and events that arise as a consequence of following the specific strategy chosen. The identification and assessment of strategic risks is an integrated part of the Risk Management Framework. Strategic risk should be considered in parallel with the Risk Universe as each of the risks within the Risk Universe can impact the Group's strategy.

A Strategic Risk Policy is maintained and reported against regularly, with a particular focus on risk management, stakeholder management, corporate activity and overall reporting against the Group's strategic ambitions.

E6.2.5 Operational risk
Operational risk is the risk of reductions in earnings and/or value, through financial or reputational loss, from inadequate or failed internal processes and systems, or from people-related or external events. Operational risk arises due to failures in one or more of the following aspects of our business:

- indirect exposures through outsourcing service providers and suppliers;
- direct exposures through internal practices, actions or omissions;
- external threats from individuals or groups focused on malicious or criminal activities, or on external events occurring which are not within the Group's control; and
- negligence, mal-practice or failure of employees, or suppliers to follow good practice in delivering operational processes and practices.

It is accepted that it is neither possible, appropriate nor cost effective to eliminate all operational risks from the business as operational risk is inherent in any operating environment particularly given the regulatory framework under which the Group operates. As such the Group will tolerate a degree of operational risk subject to appropriate and proportionate levels of control around the identification, management and reporting of such risks. A set of operational risk policies are maintained that set out the nature of the operational risk exposure and key controls in place to control the risk.

E6.2.6 Customer risk
Customer risk is the risk of financial failure, reputational loss, loss of earnings and/or value through inappropriate or poor customer treatment (including poor advice). It can arise as a result of:

- Customer Outcomes: The risk that our decisions, actions or behaviors individually or collectively result in a failure to act to deliver good outcomes for our customers.
- Customer Transformation: The risk that the design, governance and oversight of Strategic Customer Transformation Activity in retained functions and service providers, fails to deliver on reasonable customer expectations, taking account of the Phoenix Group customer treatment risk appetites and regulatory requirements.

The Group has both a Conduct Risk appetite to focus on behaviours within the business, and a Customer Risk appetite to focus on achieving good customer outcomes. The behaviours and standards all colleagues are expected to achieve are detailed in our Group Code of Conduct. For our customers, what represents a good outcome is articulated in our Customer Standards and supporting Business Unit processes. In addition, the Group Conduct Strategy, which overarches our Risk Universe and all risk policies is designed to help the Group meet its aim of helping people secure a lifetime of possibilities. It seeks to do this by putting customers at the heart of our strategy and decision making, achieving good customer outcomes and preventing foreseeable harm.

The Group also has a suite of customer polices which set out the key customer risks and control objectives in place to mitigate them. The customer risks for the Group are regularly reported to management oversight committees.

F. Insurance contracts, investment contracts with DPF and reinsurance
F1. Liabilities under insurance contracts

Classification
Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Some contracts entered into by the Group have the legal form of insurance contracts but do not transfer significant insurance risk and expose the Group to financial risk. These contracts are classified as financial liabilities and are referred to as investment contracts.

All references in these accounting policies to insurance contracts and reinsurance contracts include contracts issued, initiated or acquired by the Group, unless otherwise stated.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features.

Some investment contracts issued by the Group contain discretionary participation features ('DPF'), whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Group's discretion, potentially significant additional benefits based on the return of specified pools of investment assets. The Group accounts for these contracts under IFRS 17 consistent with insurance contracts.

The classification assessment is made at the date of inception or for business combinations or portfolio transfers, as at the date of acquisition. Once a contract is assessed as insurance, investment with DPF or reinsurance, the classification continues until the contract is derecognised or modified.

When considering classification, and applying the provisions of IFRS 17, the Group identifies a contract as the smallest unit of account. The Group also makes an evaluation of whether a series of contracts can be treated together in applying IFRS 17 based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts.

Accounting treatment
Separating components from insurance and reinsurance contracts
The Group assesses its insurance products to determine whether they contain components, which must be accounted for under accounting standards other than IFRS 17 (distinct non-insurance components).

Where an insurance contract has a distinct investment component and meets the separation criteria established under IFRS 17, the investment component is separated from the host contract and accounted for under IFRS 9. The assessment of whether a contract has a distinct investment component is carried out at inception of the contract, or the date of acquisition in the case of a business combination.

When assessing whether the investment component is distinct, the Group considers the following, which may indicate that the insurance and investment component are highly interrelated:

- the value of one component varies with the other component;
- existence of an option to switch between the different components;
- discounts that span both elements e.g. a reduced asset management charge based on total size of contract; and
- other interacting features e.g. insurance risk from premium waivers and return of premium covering both elements of the policy.

After separating any distinct components, the Group applies the requirements of IFRS 17 to all remaining components of the insurance contract or where distinct criteria are not met, the whole contract is accounted for within IFRS 17.

Level of aggregation
The Group is required to divide its business into groups for the purposes of recognition and measurement. The Group's business is firstly split into portfolios. Portfolios contain groups of contracts with similar risks, which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts that are profitable at initial recognition and have no significant risk of becoming onerous, and the remaining profitable contracts. For reinsurance contracts the same three groups would be identified with 'onerous' being replaced with 'net gain' and 'profitable' being replaced with 'net cost'. Contracts which are issued more than one year apart are not permitted to be included within the same group. However as permitted by IFRS 17, the groups of contracts for which the FVA has been adopted on transition include contracts issued more than one year apart.

The Group has defined portfolios of insurance and reinsurance contracts issued broadly based on the predominant risks inherent in the products/contracts, for example, longevity, persistency, mortality, and by considering whether groups of products are managed together. These portfolios are further split by legal entity, with-profits fund and contracts subject to different IFRS 17 measurement models are grouped separately. The portfolios are allocated to cohorts based on whether they are onerous at inception or based on their expected level of profitability using information available at inception.

For reinsurance contracts held, portfolios are based upon similar risks to those of the underlying contracts. The reinsurance contracts held are assessed for aggregation requirements on an individual contract basis.

The grouping of the insurance contracts is determined at initial recognition and is not subsequently reassessed. Therefore, a contract will remain within the assigned aggregation group until it is derecognised, either by expiry or modification.

Recognition
The Group recognises groups of insurance contracts that it issues from the earliest of the following:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from the policyholder in the group is due or actually received if there is no due date; or
- for a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

Investment contracts with DPF are initially recognised at the date when the Group becomes a party to the contract.

Insurance contracts acquired in a business combination within the scope of IFRS 3 Business Combinations or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Reinsurance contracts held are recognised from the earliest of the following:

- the beginning of the coverage period of the group of reinsurance contracts held. However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage (for example, through a quota share arrangement) until the date when any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- the date the Group recognises an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued
F1. Liabilities under insurance contracts continued

Contract boundaries
The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- both of the following criteria are satisfied:
  - the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
  - the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

Where an expected premium or expected claim is not within the contract boundary, it is not recognised as a cash flow of the contract and is instead considered to relate to a future insurance contract and recognised when those contracts meet the recognition criteria.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

The contract boundary for a reinsurance contract is dependent on the terms and conditions of the reinsurance contract and therefore may not necessarily be the same as for the underlying contracts. Where the reinsurance contract is open to new business on agreed terms for a period of time, the contract boundary may include estimates of reinsurance on insurance contracts that have not yet been issued or reported.

Measurement
The Group's insurance contracts issued without direct participation features are grouped together under annuity, protection and other non-linked insurance business. These groups of insurance contract are measured under the General Model ('GM').

Direct participating contracts issued by the Group are contracts with DPF where the Group holds the pool of underlying assets. Direct participating insurance contracts are grouped together and reported primarily as either unit-linked or with-profits business although some protection contracts are considered to have direct participation features. These groups of contracts are measured using the variable fee approach ('VFA'), unless they fail the eligibility test to be treated under this approach, in such circumstances they are measured under the GM.

Reinsurance contracts held are measured under the GM irrespective of the measurement model used for the underlying contracts. Certain with-profits funds within the Group hold non-profit insurance business such as annuities. This business will also be measured under the GM.

Initial measurement – Insurance contracts
On initial recognition, the Group measures a group of insurance contracts as the total of (a) the fulfilment cash flows and a risk adjustment for non-financial risk; and (b) the contractual service margin ('CSM'). The fulfilment cash flows of a group of insurance contracts do not reflect the Group's non-performance risk.

The fulfilment cash flows comprise:

- unbiased and probability-weighted estimates of future cash flows that are within the contract boundary plus an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows ('BEL'); and
- a risk adjustment for non-financial risk.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract in a systematic and rational way based on the passage of time.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The Group applies a confidence level technique. The risk adjustment is allocated to groups of contracts based on an analysis of the risk profiles of the groups, reflecting the effects of the diversification benefits between Group entities to the extent that the Group includes it when determining the compensation required to bear that risk. The Group includes diversification between Group entities which use the Group Internal Model for management decision-making. Where a Standard Formula approach is used, no diversification with other entities within the Group is allowed for. The Group determines the risk adjustment using a one-year time horizon, consistent with the time horizon used for Solvency II, a key metric underlying how the Group is managed.

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognise over the life of the contract as insurance and investment-related services are provided. For profitable groups of insurance contracts the CSM is established to ensure that no profit or loss is recognised at inception and consequently it offsets the net present value of the expected cash flows (including initial premium and insurance acquisition cash flows) and the risk adjustment. For a group of insurance contracts that are onerous, the CSM is set to nil and a loss is immediately recognised in profit or loss. A loss component of the liability for remaining coverage ('LRC') is established for the amount of loss recognised.

The initial recognition of the CSM is consistent for insurance contracts applying the GM and VFA measurement approaches, however there are key differences for subsequent measurement of the CSM under these measurement models.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

With-profits estate
The Group has a number of with-profits funds where surpluses are shared between policyholders and shareholders. All such funds are closed to new business. These funds typically have an estate, being a surplus of assets over those needed to meet the liabilities of current policyholders. As these funds are closed to new business, the surplus is expected to be distributed to existing policyholders over time and the Group has determined it appropriate to allocate the expected future policyholder payments from the estate to specific groups of contracts within the measurement of the best estimate cash flows.

Subsequent measurement – Insurance contracts
The carrying amount of a group of insurance contracts at each reporting date is the sum of the LRC and the liability for incurred claims ('LIC'). The LRC comprises the BEL, risk adjustment and any remaining CSM at that date. The LIC includes the BEL and risk adjustment (the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported). There is no CSM associated with the LIC, and as a result, any changes in the LIC are taken directly to profit or loss.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

Changes relating to future insurance services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes	Recognised in insurance finance income or expenses therein on estimated future cash flows

Where, during the coverage period, a group of insurance contracts becomes onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such groups of onerous contracts representing the losses recognised.

The balance on the CSM at the end of the period is available for release to profit or loss. The amount of CSM recognised in insurance revenue each period (the CSM amortisation) is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period.

Benefits provided included those arising from both insurance and investment related services. Investment related services are only included if the Group is deemed to be providing a significant investment service when providing an investment component, or policyholder's right to withdraw, that is expected to include an investment return generated by investment activity performed by the Group. This includes contracts where the value of the investment return that the policyholder benefits from is not directly related to the value of the underlying investments. Coverage units are discounted and are updated at each reporting date to reflect the current best estimate of service expected to be provided in future periods. Coverage units for reinsurance contracts held are typically consistent with the underlying gross contracts, adjusted for differences in the services provided.

The CSM of each group of contracts is calculated at each reporting date as follows:

Insurance contracts measured under GM
For insurance contracts measured under the GM approach, the CSM is adjusted by applying locked-in discount rates, while the BEL and risk adjustment are adjusted using current discount rates.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
  - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year (see the 'Insurance revenue' accounting policy in note C1 for further details).

Changes in fulfilment cash flows relating to future service that adjust the CSM comprise:

- experience adjustments arising from the difference between premiums received and the expected amounts estimated at the beginning of the period, that relate to future service, along with any associated acquisition costs;
- changes in estimates of the present value of future cash flows in the BEL and risk adjustment;
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable; and
- changes in the risk adjustment for non-financial risk that relate to future service.

The impact of discounting the risk adjustment for business measured under GM is disaggregated and recognised within Net finance income or expenses from insurance contracts within the consolidated income statement.

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued

F1. Liabilities under insurance contracts continued

Insurance contracts measured under VFA model
Life business is considered to have direct participating features, and is required to be measured under the VFA model where:

- contractual terms evidence that policyholders participate in a pool of clearly identified underlying items, for example unit-linked or with-profits funds;
- the policyholders expect to receive a substantial share of the returns on underlying items (defined by the Group as greater than 50% and further qualitative factors are considered where share of returns is less than 50%); and
- a substantial proportion of changes in amounts payable to policyholders varies with returns on the underlying items (where substantial is defined consistently with the point above).

The Group's unit-linked and with-profits business that meets the VFA eligibility criteria are direct participating contracts under which the Group's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Group provides investment services under these contracts by giving a return based on underlying items, in addition to insurance coverage.

For unit-linked and with-profits contracts that are measured under the VFA, interest is not accreted on the CSM using a locked-in discount rate, instead it is determined with reference to the underlying items, reflecting that on these types of insurance contracts the Group fees for providing investment-related services are determined with reference to the value of the investments associated with the policyholder's policy. For example, annual management charges ('AMC') are determined by reference to the value of the policyholder's fund value and the shareholder's share of bonuses on a with-profits policy in a 90:10 fund is determined based on the performance of the with-profits fund.

The variable fee earned by the Group is consequently the Group's share of the fair value of underlying items less fulfilment cash flows that do not vary based on returns of the underlying items.

For unit-linked contracts, the underlying items are funds that the unit price of the investment chosen by the policyholder varies with.

For with-profits contracts, the underlying items are typically the net assets of the relevant with-profits fund, including the estate and the fair value of non-profit contracts within the fund. With-profit funds can vary in their nature and operation, therefore will be dependent on facts and circumstances.

When measuring a group of unit-linked and with-profits contracts using the VFA, the Group adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Group then adjusts any CSM for changes in the amount of the Group's share of the fair value of the underlying items, which relate to future services, as explained below.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- the change in the amount of the Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - the Group has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows;
  - a decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
  - an increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year (see the 'Insurance revenue' accounting policy in note C1 for further details).

Changes in fulfilment cash flows that relate to future service include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items.

The Group does not currently apply the risk mitigation option to any material extent.

Loss components
A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts. The loss component is released based on a systematic allocation of the subsequent changes relating to future service in the fulfilment cash flows to (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows and the risk adjustment relating to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of insurance contracts. The Group uses coverage units as the method of systematic allocation.

Reinsurance contracts held – measurement
The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset/liability for remaining coverage and the asset/liability for incurred claims. The asset/liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The measurement of reinsurance contracts held at initial recognition follows the same principles as those for insurance contracts issued, with the exception of the following:

- measurement of the cash flows includes an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral.
- the risk adjustment for non-financial risk is determined so that it represents the amount of risk being transferred to the reinsurer and
- the Group recognises both gains and losses at initial recognition in the statement of consolidated financial position as CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a loss that relates to events before initial recognition. Where the Group recognises a loss on initial recognition of an onerous group of underlying contracts, it establishes a loss-recovery component of the asset for remaining coverage depicting the recovery of losses recognised.
- reinsurance contracts held are not eligible to apply the VFA.

To determine the risk adjustment for reinsurance contracts held, the Group will apply the approach set out above for insurance contracts both gross and net of reinsurance and determine the amount of risk being transferred to the reinsurer as the difference between the two results.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts.

The Group adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts.

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM; and
- changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not adjust the CSM as they do not relate to future service. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

Modification and derecognition
The Group derecognises insurance and reinsurance contracts when:

- the rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired); or
- the contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

Disclosure groups
The Group disaggregates information for the purposes of making the disclosures required by IFRS 17 into the following disclosure groups:

- Retirement Solutions;
- Pensions & Savings;
- With-Profits; and
- Europe & Other

The disclosure groups are aligned to the segments used for segmental reporting in note B1.

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued

F1. Liabilities under insurance contracts continued

The table below shows a summary of the carrying amount of insurance contracts and the related reinsurance contracts in the statement of consolidated financial position.

2024	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Insurance contracts issued					
Estimates of present value of future cash flows	(37,934)	(22,160)	(26,152)	(23,108)	(109,354)
Risk adjustment	(826)	(78)	(89)	(213)	(1,206)
CSM	(4,000)	(269)	(633)	(329)	(5,231)
Net insurance contract liabilities issued	(42,760)	(22,507)	(26,874)	(23,650)	(115,791)
Insurance contract liabilities	(42,760)	(22,507)	(26,874)	(23,650)	(115,791)
Insurance contract assets	–	–	–	–	–
Net insurance contract liabilities issued	(42,760)	(22,507)	(26,874)	(23,650)	(115,791)
Reinsurance contracts held					
Estimates of present value of future cash flows	1,307	4	736	322	2,369
Risk adjustment	575	1	34	76	686
CSM	1,694	6	141	133	1,974
Net reinsurance contract assets held	3,576	11	911	531	5,029
Reinsurance contract assets	3,734	11	911	531	5,187
Reinsurance contract liabilities	(158)	–	–	–	(158)
Net reinsurance contract assets held	3,576	11	911	531	5,029

2023 (restated[1])	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Insurance contracts issued					
Estimates of present value of future cash flows (restated[1])	(35,713)	(23,164)	(27,700)	(23,195)	(109,772)
Risk adjustment	(767)	(84)	(104)	(217)	(1,172)
CSM (restated[1])	(3,749)	(201)	(589)	(244)	(4,783)
Net insurance contract liabilities issued (restated[1])	(40,229)	(23,449)	(28,393)	(23,656)	(115,727)
Insurance contract liabilities	(40,229)	(23,449)	(28,393)	(23,656)	(115,727)
Insurance contract assets	–	–	–	–	–
Net insurance contract liabilities issued	(40,229)	(23,449)	(28,393)	(23,656)	(115,727)
Reinsurance contracts held					
Estimates of present value of future cash flows	935	20	820	391	2,166
Risk adjustment	537	2	46	48	633
CSM	1,604	–	147	179	1,930
Net reinsurance contract assets held	3,076	22	1,013	618	4,729
Reinsurance contract assets	3,223	22	1,013	618	4,876
Reinsurance contract liabilities	(147)	–	–	–	(147)
Net reinsurance contract assets held	3,076	22	1,013	618	4,729

1 The segmental presentation of the 'Estimates of present value of future cash flows' for the year ended 31 December 2023 was restated to increase the values by £(628) million for Retirement Solutions, by £(1,123) million for Pensions & Savings, and by £(366) million for Europe & Other, and there was a corresponding decrease of £2,117 million for the With-Profits segment. In addition, 'Estimates of present value of future cash flows' was restated following the recent IFRS 17 valuation updates and was reduced by £14 million (see note A3 for further details). These changes also impacted the CSM and as a result the Retirement Solutions CSM increased by £(8) million and the With-Profits CSM reduced by £8 million.

F2. Movements in present value of future cash flows, risk adjustment and CSM of insurance contracts

The reconciliations below provide a roll-forward of the net asset or liability for insurance contracts issued by measurement component, showing estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

Insurance contracts

	2024				2023			
Retirement Solutions	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin £m	Total £m	Estimates of the present value of future cash flows restated[1] £m	Risk adjustment £m	Contractual service margin restated[1] £m	Total restated[1] £m
Insurance contract liabilities as at 1 January as reported	35,036	767	3,741	39,544	30,779	681	2,821	34,281
Restatements[1]	677	–	8	685				
Insurance contract liabilities as at 1 January (restated)	35,713	767	3,749	40,229	30,779	681	2,821	34,281
Insurance contract assets as at 1 January	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 1 January	35,713	767	3,749	40,229	30,779	681	2,821	34,281
Changes in profit or loss:								
CSM recognised for services provided	–	–	(278)	(278)	–	–	(260)	(260)
Risk adjustment for the risk expired	–	(71)	–	(71)	–	(39)	–	(39)
Experience adjustments[1]	(3)	–	–	(3)	(27)	–	–	(27)
Policyholder tax charges	–	–	–	–	(1)	–	–	(1)
Total change relating to current service	(3)	(71)	(278)	(352)	(28)	(39)	(260)	(327)
Contracts initially recognised in the period	(488)	128	360	–	(602)	167	435	–
Changes in estimates that adjust the CSM[1]	(93)	27	66	–	(574)	(92)	666	–
Changes in estimates that do not adjust the CSM	(12)	–	–	(12)	1	–	–	1
Total change relating to future service	(593)	155	426	(12)	(1,175)	75	1,101	1
Adjustments to liabilities for incurred claims (past service)	–	–	–	–	106	–	–	106
Impairment of assets for insurance acquisition cash flows	–	–	–	–	(1)	–	–	(1)
Insurance service result	(596)	84	148	(364)	(1,098)	36	841	(221)
Insurance finance (income)/expense[1]	(614)	(25)	103	(536)	1,971	4	62	2,037
Total changes in consolidated income statement	(1,210)	59	251	(900)	873	40	903	1,816
Cash flows:								
Premiums received	5,853	–	–	5,853	6,421	–	–	6,421
Claims and other expenses paid[1]	(3,657)	–	–	(3,657)	(3,752)	–	–	(3,752)
Insurance acquisition cash flows	(73)	–	–	(73)	(38)	–	–	(38)
Total cash flows	2,123	–	–	2,123	2,631	–	–	2,631
Other movements[1,2]	1,308	–	–	1,308	1,430	46	25	1,501
Net insurance contract liabilities as at 31 December	37,934	826	4,000	42,760	35,713	767	3,749	40,229
Insurance contract liabilities as at 31 December[1]	37,934	826	4,000	42,760	35,713	767	3,749	40,229
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December[1]	37,934	826	4,000	42,760	35,713	767	3,749	40,229

1 See notes F1 and A3 for details of the prior year restatements.

2 £1,514 million included in 'Estimates of the present value of future cash flows' in 2023 relates to the fair value of insurance contracts acquired as part of the acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canda UK Limited (see note H2). Estimates of the present value of future cash flows in 2024 includes £1,305 million of premium in respect of the PGL Pension Scheme buy-out.

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued
F2. Movements in present value of future cash flows, risk adjustment and CSM of insurance contracts continued

Pensions & Savings	2024 Estimates of the present value of future cash flows £m	2024 Risk adjustment £m	2024 Contractual service margin £m	2024 Total £m	2023 Estimates of the present value of future cash flows restated[1] £m	2023 Risk adjustment £m	2023 Contractual service margin £m	2023 Total restated[1] £m
Insurance contract liabilities as at 1 January as reported	22,041	84	201	22,326	21,350	89	94	21,533
Restatements[1]	1,123	–	–	1,123	–	–	–	–
Insurance contract liabilities as at 1 January (restated)	23,164	84	201	23,449	21,350	89	94	21,533
Insurance contract assets as at 1 January	–	–	–	–	(48)	–	–	(48)
Net insurance contract liabilities as at 1 January	23,164	84	201	23,449	21,302	89	94	21,485
Changes in profit or loss:								
CSM recognised for services provided	–	–	(36)	(36)	–	–	(25)	(25)
Risk adjustment for the risk expired	–	(11)	–	(11)	–	(8)	–	(8)
Experience adjustments	63	–	–	63	10	–	–	10
Policyholder tax charges	(33)	–	–	(33)	(6)	–	–	(6)
Total change relating to current service	30	(11)	(36)	(17)	4	(8)	(25)	(29)
Contracts initially recognised in the period	–	–	–	–	(67)	33	34	–
Changes in estimates that adjust the CSM	(106)	(4)	110	–	(103)	(1)	104	–
Changes in estimates that do not adjust the CSM	(14)	8	–	(6)	(10)	2	–	(8)
Total change relating to future service	(120)	4	110	(6)	(180)	34	138	(8)
Adjustments to liabilities for incurred claims (past service)	(22)	–	–	(22)	14	–	–	14
Insurance service result	(112)	(7)	74	(45)	(162)	26	113	(23)
Insurance finance expense/(income)	1,724	1	(3)	1,722	1,593	1	(4)	1,590
Total changes in consolidated income statement	1,612	(6)	71	1,677	1,431	27	109	1,567
Cash flows:								
Premiums received	377	–	–	377	389	–	–	389
Claims and other expenses paid[1]	(2,999)	–	–	(2,999)	(2,365)	–	–	(2,365)
Total cash flows	(2,622)	–	–	(2,622)	(1,976)	–	–	(1,976)
Other movements[2]	6	–	(3)	3	2,407	(32)	(2)	2,373
Net insurance contract liabilities as at 31 December[1]	22,160	78	269	22,507	23,164	84	201	23,449
Insurance contract liabilities as at 31 December	22,160	78	269	22,507	23,164	84	201	23,449
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December[1]	22,160	78	269	22,507	23,164	84	201	23,449

1 See notes F1 and A3 for details of the prior year restatements.

2 £2,411 million included in 'Estimates of the present value of future cash flows' in 2023 relates to the fair value of insurance contracts acquired as part of the acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canda UK Limited) (see note H2).

With-Profits	2024 Estimates of the present value of future cash flows £m	2024 Risk adjustment £m	2024 Contractual service margin £m	2024 Total £m	2023 Estimates of the present value of future cash flows restated[1] £m	2023 Risk adjustment £m	2023 Contractual service margin restated[1] £m	2023 Total restated[1] £m
Insurance contract liabilities as at 1 January as reported	29,880	104	597	30,581	28,282	158	565	29,005
Restatements[1]	(2,180)	–	(8)	(2,188)	(64)	–	(7)	(71)
Insurance contract liabilities as at 1 January (restated)	27,700	104	589	28,393	28,218	158	558	28,934
Insurance contract assets as at 1 January	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 1 January	27,700	104	589	28,393	28,218	158	558	28,934
Changes in profit or loss:								
CSM recognised for services provided	–	–	(74)	(74)	–	–	(77)	(77)
Risk adjustment for the risk expired	–	(6)	–	(6)	–	(4)	–	(4)
Experience adjustments	11	–	–	11	23	–	–	23
Policyholder tax charges	(36)	–	–	(36)	(17)	–	–	(17)
Total change relating to current service	(25)	(6)	(74)	(105)	6	(4)	(77)	(75)
Changes in estimates that adjust the CSM	(98)	(12)	110	–	(99)	(20)	119	–
Changes in estimates that do not adjust the CSM	(36)	3	–	(33)	(52)	(12)	–	(64)
Total change relating to future service	(134)	(9)	110	(33)	(151)	(32)	119	(64)
Adjustments to liabilities for incurred claims (past service)	(38)	–	–	(38)	(33)	–	–	(33)
Insurance service result	(197)	(15)	36	(176)	(178)	(36)	42	(172)
Insurance finance expense/(income)	1,113	–	9	1,122	1,891	13	10	1,914
Total changes in consolidated income statement	916	(15)	45	946	1,713	(23)	52	1,742
Cash flows:								
Premiums received	101	–	–	101	121	–	–	121
Claims and other expenses paid[1]	(2,567)	–	–	(2,567)	(2,811)	–	–	(2,811)
Total cash flows	(2,466)	–	–	(2,466)	(2,690)	–	–	(2,690)
Other movements[1,2]	2	–	(1)	1	459	(31)	(21)	407
Net insurance contract liabilities as at 31 December[1]	26,152	89	633	26,874	27,700	104	589	28,393
Insurance contract liabilities as at 31 December	26,152	89	633	26,874	27,700	104	589	28,393
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December[1]	26,152	89	633	26,874	27,700	104	589	28,393

1 See notes F1 and A3 for details of the prior year restatements.

2 £349 million included in 'Estimates of the present value of future cash flows' in 2023 relates to the fair value of insurance contracts acquired as part of the acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canda UK Limited) (see note H2).

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued
F2. Movements in present value of future cash flows, risk adjustment and CSM of insurance contracts continued

Europe & Other	2024 Estimates of the present value of future cash flows £m	2024 Risk adjustment £m	2024 Contractual service margin £m	2024 Total £m	2023 Estimates of the present value of future cash flows restated[1] £m	2023 Risk adjustment £m	2023 Contractual service margin £m	2023 Total restated[1] £m
Insurance contract liabilities as at 1 January as reported	22,829	217	244	23,290	22,201	169	419	22,789
Restatements[1]	366	–	–	366	–	–	–	–
Insurance contract liabilities as at 1 January	23,195	217	244	23,656	22,201	169	419	22,789
Insurance contract assets as at 1 January	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 1 January	23,195	217	244	23,656	22,201	169	419	22,789
Changes in profit or loss:								
CSM recognised for services provided	–	–	(56)	(56)	–	–	(47)	(47)
Risk adjustment for the risk expired	–	(15)	–	(15)	–	(12)	–	(12)
Experience adjustments	–	–	–	–	18	–	–	18
Policyholder tax charges	–	–	–	–	(1)	–	–	(1)
Total change relating to current service	–	(15)	(56)	(71)	17	(12)	(47)	(42)
Contracts initially recognised in the period	(51)	6	45	–	(57)	8	53	4
Changes in estimates that adjust the CSM	(82)	2	80	–	116	27	(143)	–
Changes in estimates that do not adjust the CSM	3	15	–	18	10	25	–	35
Total change relating to future service	(130)	23	125	18	69	60	(90)	39
Adjustments to liabilities for incurred claims (past service)	(8)	–	–	(8)	(104)	–	–	(104)
Impairment of assets for insurance acquisition cash flows	–	–	–	–	(3)	–	–	(3)
Insurance service result	(138)	8	69	(61)	(21)	48	(137)	(110)
Insurance finance expense/(income)	1,336	(8)	20	1,348	1,550	(13)	(20)	1,517
Total changes in consolidated income statement	1,198	–	89	1,287	1,529	35	(157)	1,407
Cash flows:								
Premiums received	1,720	–	–	1,720	1,673	–	–	1,673
Claims and other expenses paid[1]	(2,249)	–	–	(2,249)	(1,893)	–	–	(1,893)
Insurance acquisition cash flows	(106)	–	–	(106)	(116)	–	–	(116)
Total cash flows	(635)	–	–	(635)	(336)	–	–	(336)
Other movements[2]	(650)	(4)	(4)	(658)	(199)	13	(18)	(204)
Net insurance contract liabilities as at 31 December[1]	23,108	213	329	23,650	23,195	217	244	23,656
Insurance contract liabilities as at 31 December	23,108	213	329	23,650	23,195	217	244	23,656
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December[1]	23,108	213	329	23,650	23,195	217	244	23,656

1 See notes F1 and A3 for details of the prior year restatements.
2 £112 million included in 'Estimates of the present value of future cash flows' in 2023 relates to the fair value of insurance contracts acquired as part of the acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canda UK Limited) (see note H2).

F3. Movements in liabilities for remaining coverage and liabilities for incurred claims for insurance contracts
The following reconciliations show how the net carrying amounts of insurance contracts issued changed over the year as a result of cash flows, amounts recognised in the consolidated income statement and other movements, analysed by remaining coverage and incurred claims.

	2024				2023			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
Retirement Solutions	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m	Excluding loss component restated[1] £m	Loss component £m	Liabilities for incurred claims restated[1] £m	Total £m
Insurance contract liabilities as at 1 January as reported	40,050	54	(560)	39,544	34,189	56	36	34,281
Restatements[1]	76	–	609	685	–	–	–	–
Insurance contract liabilities as at 1 January (restated)	40,126	54	49	40,229	34,189	56	36	34,281
Insurance contract assets as at 1 January	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 1 January	40,126	54	49	40,229	34,189	56	36	34,281
Insurance revenue (note C1)	(3,918)	–	–	(3,918)	(3,751)	–	–	(3,751)
Insurance service expenses:								
Incurred claims and other expenses[1]	–	(4)	3,569	3,565	–	(4)	3,427	3,423
Amortisation of insurance acquisition cash flows	1	–	–	1	1	–	–	1
Losses on onerous contracts and reversals of those losses	–	(12)	–	(12)	–	1	–	1
Changes to liabilities for incurred claims (past service)	–	–	–	–	–	–	106	106
Impairment of assets for insurance acquisition cash flows	–	–	–	–	(1)	–	–	(1)
Insurance service result	(3,917)	(16)	3,569	(364)	(3,751)	(3)	3,533	(221)
Insurance finance (income)/expense[1]	(552)	1	15	(536)	2,036	1	–	2,037
Total changes in the consolidated income statement	(4,469)	(15)	3,584	(900)	(1,715)	(2)	3,533	1,816
Investment components	(301)	–	301	–	(160)	–	160	–
Cash flows:								
Premiums received	5,853	–	–	5,853	6,421	–	–	6,421
Claims and other expenses paid[1]	–	–	(3,657)	(3,657)	–	–	(3,752)	(3,752)
Insurance acquisition cash flows	(73)	–	–	(73)	(38)	–	–	(38)
Total cash flows	5,780	–	(3,657)	2,123	6,383	–	(3,752)	2,631
Other movements[1,2]	1,287	–	21	1,308	1,429	–	72	1,501
Net insurance contract liabilities as at 31 December[1]	42,423	39	298	42,760	40,126	54	49	40,229
Insurance contract liabilities as at 31 December	42,423	39	298	42,760	40,126	54	49	40,229
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December[1]	42,423	39	298	42,760	40,126	54	49	40,229

1 See notes F1 and A3 for details of the prior year restatements.
2 £1,514 million included in 'Estimates of the present value of future cash flows' in 2023 relates to the fair value of insurance contracts acquired as part of the acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canda UK Limited) (see note H2). Estimates of the present value of future cash flows in 2024 includes £1,305 million of premium in respect of the PGL Pension Scheme buy-out.

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued
F3. Movements in liabilities for remaining coverage and liabilities for incurred claims for insurance contracts continued

	2024				2023			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
Pensions & Savings	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m	Excluding loss component £m	Loss component £m	Liabilities for incurred claims restated[1] £m	Total restated[1] £m
Insurance contract liabilities as at 1 January as reported	22,892	115	(681)	22,326	21,359	131	43	21,533
Restatements[1]	–	–	1,123	1,123	–	–	–	–
Insurance contract liabilities as at 1 January (restated)	22,892	115	442	23,449	21,359	131	43	21,533
Insurance contract assets as at 1 January	–	–	–	–	(50)	2	–	(48)
Net insurance contract liabilities as at 1 January	22,892	115	442	23,449	21,309	133	43	21,485
Insurance revenue (note C1)	(274)	–	–	(274)	(272)	–	–	(272)
Insurance service expenses:								
Incurred claims and other expenses	–	(14)	271	257	–	(14)	257	243
Amortisation of insurance acquisition cash flows	–	–	–	–	–	–	–	–
Losses on onerous contracts and reversals of those losses	–	(6)	–	(6)	–	(8)	–	(8)
Changes to liabilities for incurred claims (past service)	–	–	(22)	(22)	–	–	14	14
Insurance service result	(274)	(20)	249	(45)	(272)	(22)	271	(23)
Insurance finance expense	1,708	–	14	1,722	1,576	5	9	1,590
Total changes in the consolidated income statement	1,434	(20)	263	1,677	1,304	(17)	280	1,567
Investment components	(2,679)	–	2,679	–	(2,207)	–	2,207	–
Cash flows:								
Premiums received	377	–	–	377	389	–	–	389
Claims and other expenses paid[1]	–	–	(2,999)	(2,999)	–	–	(2,365)	(2,365)
Total cash flows	377	–	(2,999)	(2,622)	389	–	(2,365)	(1,976)
Other movements[2]	5	(1)	(1)	3	2,097	(1)	277	2,373
Net insurance contract liabilities as at 31 December[1]	22,029	94	384	22,507	22,892	115	442	23,449
Insurance contract liabilities as at 31 December	22,029	94	384	22,507	22,892	115	442	23,449
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December[1]	22,029	94	384	22,507	22,892	115	442	23,449

1 See notes F1 and A3 for details of the prior year restatements.

2 £2,411 million included in 'Estimates of the present value of future cash flows' in 2023 relates to the fair value of insurance contracts acquired as part of the acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canda UK Limited).

	2024				2023			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
With-Profits	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m	Excluding loss component restated[1] £m	Loss component £m	Liabilities for incurred claims restated[1] £m	Total restated[1] £m
Insurance contract liabilities as at 1 January as reported	27,591	312	2,678	30,581	27,812	397	796	29,005
Restatements[1]	(71)	–	(2,117)	(2,188)	(71)	–	–	(71)
Insurance contract liabilities as at 1 January (restated)	27,520	312	561	28,393	27,741	397	796	28,934
Insurance contract assets as at 1 January	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 1 January	27,520	312	561	28,393	27,741	397	796	28,934
Insurance revenue (note C1)	(378)	–	–	(378)	(267)	–	–	(267)
Insurance service expenses:								
Incurred claims and other expenses	–	(43)	316	273	–	(61)	253	192
Losses on onerous contracts and reversals of those losses	–	(33)	–	(33)	–	(64)	–	(64)
Changes to liabilities for incurred claims (past service)	–	–	(38)	(38)	–	–	(33)	(33)
Insurance service result	(378)	(76)	278	(176)	(267)	(125)	220	(172)
Insurance finance expense	1,098	1	23	1,122	1,883	14	17	1,914
Total changes in the consolidated income statement	720	(75)	301	946	1,616	(111)	237	1,742
Investment components	(2,369)	–	2,369	–	(2,360)	–	2,360	–
Cash flows:								
Premiums received	101	–	–	101	121	–	–	121
Claims and other expenses paid[1]	–	–	(2,567)	(2,567)	–	–	(2,811)	(2,811)
Total cash flows	101	–	(2,567)	(2,466)	121	–	(2,811)	(2,690)
Other movements[2]	–	1	–	1	402	26	(21)	407
Net insurance contract liabilities as at 31 December[1]	25,972	238	664	26,874	27,520	312	561	28,393
Insurance contract liabilities as at 31 December	25,972	238	664	26,874	27,520	312	561	28,393
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December[1]	25,972	238	664	26,874	27,520	312	561	28,393

1 See notes F1 and A3 for details of the prior year restatements.

2 £349 million included in 'Estimates of the present value of future cash flows' in 2023 relates to the fair value of insurance contracts acquired as part of the acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canda UK Limited).

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued
F3. Movements in liabilities for remaining coverage and liabilities for incurred claims for insurance contracts continued

Europe & Other	2024 Liabilities for remaining coverage: Excluding loss component £m	2024 Liabilities for remaining coverage: Loss component £m	2024 Liabilities for incurred claims £m	2024 Total £m	2023 Liabilities for remaining coverage: Excluding loss component £m	2023 Liabilities for remaining coverage: Loss component £m	2023 Liabilities for incurred claims restated[1] £m	2023 Total restated[1] £m
Insurance contract liabilities as at 1 January as reported	23,055	142	93	23,290	22,271	72	446	22,789
Restatements[1]	–	–	366	366	–	–	–	–
Insurance contract liabilities as at 1 January (restated)	23,055	142	459	23,656	22,271	72	446	22,789
Insurance contract assets as at 1 January	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 1 January	23,055	142	459	23,656	22,271	72	446	22,789
Insurance revenue (note C1)	(569)	–	–	(569)	(571)	–	–	(571)
Insurance service expenses:								
Incurred claims and other expenses	–	(34)	521	487	–	(11)	526	515
Amortisation of insurance acquisition cash flows	11	–	–	11	14	–	–	14
Losses on onerous contracts and reversals of those losses	–	18	–	18	–	39	–	39
Changes to liabilities for incurred claims (past service)	–	–	(8)	(8)	–	–	(104)	(104)
Impairment of assets for insurance acquisition cash flows	–	–	–	–	(3)	–	–	(3)
Insurance service result	(558)	(16)	513	(61)	(560)	28	422	(110)
Insurance finance expense	1,326	18	4	1,348	1,488	14	15	1,517
Total changes in the consolidated income statement	768	2	517	1,287	928	42	437	1,407
Investment components	(1,485)	–	1,485	–	(1,483)	–	1,483	–
Cash flows:								
Premiums received	1,720	–	–	1,720	1,673	–	–	1,673
Claims and other expenses paid[1]	–	–	(2,249)	(2,249)	–	–	(1,893)	(1,893)
Insurance acquisition cash flows	(106)	–	–	(106)	(116)	–	–	(116)
Total cash flows	1,614	–	(2,249)	(635)	1,557	–	(1,893)	(336)
Other movements[2]	(646)	(4)	(8)	(658)	(218)	28	(14)	(204)
Net insurance contract liabilities as at 31 December[1]	23,306	140	204	23,650	23,055	142	459	23,656
Insurance contract liabilities as at 31 December	23,306	140	204	23,650	23,055	142	459	23,656
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December[1]	23,306	140	204	23,650	23,055	142	459	23,656

1 See notes F1 and A3 for details of the prior year restatements.
2 £112 million included in 'Estimates of the present value of future cash flows' in 2023 relates to the fair value of insurance contracts acquired as part of the acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canda UK Limited).

F4 Movements in present value of future cash flows, risk adjustment and CSM or reinsurance contracts held.
The reconciliations below provide a roll-forward of the net asset or liability for reinsurance contracts held by measurement component, showing estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

	2024 Estimates of the present value of future cash flows £m	2024 Risk adjustment £m	2024 Contractual service margin £m	2024 Total £m	2023 Estimates of the present value of future cash flows £m	2023 Risk adjustment £m	2023 Contractual service margin £m	2023 Total £m
Reinsurance contract liabilities as at 1 January	(244)	37	60	(147)	(8)	–	1	(7)
Reinsurance contract assets as at 1 January	2,410	596	1,870	4,876	2,285	478	1,308	4,071
Net reinsurance contract assets as at 1 January	2,166	633	1,930	4,729	2,277	478	1,309	4,064
								–
Changes in profit or loss:								–
CSM recognised for services received	–	–	(163)	(163)	–	–	(168)	(168)
Risk adjustment for the risk expired	–	(58)	–	(58)	–	(30)	–	(30)
Experience adjustments	(21)	–	–	(21)	27	–	–	27
Total change relating to current service	(21)	(58)	(163)	(242)	27	(30)	(168)	(171)
Contracts initially recognised in the period	(190)	116	74	–	(351)	229	122	–
Changes in estimates that adjust the CSM	(93)	17	76	–	(610)	(49)	659	–
Changes in estimates that do not adjust the CSM	(12)	9	–	(3)	(17)	7	–	(10)
Reversal of impairment of assets for reinsurance acquisition cash flows	–	–	–	–	2	–	–	2
Total change relating to future service	(295)	142	150	(3)	(976)	187	781	(8)
Changes in amounts recoverable arising from changes in liabilities for incurred claims (past service)	–	–	–	–	(1)	–	–	(1)
Net (expenses)/income from reinsurance contracts	(316)	84	(13)	(245)	(950)	157	613	(180)
Reinsurance finance (expense)/income	(130)	(28)	49	(109)	156	(3)	26	179
Total changes in consolidated income statement	(446)	56	36	(354)	(794)	154	639	(1)
Cash flows:								
Premiums paid	2,658	–	–	2,658	3,085	–	–	3,085
Claims recovered and other expenses paid	(2,000)	–	–	(2,000)	(2,280)	–	–	(2,280)
Total cash flows	658	–	–	658	805	–	–	805
Other movements[1]	(9)	(3)	8	(4)	(122)	1	(18)	(139)
Net reinsurance contract assets as at 31 December	2,369	686	1,974	5,029	2,166	633	1,930	4,729
								–
Reinsurance contract liabilities as at 31 December	(252)	34	60	(158)	(244)	37	60	(147)
Reinsurance contract assets as at 31 December	2,621	652	1,914	5,187	2,410	596	1,870	4,876
Net reinsurance contract assets as at 31 December	2,369	686	1,974	5,029	2,166	633	1,930	4,729
Analysed by segment as follows:								–
Retirement Solutions	1,307	575	1,694	3,576	935	537	1,604	3,076
Pensions & Savings	4	1	6	11	20	2	–	22
With-profits	736	34	141	911	820	46	147	1,013
Europe & Other	322	76	133	531	391	48	179	618
Net reinsurance contract assets as at 31 December	2,369	686	1,974	5,029	2,166	633	1,930	4,729

1 In 2023 £(153) million relates to the fair value of insurance contracts acquired as part of the acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canda UK Limited) (see note H2).

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued
F5. Movements in liabilities for remaining coverage and liabilities for incurred claims for reinsurance contracts held
The following reconciliations show how the net carrying amounts of reinsurance contracts held changed over the year as a result of cash flows, amounts recognised in the consolidated income statement and other movements, analysed by remaining coverage and incurred claims.

	2024				2023			
	Assets for remaining coverage				Assets for remaining coverage			
	Excluding loss recovery component £m	Loss recovery component £m	Assets for incurred claims £m	Total £m	Excluding loss recovery component £m	Loss recovery component £m	Assets for incurred claims £m	Total £m
Reinsurance contract liabilities as at 1 January	(152)	–	5	(147)	(7)	–	–	(7)
Reinsurance contract assets as at 1 January	7,147	37	(2,308)	4,876	6,705	47	(2,681)	4,071
Net reinsurance contract assets as at 1 January	6,995	37	(2,303)	4,729	6,698	47	(2,681)	4,064
Reinsurance expenses	(2,504)	–	–	(2,504)	(2,349)	–	–	(2,349)
Claims recoverable and other expenses incurred	–	–	2,267	2,267	–	–	2,181	2,181
Changes in the CSM due to recognition and reversal of a loss-recovery component from onerous underlying contracts	–	(3)	–	(3)	–	(10)	–	(10)
Changes to assets for incurred claims (past service)	–	–	–	–	–	–	(1)	(1)
Cost of retroactive cover on reinsurance contracts held	–	(5)	–	(5)	–	(3)	–	(3)
Reversal of impairment of assets for insurance acquisition cash flows	–	–	–	–	2	–	–	2
Net (expense)/income from reinsurance contracts held	(2,504)	(8)	2,267	(245)	(2,347)	(13)	2,180	(180)
Reinsurance finance (expense)/income	(94)	1	(16)	(109)	179	–	–	179
Total changes in the consolidated income statement	(2,598)	(7)	2,251	(354)	(2,168)	(13)	2,180	(1)
Investment components	(126)	–	126	–	(35)	–	35	–
Cash flows:								
Premiums paid	2,658	–	–	2,658	3,085	–	–	3,085
Claims recovered and other expenses paid	–	–	(2,000)	(2,000)	–	–	(2,280)	(2,280)
Total cash flows	2,658	–	(2,000)	658	3,085	–	(2,280)	805
Other movements[1]	(16)	10	2	(4)	(585)	3	443	(139)
Net reinsurance contract assets as at 31 December	6,913	40	(1,924)	5,029	6,995	37	(2,303)	4,729
								–
Reinsurance contract liabilities as at 31 December	(163)	–	5	(158)	(152)	–	5	(147)
Reinsurance contract assets as at 31 December	7,076	40	(1,929)	5,187	7,147	37	(2,308)	4,876
Net reinsurance contract assets as at 31 December	6,913	40	(1,924)	5,029	6,995	37	(2,303)	4,729
Analysed by segment as follows:								–
Retirement Solutions	5,543	25	(1,992)	3,576	5,421	36	(2,381)	3,076
Pensions & Savings	7	–	4	11	6	–	16	22
With-Profits	879	–	32	911	984	–	29	1,013
Europe & Other	484	15	32	531	584	1	33	618
Net reinsurance contract assets as at 31 December	6,913	40	(1,924)	5,029	6,995	37	(2,303)	4,729

1 In 2023 £(153) million relates to the fair value of insurance contracts acquired as part of the acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canda UK Limited) (see note H2).

F6. The impact on the current period of transition approaches adopted in establishing CSMs
The impact on the current period of the transition approaches adopted in establishing CSMs for insurance contracts issued and reinsurance contracts held is shown in the tables below. For further details of the transition approaches applied see note A2.1.1.

F6.1. Insurance contracts

	2024			2023 (restated[1])		
Retirement Solutions	Fair value approach at transition £m	Fully retrospective approach at transition and new contracts £m	Total £m	Fair value approach at transition £m	Fully retrospective approach at transition and new contracts £m	Total £m
CSM as at 1 January as reported	1,162	2,579	3,741	784	2,037	2,821
Restatements[1]	–	8	8	–	–	–
CSM as at 1 January (restated)	1,162	2,587	3,749	784	2,037	2,821
Changes that relate to current service:						
CSM recognised for services provided	(107)	(171)	(278)	(103)	(157)	(260)
Changes that relate to future service:						
Contracts initially recognised in the period	–	360	360	–	435	435
Changes in estimates that adjust the CSM[1]	115	(49)	66	438	228	666
Insurance service result	8	140	148	335	506	841
Insurance finance expenses	26	77	103	18	44	62
Total changes in consolidated income statement	34	217	251	353	550	903
Other movements	3	(3)	–	25	–	25
CSM as at 31 December[1]	1,199	2,801	4,000	1,162	2,587	3,749

1 See note A3 for details of the prior year restatements.

	2024			2023		
Pensions & Savings	Fair value approach at transition £m	Fully retrospective approach at transition and new contracts £m	Total £m	Fair value approach at transition £m	Fully retrospective approach at transition and new contracts £m	Total £m
CSM as at 1 January	129	72	201	94	–	94
Changes that relate to current service:						
CSM recognised for services provided	(25)	(11)	(36)	(17)	(8)	(25)
Changes that relate to future service:						
Contracts initially recognised in the period	–	–	–	–	34	34
Changes in estimates that adjust the CSM	80	30	110	54	50	104
Insurance service result	55	19	74	37	76	113
Insurance finance income	–	(3)	(3)	–	(4)	(4)
Total changes in consolidated income statement	55	16	71	37	72	109
Other movements	(3)	–	(3)	(2)	–	(2)
CSM as at 31 December	181	88	269	129	72	201

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued
F6. The impact on the current period of transition approaches adopted in establishing CSMs continued
F6.1. Insurance contracts continued

	2024			2023 (restated[1])		
With-Profits	Fair value approach at transition £m	Fully retrospective approach at transition and new contracts £m	Total £m	Fair value approach at transition £m	Fully retrospective approach at transition and new contracts £m	Total £m
CSM as at 1 January as reported	525	72	597	514	51	565
Restatements[1]	(8)	–	(8)	(7)		(7)
CSM as at 1 January (restated)	517	72	589	507	51	558
Changes that relate to current service:						
CSM recognised for services provided	(64)	(10)	(74)	(69)	(8)	(77)
Changes that relate to future service:						
Changes in estimates that adjust the CSM	84	26	110	90	29	119
Insurance service result	20	16	36	21	21	42
Insurance finance expenses	8	1	9	9	1	10
Total changes in consolidated income statement	28	17	45	30	22	52
Other movements[1]	2	(3)	(1)	(20)	(1)	(21)
CSM as at 31 December[1]	547	86	633	517	72	589

1 See note A3 for details of the prior year restatements.

	2024			2023		
Europe & Other	Fair value approach at transition £m	Fully retrospective approach at transition and new contracts £m	Total £m	Fair value approach at transition £m	Fully retrospective approach at transition and new contracts £m	Total £m
CSM as at 1 January	169	75	244	306	113	419
Changes that relate to current service:						
CSM recognised for services provided	(26)	(30)	(56)	(27)	(20)	(47)
Changes that relate to future service:						
Contracts initially recognised in the period	–	45	45	–	53	53
Changes in estimates that adjust the CSM	68	12	80	(85)	(58)	(143)
Insurance service result	42	27	69	(112)	(25)	(137)
Insurance finance (income)/expenses	17	3	20	(22)	2	(20)
Total changes in consolidated income statement	59	30	89	(134)	(23)	(157)
Other movements	(3)	(1)	(4)	(3)	(15)	(18)
CSM as at 31 December	225	104	329	169	75	244

F6.2. Reinsurance contracts held

	2024			2023		
	Fair value approach at transition £m	Fully retrospective approach at transition and new contracts £m	Total £m	Fair value approach at transition £m	Fully retrospective approach at transition and new contracts £m	Total £m
CSM as at 1 January	823	1,107	1,930	697	612	1,309
Changes that relate to current service:						
CSM recognised for services received	(87)	(76)	(163)	(99)	(69)	(168)
Changes that relate to future service:						
Contracts initially recognised in the period	–	74	74	–	122	122
Changes in estimates that adjust the CSM	5	71	76	254	405	659
Net expenses from reinsurance contracts	(82)	69	(13)	155	458	613
Reinsurance finance income	15	34	49	10	16	26
Total changes in consolidated income statement	(67)	103	36	165	474	639
Other movements	7	1	8	(39)	21	(18)
CSM as at 31 December	763	1,211	1,974	823	1,107	1,930
Analysed by segment as follows:						
Retirement Solutions	489	1,205	1,694	497	1,107	1,604
Pensions & Savings	–	6	6	–	–	–
With-Profits	141	–	141	147	–	147
Europe & Other	133	–	133	179	–	179
CSM as at 31 December	763	1,211	1,974	823	1,107	1,930

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued

F7. Recognition of CSM in profit or loss

The following tables set out when the Group expects to recognise the carrying value of the CSM in the consolidated income statement for insurance contracts issued and reinsurance contracts held. For General Model business this is shown after allowing for future accretion of interest on the CSM at the locked in rate. The amounts presented represent the net impact in each period of expected release of the CSM recognised in revenue less the accretion of interest on the CSM on General Model business recognised in insurance finance expenses.

2024	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	5-10 years £m	More than 10 years £m	Total £m
Insurance contracts issued								
Retirement Solutions	263	250	239	228	218	933	1,869	4,000
Pensions & Savings	30	26	24	21	19	68	81	269
With-Profits	65	56	49	43	37	139	244	633
Europe & Other	35	30	28	24	23	75	114	329
Total CSM	**393**	**362**	**340**	**316**	**297**	**1,215**	**2,308**	**5,231**
Reinsurance contracts held								
Retirement Solutions	(120)	(113)	(107)	(101)	(96)	(401)	(756)	(1,694)
Pensions & Savings	(2)	(2)	–	–	–	(1)	(1)	(6)
With-Profits	(13)	(13)	(11)	(10)	(8)	(32)	(54)	(141)
Europe & Other	(10)	(10)	(10)	(10)	(10)	(43)	(40)	(133)
Total CSM	**(145)**	**(138)**	**(128)**	**(121)**	**(114)**	**(477)**	**(851)**	**(1,974)**

2023 (restated[1])	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	5-10 years £m	More than 10 years £m	Total £m
Insurance contracts issued								
Retirement Solutions[1]	244	237	225	214	205	879	1,745	3,749
Pensions & Savings	26	21	18	16	14	49	57	201
With-Profits[1]	65	55	49	43	37	125	215	589
Europe & Other	33	25	23	20	18	64	61	244
Total CSM	**368**	**338**	**315**	**293**	**274**	**1,117**	**2,078**	**4,783**
Reinsurance contracts held								
Retirement Solutions	(116)	(111)	(105)	(99)	(93)	(383)	(697)	(1,604)
With-Profits	(14)	(13)	(12)	(11)	(9)	(32)	(56)	(147)
Europe & Other	(16)	(15)	(14)	(13)	(13)	(51)	(57)	(179)
Total CSM	**(146)**	**(139)**	**(131)**	**(123)**	**(115)**	**(466)**	**(810)**	**(1,930)**

1 See note A3 for details of the prior year restatements.

F8. Effect of contracts initially recognised in the year

The effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts in the year is disclosed in the tables below. Contracts issued mainly comprise of bulk purchase annuity transactions completed in the year and protection business. Contracts acquired in the prior year relate to the acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canada UK Limited) (see note H2).

F8.1. Insurance contracts

	2024					2023				
	Contracts issued		Contracts acquired			Contracts issued		Contracts acquired		
Retirement Solutions	Profitable £m	Onerous £m	Profitable £m	Onerous £m	Total £m	Profitable £m	Onerous £m	Profitable £m	Onerous £m	Total £m
Estimate of present value of future cash outflows:										
Insurance acquisition cash flows	73	–	–	–	73	39	–	–	–	39
Claims and other directly attributable expenses	6,320	–	–	–	6,320	5,710	–	1,443	–	7,153
Estimates of present value of future cash outflows	6,393	–	–	–	6,393	5,749	–	1,443	–	7,192
Estimates of present value of future cash inflows	(6,881)	–	–	–	(6,881)	(6,280)	–	(1,514)	–	(7,794)
Risk adjustment incurred	128	–	–	–	128	132	–	35	–	167
CSM	360	–	–	–	360	399	–	36	–	435
Losses on onerous contracts at initial recognition	–	–	–	–	–	–	–	–	–	–

	2024					2023				
	Contracts issued		Contracts acquired			Contracts issued		Contracts acquired		
Pension & Savings	Profitable £m	Onerous £m	Profitable £m	Onerous £m	Total £m	Profitable £m	Onerous £m	Profitable £m	Onerous £m	Total £m
Estimate of present value of future cash outflows:										
Insurance acquisition cash flows	–	–	–	–	–	–	–	–	–	–
Claims and other directly attributable expenses	–	–	–	–	–	–	–	2,344	–	2,344
Estimates of present value of future cash outflows	–	–	–	–	–	–	–	2,344	–	2,344
Estimates of present value of future cash inflows	–	–	–	–	–	–	–	(2,411)	–	(2,411)
Risk adjustment incurred	–	–	–	–	–	–	–	33	–	33
CSM	–	–	–	–	–	–	–	34	–	34
Losses on onerous contracts at initial recognition	–	–	–	–	–	–	–	–	–	–

	2024					2023				
	Contracts issued		Contracts acquired			Contracts issued		Contracts acquired		
With-Profits	Profitable £m	Onerous £m	Profitable £m	Onerous £m	Total £m	Profitable £m	Onerous £m	Profitable £m	Onerous £m	Total £m
Estimate of present value of future cash outflows:										
Insurance acquisition cash flows	–	–	–	–	–	–	–	–	–	–
Claims and other directly attributable expenses	–	–	–	–	–	–	–	349	–	349
Estimates of present value of future cash outflows	–	–	–	–	–	–	–	349	–	349
Estimates of present value of future cash inflows	–	–	–	–	–	–	–	(349)	–	(349)
Risk adjustment incurred	–	–	–	–	–	–	–	–	–	–
CSM	–	–	–	–	–	–	–	–	–	–
Losses on onerous contracts at initial recognition	–	–	–	–	–	–	–	–	–	–

	2024					2023				
	Contracts issued		Contracts acquired			Contracts issued		Contracts acquired		
Europe & Other	Profitable £m	Onerou £m	Profitable £m	Onerous £m	Total £m	Profitable £m	Onerous £m	Profitable £m	Onerous £m	Total £m
Estimate of present value of future cash outflows:										
Insurance acquisition cash flows	79	–	–	–	79	80	–	–	–	80
Claims and other directly attributable expenses	156	22	–	–	178	172	270	109	–	551
Estimates of present value of future cash outflows	235	22	–	–	257	252	270	109	–	631
Estimates of present value of future cash inflows	(285)	(23)	–	–	(308)	(308)	(268)	(112)	–	(688)
Risk adjustment incurred	5	1	–	–	6	5	2	1	–	8
CSM	45	–	–	–	45	51	–	2	–	53
Losses on onerous contracts at initial recognition	–	–	–	–	–	–	4	–	–	4

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued
F8. Effect of contracts initially recognised in the year continued
F8.2. Reinsurance contracts

	2024					2023				
	Contracts originated		Contracts acquired			Contracts originated		Contracts acquired		
	Without a loss recovery component £m	With a loss recovery component £m	Without a loss recovery component £m	With a loss recovery component £m	Total £m	Without a loss recovery component £m	With a loss recovery component £m	Without a loss recovery component £m	With a loss recovery component £m	Total £m
Estimate of present value of future cash inflows	5,597	–	–	–	5,597	8,287	–	153	–	8,440
Estimates of present value of future cash outflows	(5,787)	–	–	–	(5,787)	(8,584)	–	(207)	–	(8,791)
Risk adjustment incurred	116	–	–	–	116	195	–	34	–	229
CSM	74	–	–	–	74	102	–	20	–	122
Income recognised on initial recognition	–	–	–	–	–	–	–	–	–	–

All contracts originated, and the majority of contracts acquired, relate to the Retirement Solutions segment.

F9. Underlying items
The following table sets out the composition and the fair value of underlying items of the Group's participating contracts which are measured using the variable fee approach.

	2024				2023			
	Pensions & Savings £m	With-profits £m	Europe & Other £m	Total £m	Pensions & Savings restated[1] £m	With-profits restated[1] £m	Europe & Other restated[1] £m	Total restated[1] £m
Collective investment schemes	17,753	21,736	14,598	54,087	17,477	17,603	15,532	50,612
Debt securities	2,554	6,569	4,881	14,004	2,861	7,923	3,894	14,678
Equities	1,753	3,987	1,135	6,875	2,392	6,106	967	9,465
Investment property	266	788	14	1,068	219	790	18	1,027
Derivative assets	1	159	893	1,053	98	256	1,007	1,361
Cash and cash equivalents	85	79	363	527	46	77	329	452
Loans and deposits	–	2	142	144	–	3	196	199
Other assets	75	806	621	1,502	83	652	167	902
Derivative liabilities	(3)	(494)	(152)	(649)	(1)	(468)	(434)	(903)
Obligation for repayment of collateral received	–	(90)	(181)	(271)	(2)	(109)	(228)	(339)
Insurance contract liabilities	–	(2,132)	(4)	(2,136)	–	(2,059)	(4)	(2,063)
Investment contract liabilities	–	(8,550)	–	(8,550)	–	(7,128)	–	(7,128)
Other liabilities	(37)	(1,172)	(855)	(2,064)	(28)	(708)	(522)	(1,258)
	22,447	21,688	21,455	65,590	23,145	22,938	20,922	67,005

1 During the year improvements were made to the basis for producing fund level analysis which has resulted in an update to the fair value of underlying items disclosure.

F10. Collateral arrangements
It is the Group's practice to obtain collateral to mitigate the counterparty risk related to reinsurance transactions usually in the form of cash or marketable financial instruments.

Where the Group receives collateral in the form of marketable financial instruments and cash held by external custodians, it is not recognised in the statement of consolidated financial position. The cash collateral received is legally segregated from the Group and consequently the Group does not have the contractual right to receive the cash flows, and the balances are not available for investment purposes.

The fair value of financial assets accepted as collateral for reinsurance transactions but not recognised in the statement of consolidated financial position amounts to £5,558 million (2023: £4,880 million).

F11. Risk management – insurance risk
This note forms one part of the risk management disclosures in the consolidated financial statements. An overview of the Group's approach to risk management is outlined in note I3 and the Group's management of financial and other risks is detailed in note E6.

Insurance risk refers to the risk of reductions in earnings and/or value, through financial or reputational loss, due to experience variations in the timing, frequency and severity of insured/underwritten events and to fluctuations in the timing and amount of claim settlements. The Life businesses are exposed to the following elements of insurance risk:

Mortality	The risk of reductions in earnings, capital and/or value through a financial or reputational loss arising as a result of higher than expected number of death claims on assurance products, lower than expected improvements in mortality or adverse movement in mortality rates on Equity Release Mortgages.
Longevity	The risk of reductions in earnings, capital and/or value through a financial or reputational loss arising as a result of lower than expected number of deaths experienced on annuity products or greater than expected improvements in annuitant mortality.
Morbidity/Disability	The risk of reductions in earnings, capital and/or value through a financial or reputational loss arising as a result of higher than expected number of inceptions on critical illness or income protection policies and lower than expected recovery rates on income protection policies or adverse movements in morbidity rates on Equity Release Mortgages.
Expenses	The risk of reductions in earnings, capital and/or value through a financial or reputational loss arising as a result of unexpected timing or value of expenses incurred.
Persistency	The risk of reductions in earnings, capital and/or value through a financial loss arising as a result of adverse movements in surrender rates, guaranteed annuity option ('GAO') surrender rates, GAO take-up rates, policyholder retirement dates, the occurrence of a mass lapse event or adverse change in mortgage prepayment rates leading to losses.
New business pricing	The risk of reductions in earnings, capital and/or value through a financial loss arising as a result of inappropriate pricing of new business that is not in line with the underlying risk factors for that business.
Concentration of risk	The concentration of risk arising from insurance contracts might exist where the Group has significant exposure to specific demographic factors such as age, smoker status, geographical location. The Group's exposure to insurance risk is spread across a diversified portfolio of products and approximately 12 million policyholders. Concentration risk might also arise from insurance contracts that expose the Group to financial risk as a result of options and guarantees contained within the product. Details of the Group's approach to managing these features are contained in F11.3 Managing Product Risk. The Group sets individual risk limits as a key control within its Risk Appetite Framework. Risk limits are reviewed as part of approving the Group's Business Plan and permit concentrations of certain risks only where the strategy can be demonstrated as affordable within risk appetite.

Objectives and policies for mitigating insurance risk
Insurance risks are managed by monitoring risk exposure against pre-defined appetite limits. If a risk is moving out of appetite, the Group can choose to mitigate it via reinsurance in the case of longevity, mortality and morbidity risks, or by taking other risk reducing actions.

This is supported by additional methods to assess and monitor insurance risk exposures for both individual types of risks insured and overall risks. These methods include internal risk measurement models, experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing. Assumptions that are deemed to be financially significant are reviewed at least annually for pricing and reporting purposes.

The profitability of the run-off of the Company's legacy business depends, to a significant extent, on the values of claims paid in the future relative to the assets accumulated to the date of claim. Typically, over the lifetime of a contract, premiums and investment returns exceed claim costs in the early years and it is necessary to set aside these amounts to meet future obligations. The amount of such future obligations is assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks.

It is therefore necessary for the Directors of each life company to make decisions, based on actuarial advice, which ensure an appropriate accumulation of assets relative to liabilities. These decisions include investment policy, bonus policy and, where discretion exists, the level of payments on early termination.

In the Retirement Solutions operating segment, longevity risk exposures continue to increase as a result of the Bulk Purchase Annuity deals it has successfully acquired, however the vast majority of these exposures are reinsured to third parties.

F11.1 Sensitivities
Insurance liabilities are sensitive to changes in risk variables, such as prevailing market interest rates, currency rates and equity prices, since these variations alter the value of the financial assets held to meet obligations arising from insurance contracts and changes in investment conditions also have an impact on the value of insurance liabilities themselves. Additionally, insurance liabilities are sensitive to the assumptions which have been applied in their calculation, such as mortality and lapse rates. Sometimes allowance must also be made for the effect on future assumptions of management or policyholder actions in certain economic scenarios. This could lead to changes in assumed asset mix or future bonus rates. The most significant non-economic sensitivities arise from mortality, longevity and lapse risk. The table below analyses how the CSM, profit after tax and equity would have increased or (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued
F11. Risk management – insurance risk continued
F11.1 Sensitivities continued

2024	Change in risk variable	Impact on profit after tax Gross of reinsurance £m	Impact on profit after tax Net of reinsurance £m	Impact on equity Gross of reinsurance £m	Impact on equity Net of reinsurance £m	Impact on CSM Gross of reinsurance £m	Impact on CSM Net of reinsurance £m
Assurance mortality	+5%	(53)	(25)	(53)	(25)	(55)	(54)
	-5%	28	6	28	6	92	82
Annuitant longevity	+5%	330	146	308	144	(1,236)	(452)
	-5%	(323)	(145)	(303)	(143)	1,183	433
Lapse rates	+10%	(39)	(47)	(39)	(47)	(8)	17
	-10%	33	48	33	48	26	(18)
Expenses	+10%	(63)	(63)	(63)	(63)	(251)	(251)
	-10%	43	43	43	43	277	277

2023 restated	Change in risk variable	Impact on profit after tax Gross of reinsurance £m	Impact on profit after tax Net of reinsurance £m	Impact on equity Gross of reinsurance £m	Impact on equity Net of reinsurance £m	Impact on CSM Gross of reinsurance £m	Impact on CSM Net of reinsurance £m
Assurance mortality	+5%	(35)	(36)	(35)	(36)	(84)	(42)
	-5%	12	13	12	13	119	74
Annuitant longevity	+5%	285	138	242	124	(1,186)	(455)
	-5%	(268)	(129)	(228)	(116)	1,121	424
Lapse rates	+10%	(45)	(46)	(45)	(46)	3	22
	-10%	44	50	44	50	15	(19)
Expenses	+10%	(68)	(67)	(68)	(67)	(262)	(262)
	-10%	32	32	32	32	309	309

The prior year comparatives for the insurance risk sensitivities have been restated. These sensitivities were materially impacted by including the Group's pension schemes within the scope of the sensitivities, providing a more holistic view of the impact of these stresses on the Group, and improvements made to the modelling of sensitivities following the introduction of IFRS 17.

F11.2 Assumptions
The assumptions used to determine the liabilities are updated at each reporting date to reflect recent experience, unless IFRS17 requires otherwise. Material judgement is required in calculating these liabilities and, in particular, in the choice of assumptions about which there is uncertainty over future experience. The principal assumptions are as follows:

F11.2.1 Discount rates
All cash flows are discounted using risk-free yield curves adjusted to reflect the timing and liquidity characteristics of those cash flows. For the risk-free yield curve the Group uses those published by the PRA and EIOPA for regulatory reporting. Where necessary, yield curves are interpolated between the last available market data point and the ultimate forward rate.

The Group uses a top-down approach primarily for annuities and a bottom-up discount rate for all other business. Under the top-down approach, the discount rate is determined from the yield implicit in the fair value of an appropriate reference portfolio of assets that reflects the characteristics of the liabilities.

For annuity business, the Group determines a reference portfolio which is constructed in line with the Group's investment strategy. The reference portfolio construction is based on the actual assets held by the Group backing annuity business at the valuation date. Adjustment is made, where appropriate, to allow for the asset portfolio included in the pricing of policies where that has not been fully deployed at the reporting date and there are no identified barriers to achieving the pricing asset mix, to reflect any strategic management actions actively underway to re-shape the annuity asset portfolio. In addition, excess assets are removed from the portfolio where the level of assets exceeds those necessary to meet the future cash flows. The yield derived from the reference portfolio is determined based on the fair value of assets in that class held by the Group at the valuation date.

Adjustments are also made for differences between the reference portfolio and the insurance contract liability cash flows, including an allowance for credit defaults. The credit default deduction comprises an allowance for both expected and unexpected defaults and takes into consideration long-term historical data on actual defaults and an allowance for variability around these defaults. The credit default deduction is determined based on the assets held at the valuation date.

The Group has developed a credit model for use in the Phoenix Solvency II Internal Model (subject to PRA approval) which also provides a best estimate view of credit defaults. This model applies a stress to long-term historical actual default data to determine the variability of defaults and has been used as an input in determining the assumption for unexpected credit defaults.

The top-down approach was refined as at 31 December 2023. This refinement related to the determination of the yield used in relation to the Equity Release Mortgages asset class. The previous approach calculated the yield by reference to the internal securitisation structure established for this asset class for Solvency II purposes. This was amended as at the reporting date to determine the yield based on the underlying Equity Release Mortgage loans themselves. This refinement had the impact of increasing the liquidity premium applied at 31 December 2023 for GBP Annuities by circa 19bps.

Under the bottom-up approach, the discount rate is determined as the risk-free yield curve, adjusted for differences in liquidity characteristics by adding an illiquidity premium. For with-profits business a single illiquidity premium is determined for each fund based on the cash flow characteristics of the contracts within the fund and applied to all contracts within the fund.

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies.

2024	Risk-free rate (bps) 1 year	5 years	10 years	20 years	30 years
GBP	446	404	407	430	423
Euro	224	214	227	226	200

2023	Risk-free rate (bps) 1 year	5 years	10 years	20 years	30 years
GBP	474	336	328	343	336
Euro	336	232	239	240	218

	Liquidity premium over risk-free rate 2024 bps	2023 (restated[1]) bps
Annuities GBP	169	170
Annuities Euro	67	49
With-profits GBP – liquid liabilities	20	20
With-profits Euro – liquid liabilities	20	20
With-profits GBP – illiquid liabilities	104-169	105-170

1 The Liquidity premium for annuities and with-profits were updated following a revision to certain inputs into the IFRS 17 valuation process. See note A3 for details of the prior year restatements.

F11.2.2 Risk adjustment
The Group has used the confidence level technique to derive the risk adjustment for non-financial risk. The risk adjustment percentile is determined based on the Group's view of the compensation required in respect of non-financial risk. The diversification benefit included in the risk adjustment reflects diversification between contracts within the perimeter of the Group's Internal Model. There is no diversification allowed for between contracts measured under standard formula and the internal model. The confidence level percentile is calculated on a one-year basis. The risk adjustment calibration is set at least annually, off-cycle, based on the Group's current view of risk. The risk adjustment calculation is reassessed at each reporting date, i.e. the risk adjustment is not locked-in at initial recognition.

For with-profits business, the shareholder's portion of non-financial risks (including an allowance for burn-through costs to the shareholder) is allowed for in the derivation of the risk adjustment. For non-profit business held within a with-profits fund, the risk adjustment takes into account the compensation required by both the shareholder and the participating policyholders.

Confidence level techniques are used to derive the overall risk adjustment for non-financial risk and this is allocated down to each group of contracts in accordance with their risk profiles. The confidence level percentile input used to determine the risk adjustment is as follows:

	2024	2023
Insurance contracts (gross of reinsurance)	80th	80th

The one year confidence level used to determine the risk adjustment has been converted to an approximate lifetime confidence level using an approach which involves dividing by the square root of the lifetime duration of the insurance business.

Lifetime confidence level	2024	2023
Insurance contracts (gross of reinsurance)	61st	61st

F11.2.3 Other assumptions
Other assumptions such as policyholder behaviours (lapses and surrender rates), expense inflation and demographic assumptions (i.e. longevity, mortality) are a key component of determining the cash flows related to the insurance contract liabilities. The underwriting risk variables and assumptions are set based on past experience and/or relevant industry data, market practice, regulations and expectations about future trends. Economic assumptions used in the measurement of fulfilment cash flows are market consistent.

Expenses and expense inflation
Insurance contract liabilities include an allowance for the best estimate of future expenses associated with the administration of in-force policies. This requires the allocation of the Group's future expenses between those that relate to the administration of in-force policies, those attributable to the acquisition of new business and other costs, such as corporate costs. There is a level of judgement applied in the analysis that supports this allocation. Additionally, judgement is applied in the determination of the projected costs of the Group, in particular where those projections include the impact of transition and integration activity.

Expenses are assumed to increase at either the rate of increase in the Retail Price Index ('RPI'), or a rate derived from the UK inflation swaps curve, plus fixed margins in accordance with the various management service agreements ('MSAs') the Group has in place with outsource partners. For with-profits business the rate of RPI inflation is determined within each stochastic scenario. For other business it is based on the Bank of England inflation spot curve. For MSAs with contractual increases set by reference to national average earnings inflation, this is approximated as RPI inflation or RPI inflation plus 1%. In instances in which inflation risk is not mitigated, appropriate margins are applied to reflect central expectations of earnings inflation in excess of RPI.

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued

F11.2.3 Other assumptions continued

Mortality and longevity rates

Mortality rates are based on company experience and published tables, adjusted appropriately to take account of changes in the underlying population mortality since the table was published, company experience and forecast changes in future mortality. Where appropriate, a margin is added to assurance mortality rates to allow for adverse future deviations. Annuitant mortality rates are adjusted to make allowance for future improvements in pensioner longevity.

Lapse and surrender rates (persistency)

The assumed rates for surrender and voluntary premium discontinuance depend on the length of time a policy has been in force and the relevant company experience. Surrender or voluntary premium discontinuances are only assumed for realistic basis funds. Withdrawal rates used in the valuation of with-profits policies are based on observed experience and adjusted when it is considered that future policyholder behaviour will be influenced by different considerations than in the past. In particular, it is assumed that withdrawal rates for unitised with-profits contracts will be higher on policy anniversaries on which Market Value Adjustments do not apply.

Discretionary participating bonus rate

The regular bonus rates assumed in each scenario are determined in accordance with each company's Principles and Practices of Financial Management ('PPFM'). Final bonuses are assumed at a level such that maturity payments will equal asset shares subject to smoothing rules set out in the PPFM and the value of guaranteed benefits.

Policyholder options and guarantees

Some of the Group's products give potentially valuable guarantees, or give options to change policy benefits which can be exercised at the policyholders' discretion. These products are described below.

Most with-profits contracts give a guaranteed minimum payment on a specified date or range of dates or on death if before that date or dates. For pensions contracts, the specified date is the policyholder's chosen retirement date or a range of dates around that date. For endowment contracts, it is the maturity date of the contract. For with-profits bonds it is often a specified anniversary of commencement, in some cases with further dates thereafter. Annual bonuses when added to with-profits contracts usually increase the guaranteed amount.

There are guaranteed surrender values on a small number of older contracts.

The fair value of the guaranteed annuity options, which is a component of the total insurance contract liability, are £529 million (2023: £799 million (restated)) in the with-profits funds and £73 million (2023: £122 million (restated)) in the non-profit funds. The prior period values were restated following identification of an error in the calculation.

In common with other life companies in the UK which have written pension transfer and opt-out business, the Group has set up provisions for the review and possible redress relating to personal pension policies. These provisions, which have been calculated from data derived from detailed file reviews of specific cases and using a certainty equivalent approach, which give a result very similar to a market consistent valuation, are included in liabilities arising under insurance contracts. The total amount provided in the with-profits funds and non-profit funds in respect of the review and possible redress relating to pension policies, including associated costs, are £155 million (2023: £191 million) and £2 million (2023: £2 million) respectively.

With-profits deferred annuities participate in profits only up to the date of retirement. At retirement, a guaranteed cash option allows the policyholder to commute the annuity benefit into cash on guaranteed terms.

Assumption changes

During the year a number of changes were made to assumptions to reflect changes in expected experience. The impact of material changes during the year was as follows:

	Increase/ (decrease) in CSM 2024 £m	(Decrease)/ increase in loss component 2024 £m	Increase/ (decrease) in CSM 2023 £m	(Decrease)/ increase in loss component 2023 £m
For insurance contracts:				
Change in longevity assumptions	100	(11)	918	(1)
Change in persistency assumptions	10	(5)	(6)	17
Change in mortality assumptions	–	3	(102)	12
Change in expenses assumptions	(74)	72	(170)	(35)
For reinsurance contracts:				
Change in longevity assumptions	(31)	–	(598)	–
Change in persistency assumptions	–	–	–	–
Change in mortality assumptions	–	–	15	–
Change in expenses assumptions	(45)	–	(13)	–

2024

The £69 million net of reinsurance increase in CSM and £(11) million decrease in loss component are due to changes in longevity assumptions reflecting updates to base and improvement assumptions reflecting latest experience analyses.

As well as annual persistency updates to reflect latest experience, assumption changes were made for late retirements and GAO take-up rates during the year.

The £3m increase in loss component is due to changes in mortality assumptions largely driven by modelling change and partly offset by a release in the mortality provision.

The £(119) million net of reinsurance decrease in CSM and £72 million increase in loss component are due to changes in expense assumptions driven by an increase in reserves principally in respect of delivery of the Group Target Operating Model for IT and Operations included the migration of policyholder administration onto the TCS platform and Group expense provisions. This is partly offset by changes in modelled expenses in relation to the Group's cost saving programme together with investment expenses and release of an investment manual.

2023

The £320 million net of reinsurance increase in CSM due to changes in longevity assumptions reflects updates to base and improvement assumptions to reflect latest experience analyses, including moving to the latest CMI model.

As well as annual persistency updates to reflect latest experience, assumption changes were made for late retirements and GAO take-up rates during the year.

The £(87) million net of reinsurance decrease in CSM due to change in mortality assumptions is driven by changes in Europe & Other base mortality valuation assumptions.

The £(183) million net of reinsurance decrease in CSM and £(35) million decrease in loss component are due to changes in expense assumptions driven by an increase in reserves principally in respect of delivery of the Group Target Operating Model for IT and Operations included the migration of policyholder administration onto the TCS platform together with Group expense provisions and an increase in modelled maintenance expenses assumptions. This is partly offset by changes in modelled investment expenses and release of an investment manual.

F11.3 Managing product risk

The following sections give an assessment of the risks associated with the Group's main life assurance products and the ways in which the Group manages those risks.

Product	Primary segment	Main insurance risks
With-profits:		
Unitised & Traditional – without guarantees	With-profits	Longevity & Lapse
Unitised & Traditional – with guarantees	With-profits	Lapse
Annuities	With-profits	Longevity
Non-profit:		
Deferred annuities – with guarantees	Retirement Solutions	Longevity
Deferred annuities – without guarantees	Retirement Solutions	Longevity
Immediate annuities	Retirement Solutions	Longevity
Protection	Europe & Other	Mortality, Morbidity & Lapse
Unit-linked – with guarantees	Pensions & Savings	Longevity & Lapse
Unit-linked – without guarantees	Pensions & Savings	Mortality, Morbidity & Lapse

The above products will also be exposed to market risk and further details are included in note E6.2.

£15,692 million (2023: £12,966 million) of liabilities are subject to longevity swap arrangements.

With-profits fund (unitised and traditional)

The Group operates a number of with-profits funds in which the with-profits policyholders benefit from a discretionary annual bonus (guaranteed once added in most cases) and a discretionary final bonus. Non-participating business is also written in some of the with-profits funds and some of the funds may include immediate annuities and deferred annuities with Guaranteed Annuity Rates ('GAR').

The investment strategy of each fund differs, but is broadly to invest in a mixture of fixed interest investments and equities and/or property and other asset classes in such proportions as is appropriate to the investment risk exposure of the fund and its capital resources.

The Group has significant discretion regarding investment policy, bonus policy and early termination values. The process for exercising discretion in the management of the with-profits funds is set out in the PPFM for each with-profits fund and is overseen by with-profits committees. Advice is also taken from the with-profits actuary of each with-profits fund. Compliance with the PPFM is reviewed annually and reported to the PRA, Financial Conduct Authority ('FCA') and policyholders.

The bonuses are designed to distribute to policyholders a fair share of the return on the assets in the with-profits funds together with other elements of the experience of the fund. The shareholders of the Group are entitled to receive one-ninth of the cost of bonuses declared for some funds and £nil for others. For the Heritage With-Profits Fund ('HWPF'), under the Scheme of Demutualisation, shareholders are entitled to receive certain defined cash flows arising on specified blocks of UK and Irish business.

Unitised and traditional with-profits policies are exposed to equivalent risks, the main difference being that unitised with-profits policies purchase notional units in a with-profits fund whereas traditional with-profits policies do not. Benefit payments for unitised policies are then dependent on unit prices at the time of a claim, although charges may be applied. A unitised with-profits fund price is typically guaranteed not to fall and increases in line with any discretionary bonus payments over the course of one year.

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued
F11. Risk management – insurance risk continued
F11.3 Managing product risk continued
Deferred annuities

Deferred annuity policies are written to provide either a cash benefit at retirement, which the policyholder can use to buy an annuity on the terms then applicable, or an annuity payable from retirement. The policies contain an element of guarantee expressed in the form that the contract is written in, i.e. to provide cash or an annuity. Deferred annuity policies written to provide a cash benefit may also contain an option to convert the cash benefit to an annuity benefit on guaranteed terms; these are known as GAR policies. Deferred annuity policies written to provide an annuity benefit may also contain an option to convert the annuity benefit into cash benefits on guaranteed terms; these are known as Guaranteed Cash Option ('GCO') policies. In addition, certain unit prices in the HWPF are guaranteed not to decrease.

Long-term interest rates remain relatively low compared to historical levels and life expectancy has increased more rapidly than originally anticipated. The guaranteed terms on GAR policies are more favourable than the annuity rates currently available in the market available for cash benefits. The guaranteed terms on GCO policies are currently not valuable. Deferred annuity policies which are written to provide annuity benefits are managed in a similar manner to immediate annuities and are exposed to the same risks.

The option provisions on GAR policies are particularly sensitive to downward movements in interest rates, increasing life expectancy and the proportion of customers exercising their option. Adverse movements in these factors could lead to a requirement to increase reserves which could adversely impact profit and potentially require additional capital. In order to address the interest rate risk (but not the risk of increasing life expectancy or changing customer behaviour with regard to exercise of the option), insurance subsidiaries within the Group have purchased derivatives that provide protection against an increase in liabilities and have thus reduced the sensitivity of profit to movements in interest rates (see note E6.2.2).

The Group seeks to manage this risk in accordance with both the terms of the issued policies and the interests of customers, and has obtained external advice supporting the manner in which it operates the long-term funds in this respect.

Immediate annuities

This type of annuity is purchased with a single premium at the outset, and is paid to the policyholder for the remainder of their lifetime. Payments may also continue for the benefit of a surviving spouse or partner after the annuitant's death. Annuities may be level, or escalate at a fixed rate, or may escalate in line with a price index and may be payable for a minimum period irrespective of whether the policyholder remains alive.

The main risks associated with this product are longevity and investment risks. Longevity risk arises where the annuities are paid for the lifetime of the policyholder, and is managed through the initial pricing of the annuity and through reinsurance (appropriately collateralised) or transfer of existing liabilities. Annuities may also be a partial 'natural hedge' against losses incurred in protection business in the event of increased mortality (and vice versa) although the extent to which this occurs will depend on the similarity of the demographic profile of each book of business. In addition, the Group has in place longevity swaps that provide downside protection over longevity risk.

The pricing assumption for mortality risk is based on both historic internal information and externally-generated information on mortality experience, including allowances for future mortality improvements. Pricing will also include a contingency margin for adverse deviations in assumptions.

Market and credit risk is influenced by the extent to which the cash flows under the contracts have been matched by suitable assets which is managed under the ALM framework. Asset/liability modelling is used to monitor this position on a regular basis.

Protection

These contracts are typically secured by the payment of a regular premium payable for a period of years providing benefits payable on certain events occurring within the period. The benefits may be a single lump sum or a series of payments and may be payable on death, serious illness or sickness.

The main risk associated with this product is the claims experience and this risk is managed through the initial pricing of the policy (based on actuarial principles), the use of reinsurance and a clear process for administering claims.

Market and credit risk is influenced by the extent to which the cash flows under the contracts have been matched by suitable assets which is managed under the ALM framework. Asset/liability modelling is used to monitor this position on a regular basis.

G. Other statement of consolidated financial position notes
G1. Pension schemes

Defined contribution pension schemes

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the consolidated income statement as incurred.

Defined benefit pension schemes

The net surplus or deficit (the economic surplus or deficit) in respect of the defined benefit pension schemes is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value and the fair value of any scheme assets is deducted. The Group recognises a pension surplus on the basis that it is entitled to the surplus of each scheme in the event of a gradual settlement of the liabilities, due to its ability to order a winding up of the Trust.

The economic surplus or deficit is subsequently adjusted to eliminate on consolidation the carrying value of insurance policies issued by Group entities to the defined benefit pension schemes (the reported surplus or deficit). A corresponding adjustment is made to the carrying values of insurance contract liabilities and investment contract liabilities.

The Group determines the net interest expense or income on the net pension scheme asset/liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the opening net pension scheme asset/liability. The discount rate is the yield at the period end on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The movement in the net pension scheme asset/liability is analysed between the service cost, past service cost, curtailments and settlements (all recognised within administrative expenses in the consolidated income statement), the net interest cost on the net pension scheme asset/liability, including any reimbursement assets (recognised within net investment income in the consolidated income statement), remeasurements of the net pension scheme asset/liability (recognised in other comprehensive income) and employer contributions.

The longevity swaps and quota share reinsurance arrangements in respect of the pension scheme buy-ins are treated as reimbursement rights and are recognised at fair value.

This note describes the Group's five main defined benefit pension schemes for its employees, the Pearl Group Staff Pension Scheme ('Pearl Scheme'), the PGL Pension Scheme, the Abbey Life Staff Pension Scheme ('Abbey Life Scheme') the ReAssure Staff Pension Scheme ('ReAssure Scheme') and from 3 April 2023, the Sun Life Assurance Company of Canada 1988 UK and Irish Employee Benefits Scheme ('Sun Life of Canada Scheme'), and explains how the pension scheme asset/liability is calculated.

An analysis of the pension scheme (liability)/asset for each pension scheme is set out in the table below:

	2024 £m	2023 restated[1] £m
Pearl Group Staff Pension Scheme		
Economic surplus	**48**	50
Adjustment for insurance policies eliminated on consolidation	**(1,358)**	(1,507)
Net pension scheme liability, as reported	**(1,310)**	(1,457)
Add: value attributed to assets held by PLL within financial assets[2]	**1,348**	1,506
Reimbursement right in respect of reinsurance, as reported (restated[1])	**147**	168
Adjusted net pension scheme asset	**185**	217
PGL Pension Scheme		
Economic surplus	**–**	20
Adjustment for insurance policies eliminated on consolidation	**–**	(1,093)
Amounts due from subsidiary eliminated on consolidation	**–**	(18)
Net pension scheme liability, as reported	**–**	(1,091)
Add: assets held by PLL within financial assets[2]	**–**	1,206
Reimbursement right in respect of reinsurance, as reported (restated[1])	**–**	(34)
Adjusted net pension scheme asset	**–**	81
Abbey Life Staff Pension Scheme		
Economic deficit	**(2)**	(7)
Minimum funding requirement obligation	**–**	(2)
Net pension scheme liability	**(2)**	(9)
ReAssure Staff Pension Scheme		
Economic surplus	**20**	14
Provision for tax on that part of the economic surplus available as a refund on a winding-up of the Scheme	**–**	(5)
Net pension scheme asset	**20**	9
Sun Life of Canada Scheme		
Net pension scheme asset	**15**	17
Reimbursement right	**2**	2

1 See note A3 for details of the prior year restatements.

2 The Pearl Scheme and the PGL Pension Scheme both previously executed buy-in transactions with a Group life company and subsequently assets supporting the Group's actuarial liabilities were recognised on a line-by-line basis within financial assets in the statement of consolidated financial position. Further details are included in notes G1.1 and G1.2 below.

An adjusted net pension scheme asset has been presented in both the current and prior years in relation to the Pearl Scheme and in the comparative period in relation to the PGL Scheme. The value of the assets held by PLL within financial assets in respect of the PGL Pension Scheme buy-ins was equal to the assets posted to a ring-fenced collateral account. For the Pearl Scheme the assets held by PLL supporting the buy-ins are not ring-fenced and the value has been determined as the value of the insurance contract liability within the PLL financial statements less the value of the associated reinsurance asset. Movements in these financial assets are reflected in the consolidated income statement within net investment income, however as noted in the accounting policy, the movement in the net pension scheme liability (as shown in notes G1.1 and G1.2) is primarily reflected in other comprehensive income.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G1. Pension schemes continued

Risks

The Group's defined benefit schemes typically expose the Group to a number of risks, the most significant of which are:

Asset volatility – the value of the schemes' assets will vary as market conditions change and as such is subject to considerable volatility. The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The majority of the assets are held within a liability driven investment strategy which is linked to the funding basis of the schemes (set with reference to government bond yields). As such, to the extent that movements in corporate bond yields are out of line with movements in government bond yields, volatility will arise.

Inflation risk – a significant proportion of the schemes' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are held within a liability driven investment strategy which allows for movements in inflation, meaning that changes in inflation should not materially affect the surplus.

Life expectancy – the majority of the schemes' obligations are to provide benefits for the life of the member therefore increases in life expectancy will result in an increase in the liabilities. For the Pearl and PGL schemes, this is largely offset by the buy-in policies that move in line with the liabilities. These buy-in policies are eliminated on consolidation (see notes G1.1 and G1.2 for further details).

Other risk – A High Court legal ruling in June 2023 (Virgin Media Limited v NTL Pension Trustees II Limited) decided that certain rule amendments were invalid if they were not accompanied by the correct actuarial confirmation. In July 2024, an appeal by Virgin Media Limited was dismissed by the High Court, affirming the initial judgment. While the ruling only applied to the specific pension scheme in question, it now forms part of case law and can therefore be expected to apply across other pension schemes.

The Group has begun assessing the impact of the ruling on each of the Group's pension schemes.

For the Abbey Life Scheme, an exercise to update the scheme rules in 2017 identified several earlier rule amendments where the correct actuarial confirmation could not be located. The legal advice the Scheme received at the time was that it was unlikely that any of these amendments would lead to a retrospective increase in benefits. Some precautionary remedial measures were taken at the time, including a benefit recertification exercise. The Group's view is that none of these rule amendments are sufficiently likely or material to warrant the recognition of a potential obligation in the consolidated statement of financial position at 31 December 2024.

For the Pearl Scheme and the ReAssure Scheme, the Group is not aware of any previous rule changes that are sufficiently likely to warrant the recognition of a potential obligation at 31 December 2024. The stability of trustees and advisors over the period leads the Group to take the presumption of regularity. This is consistent with legal advice that the respective schemes have received as to whether the Trustees must take any further action at this stage.

The Sun Life of Canada Scheme was not 'contracted-out' over the relevant period, so has no exposure to this ruling. Information on each of the Group's pension schemes is set out below.

G1.1 Pearl Group Staff Pension Scheme

G1.1.1 Scheme details

The Pearl Scheme comprises a final salary section, a money purchase section and a hybrid section (a mix of final salary and money purchase). The Pearl Scheme is closed to new members and has no active members.

Defined benefit scheme

The Pearl Scheme is established under, and governed by, the trust deeds and rules and has been funded by payment of contributions to a separately administered trust fund. A Group company, Pearl Life Holdings Limited ('PeLHL'), is from 1 October 2023 the principal employer of the Pearl Scheme (previously Pearl Group Holdings No.2 Limited ('PGH2')). PeLHL assumed the Scheme covenant together with all obligations of the Scheme following the transfer.

The principal employer meets the administration expenses of the Pearl Scheme. The Pearl Scheme is administered by a separate trustee company, P.A.T. (Pensions) Limited, which is separate from PeLHL. The trustee company is comprised of three representatives from the Group, three member nominated representatives and one independent trustee in accordance with the trustee company's articles of association. The trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for the investment policy with regard to the assets.

The valuation has been based on an assessment of the liabilities of the Pearl Scheme as at 31 December 2024, undertaken by qualified actuaries. The present values of the defined benefit obligation and the related interest costs have been measured using the projected unit credit method.

A triennial funding valuation of the Pearl Scheme as at 30 June 2021 was completed in 2022 by a qualified actuary. This showed a surplus as at 30 June 2021 of £67 million, on the agreed technical provisions basis. The funding and IFRS accounting bases of valuation can give rise to different results for a number of reasons. The funding basis of valuation is based on general principles of prudence whereas the accounting valuation is based on best estimates. Discount rates are gilt-based for the funding valuation whereas the rate used for IFRS valuation purposes is based on a yield curve for high quality AA-rated corporate bonds. In addition, the values are prepared at different dates which will result in differences arising from changes in market conditions and employer contributions made in the subsequent period.

Pension Scheme Commitment Agreement and buy-in transactions

On 17 November 2020, the Pearl Scheme entered into a Commitment Agreement with PGH2 to complete a series of buy-ins. At the same time, the Pearl Scheme completed the first buy-in with Phoenix Life Limited ('PLL') covering 25% of the Scheme's pensioner and deferred member liabilities, transferring the associated risks, including longevity improvement risk, to PLL effective from 30 September 2020.

Two further buy-in transactions were completed in July 2021 and October 2021 covering 35% and 15% respectively of the Scheme's pensioner and deferred member liabilities and the final buy-in transaction was completed in November 2022. Risks, including longevity improvement risk, were transferred to PLL effective from 28 May 2021 and 31 August 2021 and 30 September 2022 respectively.

Upon completion of each buy-in transaction the Scheme transferred plan assets to PLL and these assets are recognised in the relevant line within financial assets in the consolidated statement of financial position. The economic effect of the buy-in transactions in the Scheme is to replace the plan assets transferred with a single line insurance policy reimbursement right asset which is subsequently eliminated on consolidation. The value of this insurance policy at 31 December 2024 was £1,358 million (2023: £1,507 million).

No contributions were paid to the Pearl Scheme in either the current or prior period. PeLHL meets the administrative and non-investment running expenses of the Scheme as set out in the schedule of contributions (PGH2 prior to 1 October 2023).

During 2022, the Company reached an agreement for the removal of a trustee discretion to pay some pension increases in excess of the 5% cap. The trustee agreed to give up this discretion in exchange for a single 1.6% uplift for current pensions in payment effective from 1 April 2022 and a 1.3% increase to eligible benefits of both pension and deferred members effective from 1 April 2023. In 2023, the financial impact of the 1.3% uplift was to recognise an increase in the defined benefit obligation of £12 million and a past service cost in the consolidated income statement.

Reimbursement right asset in respect of reinsurance arrangements

As part of the third buy-in arrangement, PLL entered into a quota share reinsurance arrangement with external reinsurers to reinsure a total of approximately 91% of the liabilities. As PLL expects to use the claims received to pay for its obligations under the insurance contract between it and the Pearl Scheme (i.e. to settle the defined benefit obligation) the reinsurance arrangement is considered to be a non-qualifying insurance policy and is classified as a reimbursement right. The reinsurance arrangement is expected to match a proportion of the defined benefit obligation of the Pearl Scheme therefore the valuation of the reimbursement right is consistent with the valuation of the associated defined benefit obligation. The value of the reimbursement right asset amounted to £181 million (31 December 2023: £202 million).

PLL also entered into longevity swap arrangements with external reinsurers to reinsure a proportion of the risks transferred as part of the first, second and fourth buy-in transactions. The fair value of the reimbursement right liabilities amounted to £34 million (31 December 2023: £34 million (restated)). Further details of the restatement are included in note A3.

G1.1.2 Summary of amounts recognised in the consolidated financial statements

The amounts recognised in the consolidated financial statements are as follows:

2024	Fair value of scheme assets £m	Defined benefit obligation £m	Pension Scheme Liability £m	Reimbursement rights[2] £m
At 1 January as reported	50	(1,507)	(1,457)	202
Restatement[1]	–	–	–	(34)
At 1 January (restated)	50	(1,507)	(1,457)	168
Interest income/(expense)	2	(67)	(65)	7
Included in profit or loss	2	(67)	(65)	7
Remeasurements:				
Return on plan assets excluding amounts included in interest income	(4)	–	(4)	–
Loss from changes in demographic assumptions	–	(9)	(9)	–
Gain from changes in financial assumptions	–	142	142	–
Experience loss	–	(17)	(17)	–
Movement in valuation of reimbursement right asset/liabilities	–	–	–	(15)
Included in other comprehensive income	(4)	116	112	(15)
Income received from insurance policies	100	–	100	–
Benefit payments	(100)	100	–	(13)
At 31 December	48	(1,358)	(1,310)	147

1 See note A3 for details of the prior year restatements.

2 Reimbursement right asset £181 million and reimbursement right liabilities £(34) million (2023: £202 million and £(34).

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued
G1. Pension schemes continued
G1.1.2 Summary of amounts recognised in the consolidated financial statements continued

2023	Fair value of scheme assets £m	Defined benefit obligation £m	Pension Scheme Liability £m	Reimbursement right[1,2] £m
At 1 January as reported	46	(1,501)	(1,455)	205
Restatement[1]	–	–	–	(17)
At 1 January (restated)	46	(1,501)	(1,455)	188
Interest income/(expense)	2	(72)	(70)	9
Past service cost	–	(12)	(12)	–
Included in profit or loss	2	(84)	(82)	9
Remeasurements:				
Return on plan assets excluding amounts included in interest income	2	–	2	–
Gain from changes in demographic assumptions	–	12	12	–
Loss from changes in financial assumptions	–	(51)	(51)	–
Experience gain	–	15	15	–
Movement in valuation of reimbursement right asset/liabilities	–	–	–	(16)
Included in other comprehensive income	2	(24)	(22)	(16)
Income received from insurance policies	102	–	102	–
Benefit payments	(102)	102	–	(13)
At 31 December	50	(1,507)	(1,457)	168

1 See note A3 for details of the prior year restatements
2 Reimbursement right asset £202 million and reimbursement right liabilities £(34) million (2022: £205 million and £(17) million).

G1.1.3 Scheme assets
The distribution of the scheme assets at the end of the year was as follows:

	2024 Total £m	2024 Of which not quoted in an active market £m	2023 Total £m	2023 Of which not quoted in an active market £m
Private equities	3	3	5	5
Hedge funds	2	2	3	3
Cash and other	43	–	42	–
Reported scheme assets	48	5	50	8
Add back:				
Insurance policies eliminated on consolidation	1,358	1,358	1,507	1,507
Economic value of assets	1,406	1,363	1,557	1,515

G1.1.4 Defined benefit obligation
The calculation of the defined benefit obligation can be allocated to the scheme's members as follows:

- Deferred scheme members: 29% (2023: 33%); and
- Pensioners: 71% (2023: 67%).

The weighted average duration of the defined benefit obligation at 31 December 2024 is 10 years (2023: 13.5 years).

Principal assumptions
The principal financial assumptions of the Pearl Scheme are set out in the table below:

	2024 %	2023 %
Rate of increase for pensions in payment (5% per annum or RPI if lower)	3.00	2.90
Rate of increase for deferred pensions ('CPI')	2.70	2.60
Discount rate	5.55	4.60
Inflation – RPI	3.20	3.10
Inflation – CPI	2.70	2.60

The discount rate and inflation rate assumptions have been determined by considering the shape of the appropriate yield curves and the duration of the Pearl Scheme's liabilities. This method determines an equivalent single rate for each of the discount and inflation rates, which is derived from the profile of projected benefit payments.

The post-retirement mortality assumptions are in line with a scheme-specific table which was derived from the actual mortality experience in recent years based on the SAPS standard tables for males and for females based on year of use. Future longevity improvements from 1 January 2017 are based on amended CMI 2023 Core Projections (2023: From 1 January 2017 based on amended CMI 2022 Core Projections) and a long-term rate of improvement of 1.6% (2023: 1.5%) per annum for males and 1.2% (2023: 1.2%) per annum for females. Under these assumptions, the average life expectancy from retirement for a member currently aged 40 retiring at age 60 is 29.1 years and 30.4 years for male and female members respectively (2023: 29.0 years and 30.3 years respectively).

A quantitative sensitivity analysis for significant actuarial assumptions is shown below:

2024 Assumptions	Base	Discount rate		RPI		Life expectancy	
Sensitivity level		25bps increase	25bps decrease	25bps increase	25bps decrease	1 year increase	1 year decrease
Impact on the defined benefit obligation (£m)	1,358	(35)	34	19	(18)	37	(37)

2023 Assumptions	Base	Discount rate		RPI		Life expectancy	
Sensitivity level		25bps increase	25bps decrease	25bps increase	25bps decrease	1 year increase	1 year decrease
Impact on the defined benefit obligation (£m)	1,507	(41)	43	23	(22)	37	(37)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the defined benefit obligation recognised within the statement of consolidated financial position.

G1.2 PGL Pension Scheme
In January 2024, the trustees of the PGL Pension Scheme completed the buy-out of the scheme liabilities with PLL whereby the existing annuity insurance policies were exchanged for individual policies between PLL and the scheme's members. As a result, all the Group's obligations under the pension scheme have now been fully extinguished. Further details are included in the section below.

G1.2.1 Scheme details
Defined contribution scheme
On 1 July 2020 the Group closed the defined contribution section of the PGL Scheme and ceased making contributions from this date.

Defined benefit scheme
The defined benefit section of the PGL Pension Scheme was, prior to the completion of the buy-out, a final salary arrangement which was closed to new entrants and had no active members. The Scheme is administered by a separate trustee company, PGL Pension Trustee Ltd. The trustee company is comprised of two representatives from the Group, three member nominated representatives and one independent trustee in accordance with the trustee company's articles of association. The trustee is required by law to act in the interest of all relevant beneficiaries and was responsible for the day-to-day administration of the benefits.

A triennial funding valuation of the PGL Pension Scheme as at 30 June 2021 was completed in 2022 by a qualified actuary. This showed a surplus as at 30 June 2021 of £2 million.

During the period, the trustees of the PGL Pension Scheme completed the buy-out of the scheme liabilities with PLL whereby the existing annuity insurance policies between the two parties were exchanged for individual policies between PLL and the scheme's members. As a result, all the Group's obligations under the pension scheme have now been fully extinguished and the defined benefit obligation as at the settlement date of £1,097 million, reimbursement right assets of £11 million and reimbursement right liabilities of £45 million were derecognised.

An additional premium (in excess of the value of the collateral assets transferred as premium for the original buy-in transactions) of £18 million was prepaid by the Scheme to PLL in 2023 and has been recognised upon completion of the settlement. The difference between the defined benefit obligation and associated reimbursement rights at this date and the total premium paid resulted in a loss on settlement of £208 million being recognised within administration expenses in the consolidated income statement. This loss reflects the difference between the measurement basis for the liabilities as prescribed by IAS 19 and the value prescribed for the buy-out transfer in the original buy-in agreement which is primarily based on collateral determined using the best estimate assumptions of PLL and the risk margin associated with those liabilities on a Solvency II basis. On completion of the buy-out, the Scheme held minimal residual assets which were used during the period to cover wind-up expenses. Further details of the full impact of the buy-out transaction are included in note B1.1.

Insurance policies with Group entities and reinsurance arrangements
Prior to completion of the buy-out, the PGL Pension Scheme completed two buy-in transactions. The plan assets transferred to PLL as premium were held in a collateral account and recognised in the relevant line within financial assets in the statement of consolidated financial position. The economic effect of these transactions in the Scheme was to replace the plan assets transferred with a single line insurance policy reimbursement asset which was eliminated on consolidation along with the relevant insurance contract liabilities in PLL. The value of the insurance policies with Group entities at 31 December 2024 is £nil (2023: £1,093 million).

During 2023, £18 million of scheme assets were transferred to PLL as premium for the buy-out transaction which completed in January 2024. At 31 December 2023, a debtor of £18 million to reflect the prepayment of this premium was eliminated on consolidation.

PLL entered into longevity swap arrangements with external reinsurers to reinsure a proportion of the risks transferred as part of both the buy-in transactions. The fair value of the reimbursement right liabilities amounted to £nil (31 December 2023: £34 million (restated)). Further details of the restatement are included in note A3.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued
G1. Pension schemes continued
G1.2.2 Summary of amounts recognised in the consolidated financial statements
The amounts recognised in the consolidated financial statements are as follows:

2024	Fair value of scheme assets £m	Defined benefit obligation £m	Pension scheme liability £m	Reimbursement right £m
At 1 January as reported	6	(1,097)	(1,091)	–
Restatement[1]	–	–	–	(34)
At 1 January (restated)	6	(1,097)	(1,091)	(34)
Administrative expenses	(6)	–	(6)	–
Settlement gain	–	1,097	1,097	34
Included in profit or loss	(6)	1,097	1,091	34
At 31 December	–	–	–	–

1 See note A3 for details of the prior year restatements.Reimbursement right asset £11 million and reimbursement rights liability £(45) million.

2023	Fair value of scheme assets £m	Defined benefit obligation £m	Pension scheme liability £m	Reimbursement right £m
At 1 January as reported	27	(1,083)	(1,056)	–
Restatement[1]	–	–	–	(21)
At 1 January (restated)	27	(1,083)	(1,056)	(21)
Interest income/(expense)	1	(52)	(51)	(1)
Administrative expenses	(3)	–	(3)	–
Included in profit or loss	(2)	(52)	(54)	(1)
Remeasurements:				
Return on plan assets excluding amounts included in interest income	(1)	–	(1)	–
Gain from changes in demographic assumptions	–	13	13	–
Loss from changes in financial assumptions	–	(27)	(27)	–
Experience loss	–	(17)	(17)	–
Movement in valuation of reimbursement right asset/liability	–	–	–	(12)
Included in other comprehensive income	(1)	(31)	(32)	(12)
Income received from insurance policies	69	–	69	–
Benefit payments	(69)	69	–	–
Assets transferred as premium for scheme buy-out	(18)	–	(18)	–
At 31 December	6	(1,097)	(1,091)	(34)

1 See note A3 for details of the prior year restatements. Reimbursement rights asset £12 million and reimbursement right liability £(33) million.

G1.2.3 Scheme assets
The distribution of the scheme assets at the end of the year was as follows:

	2024		2023	
	Total £m	Of which not quoted in an active market £m	Total £m	Of which not quoted in an active market £m
Cash and other	–	–	6	–
Reported scheme assets	–	–	6	–
Add: Insurance policies eliminated on consolidation	–	–	1,093	1,093
Amounts due from subsidiary eliminated on consolidation	–	–	18	18
Economic value of assets	–	–	1,117	1,111

G1.2.4 Defined benefit obligation
The calculation of the defined benefit obligation can be allocated to the scheme's members as follows:

- Deferred scheme members: nil% (2023: 36%); and
- Pensioners: nil% (2023: 64%).

The weighted average duration of the defined benefit obligation at 31 December 2023 was 13.5 years.

Principal assumptions
The principal assumptions of the PGL Pension Scheme as at 31 December 2023 are set out below.

	2024 %	2023 %
Rate of increase for pensions in payment (7.5% per annum or RPI if lower)	–	3.10
Rate of increase for deferred pensions ('CPI')	–	2.60
Discount rate	–	4.60
Inflation – RPI	–	3.10
Inflation – CPI	–	2.60

The discount rate and inflation rate assumptions have been determined by considering the shape of the appropriate yield curves and the duration of the PGL Pension Scheme's liabilities. This method determines an equivalent single rate for each of the discount and inflation rates, which is derived from the profile of projected benefit payments.

The post-retirement mortality assumptions are in line with 86%/94% of S1P Light base tables for males and females. Future longevity improvements in 2023 were from 1 January 2021 based on amended CMI 2022 Core Projections with a long-term rate of improvement of 1.5% per annum for males and 1.2% per annum for females. Under these assumptions, the average life expectancy from retirement for a member currently aged 40 retiring at age 62 was 27.4 years and 28.8 years for male and female members respectively.

A quantitative sensitivity analysis for significant actuarial assumptions as at 31 December 2023 is shown below:

2023 Assumptions	Base	Discount rate		RPI		Life expectancy	
Sensitivity level		25bps increase	25bps decrease	25bps increase	25bps decrease	1 year increase	1 year decrease
Impact on the defined benefit obligation (£m)	1,097	(32)	33	22	(21)	31	(31)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the defined benefit obligation recognised within the statement of consolidated financial position.

G1.3 Abbey Life Staff Pension Scheme
G1.3.1 Scheme details
The Abbey Life Scheme is a registered occupational pension scheme, set up under trust, and legally separate from its principal employer PeLHL. The scheme is administered by Abbey Life Trust Securities Limited (the trustee), a corporate trustee. There are three trustee directors, one of whom is nominated by the Abbey Life Scheme members and two of whom are appointed by PeLHL. The trustee is responsible for administering the scheme in accordance with the trust deed and rules and pensions laws and regulations. The Abbey Life Scheme is closed to new entrants and has no active members.

The valuation has been based on an assessment of the liabilities of the Abbey Life Scheme as at 31 December 2024 undertaken by independent qualified actuaries. The present values of the defined benefit obligation and the related interest costs have been measured using the projected unit credit method.

Funding
The last funding valuation of the Abbey Life Scheme was carried out by a qualified actuary as at 31 March 2021 and showed a deficit of £86 million. The funding valuation as at 31 March 2024 was in progress as at the end of the year and will be finalised during 2025. Following completion of the funding valuation a recovery plan was agreed between the Group and the trustee of the Abbey Life Scheme for PeLHL to pay monthly contributions of £400,000 into the Scheme until 31 July 2025 to eliminate the funding shortfall. In addition, the entire balance of the 2013 Charged Account of £42 million was paid to the Scheme in December 2021.

A new schedule of contributions was agreed effective from November 2021, for PeLHL to pay the following amounts in respect of deficit contributions in addition to the amounts payable under the recovery plan:

- fixed monthly contributions of £400,000 payable from 1 August 2025 to 30 June 2026;
- monthly contributions in respect of administration expenses of £106,295 payable up to 31 March 2022, then increasing annually in line with the Retail Prices Index assumption to 30 June 2028; and
- annual payments of £4 million into the New 2016 Charged Account by 31 July each year, with the last payment due by 31 July 2025.

The charged account is an Escrow account which was created to provide the trustees with additional security in light of the funding deficit. The amounts held in the charged account does not form part of Abbey Life Scheme assets.

Under the terms of the New 2016 Funding Agreement the funding position of the Abbey Life Scheme will be assessed as at 31 March 2027. A payment will be made from the New 2016 Charged Account to the Scheme if the results of the assessment reveal a shortfall calculated in accordance with the terms of the New 2016 Funding Agreement. The amount of the payment will be the lower of the amount of the shortfall and the amount held in the New 2016 Charged Account.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued
G1. Pension schemes continued
G1.3.2 Summary of amounts recognised in the consolidated financial statements
The amounts recognised in the consolidated financial statements are as follows:

2024	Fair value of scheme assets £m	Defined benefit obligation £m	Minimum funding requirement obligation £m	Total £m
At 1 January	211	(218)	(2)	(9)
Interest income/(expense)	9	(9)	–	–
Administration expenses	(2)	–	–	(2)
Included in profit or loss	7	(9)	–	(2)
Remeasurements:				
Return on plan assets excluding amounts included in interest income	(19)	–	–	(19)
Gain from changes in financial assumptions	–	20	–	20
Change in minimum funding requirement obligation	–	–	2	2
Included in other comprehensive income	(19)	20	2	3
Employer's contributions	6	–	–	6
Benefit payments	(13)	13	–	–
At 31 December	192	(194)	–	(2)

2023	Fair value of scheme assets £m	Defined benefit obligation £m	Minimum funding requirement obligation £m	Total £m
At 1 January	206	(211)	(3)	(8)
Interest income/(expense)	10	(10)	–	–
Administrative expenses	(2)	–	–	(2)
Included in profit or loss	8	(10)	–	(2)
Remeasurements:				
Return on plan assets excluding amounts included in interest income	2	–	–	2
Experience loss	–	(4)	–	(4)
Gain from changes in demographic assumptions	–	2	–	2
Loss from changes in geographic assumptions	–	(6)	–	(6)
Change in minimum funding requirement obligation	–	–	1	1
Included in other comprehensive income	2	(8)	1	(5)
Employer's contributions	6	–	–	6
Benefit payments	(11)	11	–	–
At 31 December	211	(218)	(2)	(9)

G1.3.3 Scheme assets
The distribution of the scheme assets at the end of the year was as follows:

	2024		2023	
	Total £m	Of which not quoted in an active market £m	Total £m	Of which not quoted in an active market £m
Diversified income fund	54	–	45	–
Fixed interest government bonds	131	–	148	–
Corporate bonds	86	–	97	–
Derivatives	(86)	(86)	(85)	(85)
Cash and cash equivalents	7	–	6	–
Pension scheme assets	192	(86)	211	(85)

G1.3.4 Defined benefit obligation
The calculation of the defined benefit obligation can be allocated to the scheme's members as follows:

- Deferred scheme members: 35% (2023: 44%); and
- Pensioners: 65% (2023: 56%).

The weighted average duration of the defined benefit obligation at 31 December 2024 is 11 years (2023: 13.5 years).

Principal assumptions
The principal financial assumptions of the Abbey Life Scheme are set out in the table below:

	2024 %	2023 %
Rate of increase for pensions in payment (5% per annum or RPI if lower)	3.00	2.90
Rate of increase for deferred pensions ('CPI' subject to caps)	2.70	2.60
Discount rate	5.55	4.60
Inflation – RPI	3.20	3.10
Inflation – CPI	2.70	2.60

The discount rate and inflation rate assumptions have been determined by considering the shape of the appropriate yield curves and the duration of the Abbey Life Scheme's liabilities. This method determines an equivalent single rate for each of the discount and inflation rates, which is derived from the profile of projected benefit payments.

The post-retirement mortality assumptions are in line with a scheme-specific table which was derived from the actual mortality experience in recent years, performed as part of the actuarial funding valuation as at 31 March 2024, using the SAPS S4 'Light' tables for males and for females based on year of use. Future longevity improvements from 1 January 2024 are based on amended CMI 2023 Core Projections (2023: From 1 January 2021 based on amended CMI 2021 Core Projections) and a long-term rate of improvement of 1.6% (2023: 1.5%) per annum for males and 1.2% (2023: 1.2%) per annum for females. Under these assumptions the average life expectancy from retirement for a member currently aged 45 retiring at age 65 is 24.6 years and 25.6 years for male and female members respectively (2023: 24.5 years and 25.6 years respectively).

A quantitative sensitivity analysis for significant actuarial assumptions is shown below:

2024 Assumptions	Base	Discount rate		RPI		Life expectancy	
Sensitivity level		25bps increase	25bps decrease	25bps increase	25bps decrease	1 year increase	1 year decrease
Impact on the defined benefit obligation (£m)	194	(5)	5	4	(4)	6	(6)

2023 Assumptions	Base	Discount rate		RPI		Life expectancy	
Sensitivity level		25bps increase	25bps decrease	25bps increase	25bps decrease	1 year increase	1 year decrease
Impact on the defined benefit obligation (£m)	218	(7)	7	5	(5)	7	(7)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of consolidated financial position.

G1.4 ReAssure Life Staff Pension Scheme
G1.4.1 Scheme details
The ReAssure Scheme is a registered occupational pension scheme, set up under trust, and legally separate from the employer ReAssure Midco Limited ('RML'). The scheme is administered by ReAssure Pension Trustees Limited, a corporate trustee. There are six trustee directors, two of whom are nominated by the ReAssure Scheme members and four of whom are appointed by RML. The trustee is responsible for administering the scheme in accordance with the trust deed and rules and pensions laws and regulations. The ReAssure Scheme is closed to new entrants and to future accrual for active members.

The valuation has been based on an assessment of the liabilities of the ReAssure Scheme as at 31 December 2024 undertaken by independent qualified actuaries. The present values of the defined benefit obligation and the related interest costs have been measured using the projected unit credit method.

Funding
The last funding valuation of the ReAssure Scheme was carried out by a qualified actuary as at 31 December 2020 and showed a deficit of £77 million. The funding valuation as at 31 December 2023 was in progress as at the end of the year and was finalised in February 2025.

Following completion of the 2020 valuation a recovery plan was agreed in September 2021 between the trustee and RML in order to make good the deficit. RML agreed to pay contributions of £17.7 million into the existing Custody Account spread over four annual payments of £4.425 million payable on 1 April 2022, 1 April 2023, 1 April 2024 and 1 April 2025. The 2023 Recovery plan, agreed in February 2025, no longer requires the payment of the remaining contribution on 1 April 2025. It is anticipated that £26 million will be paid from the Custody Account on or shortly after 1 July 2026 to remove any remaining deficit at 31 December 2025.

The amounts held in this account do not form part of the Scheme's plan assets and are instead held in the Custody Account and are included within financial assets in the statement of consolidated financial position.

The Group agrees to cover those expenses incurred by the ReAssure Scheme and up to the end of 2024 the cost of the death-in-service benefits for those members of the scheme entitled to those benefits. Payments of £2 million (2023: £2 million) have been made during the year to cover these costs.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued
G1. Pension schemes continued
G1.4.2 Summary of amounts recognised in the consolidated financial statements
The amounts recognised in the consolidated financial statements are as follows:

2024	Fair value of scheme assets £m	Defined benefit obligation £m	Provision for tax on the economic surplus available as a refund £m	Total £m
At 1 January	287	(273)	(5)	9
				–
Interest income/(expense)	13	(12)	–	1
Administrative expenses	(2)	–	–	(2)
Included in profit or loss	11	(12)	–	(1)
Remeasurements:				
Return on plan assets excluding amounts included in interest income	(29)	–	–	(29)
Gain from changes in financial assumptions	–	33	–	33
Change in provision for tax on economic surplus available as a refund	–	–	5	5
Included in other comprehensive income	(29)	33	5	9
Employer's contributions	3	–	–	3
Benefit payments	(10)	10	–	–
At 31 December	262	(242)	–	20

2023	Fair value of scheme assets £m	Defined benefit obligation £m	Provision for tax on the economic surplus available as a refund £m	Total £m
At 1 January	288	(266)	(8)	14
Interest income/(expense)	14	(13)	–	1
Administrative expenses	(1)	–	–	(1)
Included in profit or loss	13	(13)	–	–
Remeasurements:				
Return on plan assets excluding amounts included in interest income	(7)	–	–	(7)
Gain from changes in demographic assumptions	–	13	–	13
Loss from changes in financial assumptions	–	(10)	–	(10)
Experience loss	–	(7)	–	(7)
Change in provision for tax on economic surplus available as a refund	–	–	3	3
Included in other comprehensive income	(7)	(4)	3	(8)
Employer's contributions	3	–	–	3
Benefit payments	(10)	10	–	–
At 31 December	287	(273)	(5)	9

G1.4.3 Scheme assets
The distribution of the scheme assets at the end of the year was as follows:

	2024		2023	
	Total £m	Of which not quoted in an active market £m	Total £m	Of which not quoted in an active market £m
Equities	33	–	32	–
Government bonds	91	–	118	–
Corporate bonds	100	–	92	–
Other quoted securities	33	–	41	–
Cash and cash equivalents	6	–	4	–
Pension scheme assets	263	–	287	–

G1.4.4 Defined benefit obligation
The calculation of the defined benefit obligation can be allocated to the scheme's members as follows:

- Deferred scheme members: 66% (2023: 66%); and
- Pensioners: 34% (2023: 34%).

The weighted average duration of the defined benefit obligation at 31 December 2024 is 15 years (2023: 17 years).

Principal assumptions
The principal financial assumptions of the ReAssure Scheme are set out in the table below:

	2024 %	2023 %
Rate of increase for pensions in payment (5% per annum or RPI if lower)	3.00	2.90
Rate of increase for deferred pensions	2.70	2.60
Rate of increase in salaries	3.70	3.60
Discount rate	5.55	4.60
Inflation – RPI	3.20	3.10
Inflation – CPI	2.70	2.60

The discount rate and inflation rate assumptions have been determined by considering the shape of the appropriate yield curves and the duration of the ReAssure Scheme's liabilities. This method determines an equivalent single rate for each of the discount and inflation rates, which is derived from the profile of projected benefit payments.

The post-retirement mortality assumptions are in line with SAPS Series 3 light base tables with a 102% (2023: 102%) multiplier for males and a 95% (2023: 95%) multiplier for females, with CMI 2019 projections in line with a 1.5% pa long-term trend up to and including 31 December 2020. Future longevity improvements from 1 January 2021 onwards are in line with amended CMI 2023 Core Projections (2022: from 1 January 2021 in line with amended CMI 2022 Core Projections) with a long-term trend of 1.6% pa (2023: 1.5%) for males and 1.2% (2023: 1.2%) for females.

Under these assumptions the average life expectancy from retirement for a member currently aged 45 retiring at age 60 is 29.9 years and 31.5 years for male and female members respectively (2023: 29.7 years and 31.3 years for male and female members respectively).

A quantitative sensitivity analysis for significant actuarial assumptions is shown below:

2024 Assumptions	Base	Discount rate		RPI		Life expectancy	
Sensitivity level		25bps increase	25bps decrease	25bps increase	25bps decrease	1 year increase	1 year decrease
Impact on the defined benefit obligation (£m)	242	(9)	9	7	(7)	5	(5)

2023 Assumptions	Base	Discount rate		RPI		Life expectancy	
Sensitivity level		25bps increase	25bps decrease	25bps increase	25bps decrease	1 year increase	1 year decrease
Impact on the defined benefit obligation (£m)	273	(11)	11	9	(9)	7	(7)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of consolidated financial position.

G1.5 Sun Life Assurance Company of Canada 1988 UK and Irish Employee Benefits scheme
G1.5.1 Scheme details
The Sun Life Assurance Company of Canada 1988 UK and Irish Employee Benefits scheme ('Sun Life of Canada Scheme') was consolidated within the Group financial statements following the acquisition of the Sun Life businesses on 3 April 2023. The Sun Life of Canada Scheme is a registered occupational pension scheme, set up under trust, and legally separate from the principal employer Phoenix Life CA Limited (formerly known as Sun Life Assurance Company of Canada (U.K.) Limited). The Scheme is administered by a specialist third party administrator, Hymans Robertson LLP. A Trustee Board is responsible for ensuring the Scheme is run in accordance with the Trust Deed and Rules and for ensuring compliance with legislation although certain tasks are delegated to third parties. The Trustee Board is made up of three Trustees; an Independent Trustee who is also the Chair, a Principal Employer appointed Trustee and a Member-Nominated Trustee. The Independent Trustee is Capital Cranfield Pension Trustees Limited. The Sun Life of Canada Scheme is closed to new entrants and to future accrual for active members.

The valuation has been based on an assessment of the liabilities of the Sun Life of Canada Scheme as at 31 December 2024 undertaken by independent qualified actuaries. The present values of the defined benefit obligation and the related interest costs have been measured using the projected unit credit method.

The economic surplus of the Scheme is anticipated to be used to cover future costs of the Scheme and will be fully utilised prior to any winding-up of the Scheme. As a result, no provision for tax is deducted from the surplus.

Funding
The last funding valuation of the Sun Life of Canada Scheme was carried out by a qualified actuary as at 31 December 2022 and showed a surplus of £6 million. No contributions are required to be paid by the employer into the Scheme.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G1. Pension schemes continued

G1.5.2 Summary of amounts recognised in the consolidated financial statements

The amounts recognised in the consolidated financial statements are as follows:

2024	Fair value of scheme assets £m	Defined benefit obligation £m	Total £m	Reimbursement right £m
At January	297	(280)	17	2
Interest income/(expense)	14	(13)	1	–
Administrative expenses	(2)	–	(2)	–
Included in profit or loss	12	(13)	(1)	–
Remeasurements:				
Return on plan assets excluding amounts included in interest income	(27)	–	(27)	–
Gain from changes in demographic assumptions	–	1	1	–
Gain from changes in financial assumptions	–	27	27	–
Experience loss	–	(2)	(2)	–
Included in other comprehensive income	(27)	26	(1)	–
Benefit payments	(15)	15	–	–
At 31 December	267	(252)	15	2

2023	Fair value of scheme assets £m	Defined benefit obligation £m	Total £m	Reimbursement right £m
On acquisition of Phoenix Life CA Holdings Limited (formerly SLF of Canada UK Limited)(note H2)	302	(286)	16	2
Interest income/(expense)	14	(13)	1	–
Included in profit or loss	14	(13)	1	–
Remeasurements:				
Return on plan assets excluding amounts included in interest income	(5)	–	(5)	–
Gain from changes in demographic assumptions	–	5	5	–
Loss from changes in financial assumptions	–	(4)	(4)	–
Experience gain	–	4	4	–
Included in other comprehensive income	(5)	5	–	–
Benefit payments	(14)	14	–	–
At 31 December	297	(280)	17	2

G1.5.3 Scheme assets

The distribution of the scheme assets at the end of the year was as follows:

	2024		2023	
	Total £m	Of which not quoted in an active market £m	Total £m	Of which not quoted in an active market £m
Debt securities	28	–	36	–
Cash and cash equivalents	8	–	4	–
Qualifying insurance contracts[1]	231	231	257	257
Pension scheme assets	267	231	297	257

1 In 2018 and 2021 the Scheme completed two buy-in transactions with external parties which cover approximately 90% of the Scheme's liabilities.

G1.5.4 Defined benefit obligation

The calculation of the defined benefit obligation can be allocated to the scheme's members as follows:

- Deferred scheme members: 40% (2023: 40%); and
- Pensioners: 60% (2023: 60%).

The weighted average duration of the defined benefit obligation at 31 December 2024 is 11.7 years (2023: 12.8 years).

Principal assumptions

The principal financial assumptions of the Sun Life of Canada Scheme are set out in the table below:

	2024 %	2023 %
Rate of increase for pensions in payment	3.10	3.05
Rate of increase for deferred pensions	2.20	2.15
Discount rate	5.55	4.60
Inflation – RPI	3.20	3.10
Inflation – CPI	2.30	2.30

The discount rate and inflation rate assumptions have been determined by considering the shape of the appropriate yield curves and the duration of the Sun Life of Canada Scheme's liabilities. This method determines an equivalent single rate for each of the discount and inflation rates, which is derived from the profile of projected benefit payments.

The post-retirement mortality assumptions are in line with 2022 VITA Lite tables (2023: 2022 tables). Future longevity improvements are in line with the 2023 CMI model with no weight on 2020 and 2021 experience and 15% weighting on 2022 and 2023 experience (2023: 2022 CMI model with no weight on 2020 and 2021 experience and 25% weighting on 2022 experience), with a long-term trend of 1.5% p.a. for males (2023: 1.5%) and 1.5% p.a. for females (2023: 1.5%).

Under these assumptions the average life expectancy from retirement for a member currently aged 45 retiring at age 65 is 23.1 years and 26.1 years for male and female members respectively (2023: 23.1 years and 26.1 years for male and female members respectively).

A quantitative sensitivity analysis for significant actuarial assumptions is shown below:

2024 Assumptions	Base	Discount rate		RPI		Life expectancy	
Sensitivity level		25bps increase	25bps decrease	25bps increase	25bps decrease	1 year increase	1 year decrease
Impact on the defined benefit obligation (£m)	252	(7)	7	5	(5)	6	(6)

2023 Assumptions	Base	Discount rate		RPI		Life expectancy	
Sensitivity level		25bps increase	25bps decrease	25bps increase	25bps decrease	1 year increase	1 year decrease
Impact on the defined benefit obligation (£m)	280	(9)	9	7	(8)	11	(11)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of consolidated financial position.

G2. Intangible assets

Goodwill

Business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is measured on initial recognition at cost. Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually or when there is evidence of possible impairment. For impairment testing, goodwill is allocated to relevant cash generating units. Goodwill is impaired when the recoverable amount is less than the carrying value.

In certain acquisitions an excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities, contingent liabilities and non-controlling interests over cost may arise. Where this occurs, the surplus of the fair value of net assets acquired over the fair value of the consideration is recognised in the consolidated income statement.

Acquired in-force business ('AVIF')

Investment contracts without DPF acquired in business combinations and portfolio transfers are measured at fair value at the time of acquisition. At initial recognition the AVIF represents the difference between the fair value of the contractual rights acquired and obligations assumed and the liability measured in accordance with the Group's accounting policies. The liability measured in accordance with the Group's accounting policies is determined using a valuation technique to provide a reliable estimate of the amount for which the liability could be transferred in an orderly transaction between market participants at the measurement date, subject to a minimum equal to the surrender value. This acquired in-force business is amortised on a diminishing balance basis.

An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the consolidated income statement.

The acquired in-force business is allocated to relevant cash generating units for the purposes of impairment testing.

Brands

Brands are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is the fair value as at the date of the acquisition. The cost of an intangible asset acquired in exchange for a non-monetary asset is measured at fair value as at the date of the transaction. Following initial recognition, the brand and other contractual arrangement intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued
G2. Intangible assets continued

Amortisation is calculated using the straight-line method to allocate the cost of brands over their estimated useful lives. They are tested for impairment whenever there is evidence of possible impairment. For impairment testing, they are allocated to the relevant cash generating unit. Brands are impaired when the recoverable amount is less than the carrying value.

Internally generated software assets
Intangible assets arising from development costs are capitalised when it has been established that the project is technically and financially feasible and the Group has both the intention and the ability to use the completed asset. Internally generated software assets are measured on initial recognition at cost which comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Following initial recognition, the assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost of the internally generated software assets over their estimated useful lives which is estimated to be between 3 and 10 years. They are tested for impairment whenever there is evidence of possible impairment.

			Other intangible assets		
2024	Goodwill £m	Acquired in-force business £m	Brands £m	Internally generated software assets £m	Total £m
Cost or valuation					
At 1 January	57	4,196	131	–	4,384
Additions	–	–	–	29	29
At 31 December	57	4,196	131	29	4,413
Amortisation and impairment					
At 1 January	(47)	(2,284)	(25)	–	(2,356)
Amortisation charge for the year	–	(266)	(6)	(1)	(273)
At 31 December	(47)	(2,550)	(31)	(1)	(2,629)
Carrying amount at 31 December	10	1,646	100	28	1,784
Amount recoverable after 12 months	10	1,417	94	24	1,545

2023	Goodwill £m	Acquired in-force business £m	Brands £m	Total £m
Cost or valuation				
At 1 January	57	4,180	131	4,368
Acquisition of Phoenix Life CA Holdings Limited (Formerly known as SLF of Canada UK Limited)	–	16	–	16
At 31 December	57	4,196	131	4,384
Amortisation and impairment				
At 1 January	(47)	(1,966)	(19)	(2,032)
Amortisation charge for the year	–	(290)	(6)	(296)
Impairment charge for the year	–	(28)	–	(28)
At 31 December	(47)	(2,284)	(25)	(2,356)
Carrying amount at 31 December	10	1,912	106	2,028
Amount recoverable after 12 months	10	1,654	100	1,764

G2.1 Goodwill
The carrying value of goodwill has been tested for impairment at the year end and the results of this exercise are detailed below.

Goodwill with a carrying value of £10 million (2023: £10 million) was recognised on the acquisition of AXA Wealth during 2016 and has been allocated to the Pensions & Savings and Europe & Other segments. This represents the value of the workforce assumed and the potential for future value creation, which relates to the ability to invest in and grow the SunLife brand. Value in use has been determined as the present value of certain future cash flows associated with that business. The cash flows used in the calculation are consistent with those adopted by management in the Group's operating plan, and for the period 2028 and beyond, assume a zero growth rate. The underlying assumptions of these projections include market share, customer numbers, commission rates and expense inflation. The cash flows have been valued at a risk adjusted discount rate of 15% (2023: 14%) that makes prudent allowance for the risk that future cash flows may differ from that assumed.

This test demonstrated that value in use was greater than carrying value. Given the magnitude of the excess of the value in use over carrying value, management does not believe that a reasonably foreseeable change in key assumptions would cause the carrying value to exceed value in use.

G2.2 Acquired in-force business
AVIF on investment contracts without DPF is amortised in line with emergence of economic benefits over their expected term. AVIF balances are assessed for impairment where an indicator of impairment has been identified and none were identified and none were identified in either the current or prior periods.

AVIF of £16 million was recognised during 2023 upon acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canada UK Limited). Further details are included in note H2.

On 23 February 2021, the Group entered into an agreement with Aberdeen Group plc to simplify the arrangements of their Strategic Partnership. Under the terms of the transaction, the Group agreed to sell its UK investment and platform related products, comprising Wrap SIPP, Onshore bond and UK TIP to Aberdeen Group plc through a Part VII transfer. In 2021, the balances in the statement of consolidated financial position relating to this business were classified as a disposal group held for sale.

The total proceeds of disposal for this business were not expected to exceed the carrying value of the related net assets and accordingly the disposal group was recognised at fair value less costs to sell. The value of the AVIF at 23 February 2021, which related to the SIPP and Onshore business, was £122 million and an initial impairment charge of £59 million was recognised at the date of the transaction. Further impairment charges have subsequently been recognised each year up to 31 December 2023 (2023: £28 million).

As at 31 December 2023, it had been agreed with Aberdeen Group plc that the insured funds element of the Wrap SIPP and Onshore Bond businesses would no longer transfer to Aberdeen Group (see note H3 for further details). As a result, this business no longer met the requirements to be classified as held for sale. Consequently, the AVIF, which had a carrying value of £9 million at 31 December 2023, was no longer deducted from the AVIF line item reported in the consolidated statement of financial position. The remaining AVIF has been fully amortised during the period in line with the transfer of the economic risk and rewards for this business to Aberdeen Group plc via the profit transfer arrangement.

G2.3 Brands
An intangible asset was recognised at cost on acquisition of AXA Wealth and represents the value attributable to the SunLife brand as at 1 November 2016. The intangible asset was valued on a 'multi-period excess earnings' basis and was recognised at a cost of £20 million. Impairment testing was performed in a combined test with the AXA goodwill (see section G2.1). The value in use continues to exceed its carrying value. This brand intangible is being amortised over a 10 year period. The carrying value of the AXA Wealth brand as at 31 December 2024 is £3 million (2023: £6 million).

On 23 February 2021, the Group entered into an agreement to acquire ownership of the Standard Life brand as part of a larger transaction with Aberdeen Group plc, which transferred to the Group in May 2021. The Standard Life brand was initially recognised at a value of £111 million which represented the fair value attributable to the brand as at the transaction date. The intangible asset was valued on a 'multi-period excess earnings' basis and is being amortised over a period of 30 years. The carrying value of the Standard Life brand as at 31 December 2024 is £97 million (2023: £100 million).

G2.4 Internally generated software assets
The Group's strategic priorities are to 'grow, optimise and enhance' the business through investment. As a result of its investment in new technology and software capability, the Group has met the requirements to capitalise internally generated software costs. During 2024, the Group capitalised £29 million (2023: £nil) of development costs and amortised £1 million of these costs (2023: £nil).

G3. Property, plant and equipment

Owner-occupied property is stated at its revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment. Owner-occupied property is depreciated over its estimated useful life, which is taken as 20-50 years. Land is not depreciated. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the owner-occupied property and the net amount is restated to the revalued amount of the asset. Gains in owner-occupied property are recognised in other comprehensive income. When a revaluation loss arises on a previously revalued asset it is first deducted against any previous revaluation gain. Any excess impairment is then recorded as an impairment expense in the consolidated income statement.

The right-of-use assets are initially measured at cost, and subsequently at cost less any accumulated depreciation and impairments, and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the remaining lease term which is between 1 and 8 years (2023: 1 and 11 years).

Equipment consists primarily of computer equipment and fittings. Equipment is stated at historical cost less deprecation. Where acquired in a business combination, historical cost equates to the fair value at the acquisition date. Depreciation on equipment is charged to the consolidated income statement over its estimated useful life of between 2 and 15 years.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued
G3. Property, plant and equipment continued

2024	Owner-occupied properties £m	Right-of-use assets - property £m	Equipment £m	Total £m
Cost or valuation				
At 1 January	28	96	75	199
Additions	–	4	8	12
Revaluation losses	(6)	–	–	(6)
Disposals	–	–	(1)	(1)
At 31 December	22	100	82	204
Depreciation				
At 1 January	–	(42)	(51)	(93)
Depreciation	–	(8)	(13)	(21)
Disposals	–	–	1	1
At 31 December	–	(50)	(63)	(113)
Carrying amount at 31 December	22	50	19	91

2023	Owner-occupied properties £m	Right-of-use assets - property £m	Equipment £m	Total £m
Cost or valuation				
At 1 January	32	96	67	195
Additions	1	–	8	9
Revaluation losses	(5)	–	–	(5)
At 31 December	28	96	75	199
Depreciation				
At 1 January	–	(32)	(38)	(70)
Depreciation	–	(10)	(13)	(23)
At 31 December	–	(42)	(51)	(93)
Carrying amount at 31 December	28	54	24	106

Owner-occupied properties have been valued by accredited independent valuers at 31 December 2024 on an open market basis in accordance with the Royal Institution of Chartered Surveyors' requirements, which is deemed to equate to fair value. The fair value measurement for the properties of £22 million (2023: £28 million) has been categorised as Level 3 based on the non-observable inputs to the valuation technique used. Unrealised loss for the current year is £6 million (2023: £5 million).

The fair value of the owner-occupied properties was derived using the investment method supported by comparison with similar market transactions for similar properties. The significant non-observable inputs used in the valuations are the expected rental values per square foot and the capitalisation rates.

The fair value of the owner-occupied properties valuation would increase (decrease) if the expected rental values per square foot were to be higher (lower) and the capitalisation rates were to be lower (higher).

Since the year end the Group has agreed to the sale of an owner-occupied building and the sale is expected to be completed before the end of 2025. The value of this property at 31 December 2024 was £10 million and no profit or loss is expected upon completion of the sale.

G4. Investment property

Investment property, including right of use assets, is initially recognised at cost, including any directly attributable transaction costs. Subsequently investment property is measured at fair value. Fair value is the price that would be received to sell a property in an orderly transaction between market participants at the measurement date. Fair value is determined without any deduction for transaction costs that may be incurred on sale or disposal. Gains and losses arising from the change in fair value are recognised as income or an expense in the statement of comprehensive income.

Investment property includes right-of-use assets, where the Group acts as lessee. Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Where investment property is leased out by the Group, rental income from these operating leases is recognised as income in the consolidated income statement on a straight-line basis over the period of the lease.

	2024 £m	2023 £m
At 1 January	5,742	6,233
Additions	920	49
Acquisition of Phoenix Life CA Holdings Limited (Formerly known as SLF of Canada UK Limited (note H2)	–	283
Improvements	81	27
Disposals	(1,173)	(484)
Movement in foreign exchange	(18)	(4)
Losses on adjustments to fair value (recognised in consolidated income statement)	(100)	(362)
	5,452	5,742
Less amounts classified as held for sale (note H3)	(1,082)	(2,044)
At 31 December	4,370	3,698
Unrealised losses on properties held at end of year	(58)	(180)

As at 31 December 2024, a property portfolio, including amounts classified held for sale of £5,368 million (2023: £5,621 million), is held by the Life Companies in a mix of commercial sectors, spread geographically throughout the UK and Europe.

Investment properties also includes £29 million (2023: £42 million) of property reversions arising from sales of the NPI Extra Income Plan (see note E5 for further details) and £47 million (2023: £64 million) from the Group's interest in the residential property of policyholders who have previously entered into an Equity Release Income Plan ('ERIP') policy.

Certain investment properties held by the Life Companies possess a ground rent obligation which gives rise to both a right-of-use asset and a lease liability. The right-of-use asset associated with the ground rent obligation is valued at fair value and is included within the total investment property valuation. The value of the ground rent right-of-use asset as at 31 December 2024 was £8 million (2023: £15 million). The remeasurement resulted in no change in value of the ground rent right-of-use asset (2023: no change). There were disposals of £7 million (2023: £6 million) of ground rent right-of-use assets during the period.

Commercial investment property is measured at fair value by independent property valuers having appropriate recognised professional qualifications and recent experiences in the location and category of the property being valued. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors ('RICS') guidelines with expected income and capitalisation rate as the key non-observable inputs.

The NPI residential property reversions, an interest in customers' properties which the Group will realise upon their death, are valued using a discounted cash flow model based on the Group's proportion of the current open market value, and discounted for the expected lifetime of the policyholder derived from published mortality tables, the mortality rates are 130% for both males and females based on the IFL92C15 table for males and the IML92C15 table for females. The open market value is measured by independent local property surveyors having appropriate recognised professional qualifications with reference to the assumed condition of the property and local market conditions. The individual properties are valued triennially and indexed using regional house price indices to the year end date. The discount rate is a three-year swap rate plus 1.7% margin (2023: three-year swap rate plus 1.7% margin), and adjusted for the deferred possession rate of 3.7% (2023: 3.7%). Assumptions are also made in the valuation for future movements in property prices, based on a risk free rate. The residential property reversions have been substantially refinanced under the arrangements with Santander as described in note E5.

The ERIP residential property reversions, an interest in the residential property of policyholders who have previously entered into an ERIP policy and been provided with a lifetime annuity in return for the legal title to their property, are valued using unobservable inputs and management's best estimates. As the inward cash flows on these properties will not be received until the lifetime lease is no longer in force, which is usually upon the death of the policyholder, these interests are valued on a reversionary basis which is a discounted current open market value.

The open market values of the properties are independently revalued every two years by members of the Royal Institution of Chartered Surveyors and in the intervening period are adjusted by reference to the Nationwide Building Society regional indices of house prices. The discount period is based on the best estimates of the likely date the property will become available for sale and the discount rate applied is determined by the general partner as its best estimate of the appropriate discount rate. The mortality assumption is based on the PMLO8HAWP table for males and the PFLO8HAWP table for females, adjusted to reflect the historic experience of the business concerned. The mortality rates are projected using future mortality improvements from the CMI Mortality Projection Model. No explicit allowance is made for house price inflation in the year through to their realisation. Therefore, the key assumptions used in the valuation of the reversionary interests are the interest discount rate and the mortality assumption. The discount rate was 5% (2023: 5%).

The fair value measurement of the investment properties has been categorised as Level 3 based on the inputs to the valuation techniques used. The following table shows the valuation techniques used in measuring the fair value of the investment properties, the significant non-observable inputs used, the inter-relationship between the key non-observable inputs and the fair value measurement of the investment properties:

Description	Valuation techniques	Significant non-observable inputs	Weighted average 2024	Weighted average 2023
Commercial Investment Property	RICS valuation	Expected income per sq. ft.	£25.46	£23.41
		Estimated rental value per hotel room	£6,026	£7,156
		Estimated rental value per parking space	£1,071	£1,123
		Capitalisation rate	4.91%	5.13%

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G4. Investment property continued

The estimated fair value of commercial properties would increase (decrease) if:

- the expected income were to be higher (lower); or
- the capitalisation rate were to be lower (higher).

The estimated fair value of the NPI residential property reversions would increase (decrease) if:

- the deferred possession rate were to be lower (higher);
- the mortality rate were to be higher (lower).

The estimated fair value of the ERIP residential property reversions would increase (decrease) if:

- the discount rate were to be lower (higher);
- the mortality rate were to be higher (lower).

Direct operating expenses (offset against rental income in the consolidated income statement) in respect of investment properties that generated rental income during the year amounted to £35 million (2023: £36 million). The direct operating expenses arising from investment property that did not generate rental income during the year amounted to £2 million (2023: £5 million).

Future minimum lease rental receivables in respect of non-cancellable operating leases on investment properties were as follows:

	2024 £m	2023 £m
Not later than 1 year	259	278
Later than 1 year and not later than 5 years	830	919
Later than 5 years	2,305	2,903

G5. Other receivables

Other receivables are recognised when due and measured on initial recognition at the fair value of the amount receivable. Subsequent to initial recognition, these receivables are measured at amortised cost using the effective interest rate method.

	2024 £m	2023 restated[1] £m
Investment broker balances	338	115
Cash collateral pledged and initial margins posted	1,995	1,728
Property related receivables	158	165
Deferred acquisition costs relating to investment contracts	98	82
Other debtors	454	562
At 31 December	3,043	2,652
Amount recoverable after 12 months	91	13

1 See note A3 for details of the prior year restatements.

G6. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity term of three months or less at the date of placement. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are deducted from cash and cash equivalents for the purpose of the statement of consolidated cash flows. Balances held within collective investment schemes to meet both short and long term liquidity requirements of the Group are excluded from cash and cash equivalents.

	2024 £m	2023 £m
Bank and cash balances	3,040	2,751
Short-term deposits (including notice accounts and term deposits)	6,446	4,469
	9,486	7,220
Less amounts classified as held for sale	(33)	(52)
At 31 December	9,453	7,168

Deposits are subject to a combination of fixed and variable interest rates. The carrying amounts of balances held at amortised cost approximate to fair value at the period end. Cash and cash equivalents in long-term business operations and consolidated collective investment schemes of £9,255 million (2023: £6,994 million) are primarily held for the benefit of policyholders and so are not generally available for use by the owners.

G7. Provisions

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event, which is likely to result in an outflow of resources and where a reliable estimate of the amount of the obligation can be made. If the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision is recognised for onerous contracts when the expected benefits to be derived from the contracts are less than the related unavoidable costs. The unavoidable costs reflect the net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs that meet the requirements to be classified as a provision but are determined to be directly attributable to insurance contracts and investment contracts with DPF are classified within the insurance contract assets and liabilities. Additions and reductions to provisions are recognised within administrative expenses within the consolidated income statement.

Where it is expected that a part of the expenditure required to settle a provision will be reimbursed by a third party the reimbursement is recognised when, and only when, it is virtually certain that the reimbursement will be received. This reimbursement is recognised as a separate asset within other receivables and will not exceed the amount of the provision.

					Restructuring provisions					
2024	Leasehold properties dilapidations £m	Staff related £m	Known incidents £m	Indirect Taxation £m	Transition and Transformation £m	Transfer of policy administration £m	Operational simplification £m	Transfer of ReAssure policy administration £m	Other £m	Total £m
At 1 January	9	11	15	59	47	5	–	–	9	155
Additions in the year	3	–	7	12	29	2	34	36	18	141
Utilised during the year	–	–	(5)	(6)	(17)	(4)	(17)	–	(14)	(63)
Released during the year	–	(2)	(2)	(15)	–	–	–	–	(1)	(20)
Discounting during the year	–	–	–	–	(5)	–	–	(2)	–	(7)
At 31 December	12	9	15	50	54	3	17	34	12	206

Staff related

Staff related provisions include provisions for unfunded pensions of £7 million (2023: £8 million), and private medical and other insurance costs for former employees of £2 million (2023: £3 million).

Known incidents

The known incidents provision was created for historical data quality, administration systems problems and process deficiencies on the policy administration, financial reconciliations and operational finance aspects of business outsourced. These balances represent the best estimates of costs payable to customers. Additional information has been given below in respect of the more significant balances within this provision.

During 2021, a £15 million provision was recognised in relation to errors in final encashment calculations for With Profits Trustee Investment Plans and in 2022 it was increased to £29 million. During the year, £1 million (2023: £18 million) was utilised and £nil (2023: £7 million) was released. The remaining balance at 31 December 2024 is £3 million (2023: £4 million). An £11 million provision was also recognised in April 2021 following identification that certain customers who have a Protected Pension Age or a Protected Tax-free Lump Sum may not have had their benefits settled correctly. The balance at 31 December 2024 of £3 million (2023: £3 million) remained unchanged (2023: £4 million released). These provisions will be utilised within one to two years.

The remaining provisions of £9 million as at 31 December 2024 (2023: £8 million) are expected to be utilised within one to two years. As at 31 December 2024, there are no significant uncertainties which could give rise to a material change to the value of the provisions held for current known incidents.

Indirect taxation

The indirect taxation relates to various indirect tax matters across operational taxes, employment taxes and VAT. During the year, the provision was strengthened by £12 million (2023: £43 million), £6 million (2023: £3 million) was utilised and a further £15 million (2023: £10 million) was released. The remaining balance at 31 December 2024 of £50 million (2023: £59 million) represents the Group's estimate of the maximum exposure as at the reporting date and is expected to be utilised in one to three years.

Restructuring provisions

Transition and transformation provision

Following the acquisition of the Standard Life Assurance businesses in August 2018, the Group established a transition and transformation programme which aims to deliver the integration of the Group's operating models via a series of phases. During 2019, the Group announced its intention to extend its strategic partnership with Tata Consultancy Services ('TCS') to provide customer servicing, to develop a digital platform and for migration of existing Standard Life policies to this platform which raised a valid expectation of the impacts in those likely to be affected.

The initial provision was established in 2019 and included migration costs, severance costs and other expenses. Migration costs are considered a direct expenditure necessarily entailed by the restructuring and represent an obligation arising from arrangements entered into with TCS during 2019. No costs have been provided for that relate to the ongoing servicing of policies. Migration costs payable to TCS are subject to limited uncertainty as they are fixed under the terms of the agreement entered into. The severance costs are subject to uncertainty and will be impacted by the number of staff that transfer to TCS, and the average salaries and number of years' service of those affected. There was an increase in costs during the year following on from a strategic review of the programme to provide for decommissioning costs associated with the restructure. These costs are subject to uncertainty and will be impacted by the phasing of the decommissioning activities and any subsequent updates made to the best estimate view of the costs.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G7. Provisions continued

During the year, the provision was increased by £29 million (2023: £6 million), a further £17 million (2023: £20 million) was utilised and £nil (2023: £11 million) was released. The impact of discounting the provision was £5 million in the year. The remaining £54 million (2023: £47 million) is expected to be utilised within one to four years.

Transfer of policy administration

During 2018, the Group announced its intention to move to a single outsourcer platform and to transfer a further 2 million of the Group's legacy policies to TCS. An initial provision was recognised in 2018 for the expected cost of the platform migration, severance costs and other costs associated with exiting from the current arrangements. Migration costs, severance costs and associated exit costs were considered a direct expenditure necessarily entailed by the restructuring and represent an obligation arising from arrangements entered into with TCS during 2018. No costs have been provided for that relate to the ongoing servicing of policies.

There is considered to be limited uncertainty associated with the remaining costs as the restructuring programme is very close to completion. During the year the provision was increased by £2 million (2023: £1 million) and a further £4 million (2023: £4 million) was utilised. The remaining provision of £3 million (2023: £5 million) is expected to be fully utilised in 2025.

Operational simplification

This Group-wide programme includes activity to take the Group from being a financial engineering business to a purpose led, organically growing business over the next three years. As part of this, an operational simplification workstream is undertaking activity to simplify the Group's operating model such that the business is more efficient and focused on the Group's new strategic direction through review of the Group's organisational structure and ultimately by reducing headcount in the business.

During the year, a severance costs provision of £34 million was established representing the costs that are considered to be necessarily entailed by this restructure. The severance costs are subject to uncertainty and will be impacted by the number of staff that leave the Group, and the average salaries and number of years' service of those affected. Costs of £17 million were utilised during the year and the remaining provision of £17 million is expected to be utilised within one year.

Transfer of ReAssure policy administration

During 2023, the Group announced its intention to further extend its strategic partnership with TCS through the migration of all ReAssure policies onto the TCS BaNCS platform and the consolidation of its operating locations, thereby raising a valid expectation of the impacts in those likely to be affected. During the year, an accounting provision of £36 million was recognised in respect of the element of migration costs, severance costs and associated exit costs not considered to be directly attributable to insurance contracts and investment contracts with DPF.

As with similar provisions, migration costs payable to TCS are subject to limited uncertainty as they are fixed under the terms of the agreement entered into and the severance costs are subject to uncertainty and will be impacted by the number of staff that transfer to TCS, and the average salaries and number of years' service of those affected.

The remaining provision of £34 million is after the impact of discounting of £2 million and is expected to be utilised within one to four years.

Other provisions

Other provisions include £4 million (2023: £3 million) of obligations arising under a gift voucher scheme operated by the SunLife business and a commission clawback provision which represents the expected future clawback of commission income earned by the SunLife business as a result of assumed lapses of policies or associated benefits.

The remaining other provisions of £8 million (2023: £6 million) consist of a number of small balances.

Discounting

The impact of discounting on provisions during the year from either the passage of time or from a change in the discount rate has been allowed for where the impact is considered to be material.

G8. Tax assets and liabilities

Deferred tax is provided for on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided in respect of the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the period end.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

	2024 £m	2023 restated[1] £m
Current tax:		
Current tax receivable	523	502
Current tax payable	(21)	(41)
Deferred tax:		
Deferred tax assets	146	143
Deferred tax liabilities (restated)[1]	(198)	(320)

1 See note A3 for details of the prior year restatements.

Movement in deferred tax liabilities

2024	1 January as reported £m	Restatements[1] £m	1 January restated[1] £m	Recognised in consolidated income statement £m	Recognised in other comprehensive income £m	31 December £m
Trading losses	355	44	399	137	–	536
Capital losses	2	–	2	(2)	–	–
Expenses and deferred acquisition costs carried forward	422	–	422	(177)	–	245
Provisions and other temporary differences	4	–	4	(1)	–	3
Non-refundable pension scheme surplus	(108)	17	(91)	66	(32)	(57)
Committed future pension contributions	3	–	3	(3)	–	–
Transitional adjustment relating to IFRS 9/17	10	–	10	5	–	15
Accelerated capital allowances	23	–	23	3	–	26
Intangibles	31	–	31	(30)	–	1
Acquired in-force business	(361)	–	(361)	47	–	(314)
Customer relationships	(27)	–	(27)	2	–	(25)
Unrealised gains	(361)	–	(361)	(51)	–	(412)
Actuarial liability differences between local GAAP and IFRS	(118)	(124)	(242)	173	–	(69)
Other	11	–	11	(12)	–	(1)
	(114)	(63)	(177)	157	(32)	(52)

1 See note A3 for details of the prior year restatements.

2023 (restated)	1 January as reported £m	Restatements[1] £m	1 January restated[1] £m	Recognised in consolidated income statement restated[1] £m	Recognised in other comprehensive income £m	Phoenix Life CA Holdings Limited acquisition £m	Other movements £m	Less amounts classified as held for sale £m	31 December £m
Trading losses	196	–	196	176	–	27	–	–	399
Capital losses	24	–	24	(22)	–	–	–	–	2
Expenses and deferred acquisition costs carried forward	397	–	397	6	–	19	–	–	422
Provisions and other temporary differences	32	–	32	(28)	–	–	–	–	4
Non-refundable pension scheme surplus	(151)	9	(142)	34	19	(4)	2	–	(91)
Committed future pension contributions	9	–	9	(5)	(1)	–	–	–	3
Transitional adjustment relating to IFRS 9/17	–	–	–	(1)	2	9	–	–	10
Accelerated capital allowances	17	–	17	4	–	1	–	1	23
Intangibles	14	–	14	17	–	–	–	–	31
Acquired in-force business	(405)	–	(405)	55	–	(4)	–	(7)	(361)
Customer relationships	(28)	–	(28)	1	–	–	–	–	(27)
Unrealised gains	(261)	–	(261)	(77)	–	(23)	–	–	(361)
Actuarial liability differences between local GAAP and IFRS	2	(9)	(7)	(224)	–	(16)	5	–	(242)
Other	3	–	3	8	–	–	–	–	11
	(151)	–	(151)	(56)	20	9	7	(6)	(177)

1 See note A3 for details of the prior year restatements.

The standard rate of UK corporation tax for the year ended 31 December 2024 is 25% (2023: 23.5%).

Shareholder deferred tax assets and liabilities, where provided, are reflected at 25%. Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G8. Tax assets and liabilities continued

The deferred tax asset relating to trading losses has increased in 2024 from £399 million to £536 million, as shown in the table above (2023: increase from £196 million to £399 million). This has arisen principally due to net taxable losses arising within the constituent entities of the Group. The Group utilises profit forecasts to support recognition of a deferred tax asset in relation to the losses. The profit forecasts are prepared for the Annual Operating Plan which is used for various purposes including target setting, dividend affordability assessments and going concern.
The Group considers the forecasts to be a reliable source of information to support the recognition of a deferred tax asset in relation to the losses. The forecasts suggest that the losses will be utilised in full within 8 years.

	2024 £m	2023 restated[1] £m
Deferred tax assets have not been recognised in respect of:		
Tax losses carried forward	54	99
Excess expenses and deferred acquisition costs	–	12
Actuarial liability differences between local GAAP and IFRS 17	–	14
Intangibles	–	12
Deferred tax assets not recognised on capital losses	116	119

1 The adjustment to the 2023 deferred tax assets not recognised relates principally to Phoenix Life CA Limited's (formerly known as Sun Life Assurance Company of Canada (U.K.) Limited) tax losses following acquisition of the company in 2023. The adjustment now includes these tax losses at their tax value rather than the gross amount, aligning with the Group's other deferred tax assets not recognised.

At 31 December 2023, the Group also had £12 million of gross BLAGAB (life business) trading losses that were projected to be utilised, however no value was attributed to these deferred tax assets given the interaction with other deductible temporary differences. At 31 December 2024, the quantum of BLAGAB trading losses that no value has been attributed to is £nil.

There is a technical matter which is currently being discussed with HMRC in relation to the L&G insurance business transfer to ReAssure Limited. These discussions are not sufficiently progressed at this stage for recognition of any potential tax benefit arising.

The Group in conjunction with a number of other companies has challenged HMRC's position on the corporation tax treatment of overseas portfolio dividends from companies resident in the EU ('EU dividends') using a Group Litigation Order ('GLO'). The issue relates to whether the UK tax rules, which taxed EU dividends received prior to 1 July 2009, was contrary to EU law given that dividends received from UK companies were exempt from tax. In 2009 UK tax law was changed with both overseas and UK dividends being treated as exempt from corporation tax.

In July 2018, the Supreme Court concluded in favour of the tax payer and a tax benefit of £13 million was recognised at the end of 2018 in relation to enhanced double tax relief claims which the Group is entitled to in accordance with the Court judgement. As a result of the insurance business transfer from Legal and General Assurance Society during 2020, the tax refund for the benefit of the Group's with-profits and unit linked funds increased to £45 million and £23 million respectively. During 2024 tax refunds totaling £11 million were received and the value of the remaining tax reclaims were revised downwards by a further £11m. At 31 December 2024, the tax refunds for Group's with-profits funds and unit linked funds are £36 million and £10 million respectively. In the case of the with-profits funds there was an increase in unallocated surplus and for the unit linked funds there was a corresponding increase in investment contract liabilities as a result of the recognition of the tax asset.

Settlement of this issue is subject to ongoing litigation with most recently, the Court of Appeal ruling in favour of HMRC in February 2025. Consideration is being given as to whether this ruling will be appealed at the Supreme Court.

The Group is continuing to monitor developments in relation to the G20-OECD Inclusive Framework "Pillar Two" rules, as the Group is within scope of the rules from 1 January 2024. Broadly, these rules seek to ensure that, on a jurisdiction-by-jurisdiction basis, large multinational enterprises pay a minimum tax rate of 15% on worldwide profits arising after 31 December 2023.

In May 2023, the scope of IAS 12 has been amended to clarify that the standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group confirms that it has applied this exception during the period.

The main jurisdictions in which the Group may have exposures to Pillar Two income taxes are Ireland and the UK. As at 31 December 2024, the Group has accrued £nil in respect of Pillar Two income taxes based on its latest assessment. The Group also notes that the Pillar Two income taxes legislation is expected to continue developing, the rules are inherently complex and can potentially lead to arbitrary outcomes and therefore, the Group is continuing to assess the impact of the Pillar Two income taxes legislation on its operations.

The Group also notes the enactment of legislation in Bermuda in December 2023 which introduced a Corporate Income Tax with a headline rate of 15% effective from 1 January 2025. This legislation applies to the Group's local Bermudian operations. Given the current size of local operations, the Group does not expect the immediate impact to be material.

G9. Lease Liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined. For ground rent leases, the incremental borrowing rate of investment funds holding the associated investment properties is used as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from, for example, rent reviews or from changes in the assessment of whether a termination option is reasonably certain not to be exercised. The Group has applied judgement to determine the lease term for some lease contracts with break clauses.

	2024 £m	2023 £m
At 1 January	74	92
Leases incepted during the year	6	1
Termination of leases following the disposal of associated investment properties	(7)	(7)
Interest expense	2	2
Lease payments	(11)	(14)
At 31 December	64	74
Amount due within twelve months	13	9
Amount due after twelve months	51	65

Details of the related right-of-use assets are included in notes G3 and G4.

G10. Accruals and deferred income

This note analyses the Group's accruals and deferred income at the end of the year.

	2024 £m	2023 £m
Accruals	546	545
Deferred income	37	34
At 31 December	583	579
Amounts due for settlement after 12 months	38	42

G11. Other payables

Other payables are recognised when due and are measured on initial recognition at the fair value of the consideration payable. Subsequent to initial recognition, these payables are measured at amortised cost using the effective interest rate method.

	2024 £m	2023 £m
Investment broker balances	718	727
Property related payables	57	51
Investment management fees	18	16
Other payables	1,487	1,478
At 31 December	2,280	2,272
Amounts due for settlement after 12 months	–	–

Notes to the consolidated financial statements continued

H. Interests in subsidiaries and associates

H1. Subsidiaries

Subsidiaries are consolidated from the date that effective control is obtained by the Group (see Basis of consolidation in note A1) and are excluded from consolidation from the date they cease to be subsidiary undertakings. For subsidiaries disposed of during the year, any difference arising from the recognition of the net proceeds, recognition of the fair value of any retained interest and derecognition of the carrying amount of the subsidiary including non-controlling interests, is recognised in the consolidated income statement.

The Group uses the acquisition method to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the consideration. Any excess of the cost of acquisition over the fair value of the net assets acquired is recognised as goodwill. In certain acquisitions an excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities, contingent liabilities and non-controlling interests over cost may arise. Where this occurs, the surplus of the fair value of net assets acquired over the fair value of the consideration is recognised in the consolidated income statement.

Directly attributable acquisition costs are included within administrative expenses, except for acquisitions undertaken prior to 2010 when they are included within the cost of the acquisition. Costs directly related to the issuing of debt or equity securities are included within the initial carrying amount of debt or equity securities where these are not carried at fair value. Intra-group balances and income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The Group has invested in a number of collective investment schemes such as Open-ended Investment Companies ('OEICs'), unit trusts, Société d'Investissement à Capital Variable ('SICAVs'), investment trusts and private equity funds. These invest mainly in equities, bonds, property and cash and cash equivalents. The Group's percentage ownership in these collective investment schemes can fluctuate according to the level of Group and third party participation in the structures.

When assessing control over collective investment schemes, the Group considers those factors described under the Basis of consolidation in note A1. In particular, the Group considers the scope of its decision-making authority, including the existence of substantive rights (such as power of veto, liquidation rights and the right to remove the fund manager) that give it the ability to direct the relevant activities of the investee. The assessment of whether rights are substantive rights, and the circumstances under which the Group has the practical ability to exercise them, requires the exercise of judgement. This assessment includes a qualitative consideration of the rights held by the Group that are attached to its holdings in the collective investment schemes, rights that arise from contractual arrangements between the Group and the entity or fund manager and the rights held by third parties. In addition, consideration is made of whether the Group has de facto power, for example, where third party investments in the collective investment schemes are widely dispersed.

Where Group companies are deemed to control such collective investment schemes they are consolidated in the Group financial statements, with the interests of external third parties recognised as a liability (see the accounting policy for 'Net asset value attributable to unitholders in note E1 for further details).

Certain of the collective investment schemes have non-coterminous period ends and are consolidated on the basis of additional financial statements prepared to the period end.

Portfolio transfers
When completing an acquisition, the Group first considers whether the acquisition meets the definition of a business combination under IFRS 3 Business Combinations. IFRS 3, and the use of acquisition accounting, does not apply in circumstances where the acquisition of an asset or a group of assets does not constitute a business, and is instead a portfolio of assets and liabilities. In such cases, the Group's policy is to recognise and measure the assets acquired and liabilities assumed in accordance with the Group's accounting policies for those assets and liabilities. The difference between the consideration and the net assets or liabilities acquired is recognised in the consolidated income statement.

H1.1 Significant restrictions

The ability of subsidiaries to transfer funds to the Group in the form of cash dividends or to repay loans and advances is subject to local laws, regulations and solvency requirements.

Each regulated company and the Group must retain sufficient capital at all times to meet the regulatory capital requirements mandated by or otherwise agreed with the relevant national supervisory authority. Further information on the capital requirements applicable to Group entities are set out in the Capital management section (note I3). Under UK company law, dividends can only be paid if a UK company has distributable reserves sufficient to cover the dividend.

In addition, contractual requirements may place restrictions on the transfer of funds as follows:

- Pearl Life Holdings Limited ('PeLHL') is required to make payments of contributions into charged accounts on behalf of the Abbey Life Scheme. These amounts do not form part of the pension scheme assets and at 31 December 2024, PeLHL held £20 million (2023: £9 million) within debt securities and £19 million (2023: £24 million) within cash and cash equivalents in respect of these charged accounts. Further details of when the remaining amounts may become payable to the pension scheme are included in note G1.3.
- ReAssure Midco Limited ('RML') is required to make payments of contributions into a ring-fenced account on behalf of the ReAssure Staff Pension Scheme. These amounts do not form part of the pension scheme assets and at 31 December 2024, RML held £43 million (2023: £44 million) within debt securities in respect of this account. Further details of when these amounts may become payable to the pension scheme are included in note G1.4.

H2. Acquisition of Phoenix Life CA Holdings Limited

On 3 April 2023, the Group acquired 100% of the issued share capital of Phoenix Life CA Holdings Limited (formerly known as SLF of Canada UK Limited) from Sun Life Assurance Company of Canada, part of the Sun Life Financial Inc. Group, for total cash consideration of £250 million.

Phoenix Life CA Holdings Limited and its subsidiaries are a closed book life insurance business that has a portfolio of pension, life and annuity products.

The acquisition was in line with the Group's strategy to undertake mergers and acquisitions ('M&A') to acquire new customers at scale and deliver better outcomes for them. The Group also transforms acquired businesses to deliver significant cost and capital synergies, creating significant shareholder value.

The fair value of identifiable assets and acquired liabilities assumed as at the date of acquisition was £316 million and a gain on acquisition of £66 million was recognised in the consolidated income reflecting the excess of the fair value of the net assets acquired over the consideration paid for the acquisition of the Phoenix Life CA Holdings businesses.

H3. Assets and liabilities classified as held for sale

The Group classifies disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of the disposal group, excluding finance costs and income tax expense. Assets and liabilities classified as held for sale are presented separately in the statement of consolidated financial position.

Agreement with Aberdeen Group plc
On 23 February 2021, the Group entered into an agreement with Aberdeen Group plc to simplify the arrangements of their Strategic Partnership, enabling the Group to control its own distribution, marketing and brands, and focusing the Strategic Partnership on using Aberdeen Group plc's asset management services in support of Phoenix Group's growth strategy. Under the terms of the transaction, the Group agreed to sell its UK investment and platform-related products, comprising Wrap Self Invested Personal Pension ('Wrap SIPP'), Onshore Bond and UK Trustee Investment Plan ('TIP') to Aberdeen Group plc through a Part VII transfer. The economic risk and rewards for this business transferred to Aberdeen Group plc effective from 1 January 2021 via a profit transfer arrangement. Consideration received of £62 million in respect of this business was deferred until completion of the Part VII and the payments to Aberdeen Group plc in respect of the profit transfer arrangement are being offset against the deferred consideration balance.

In 2021, the balances in the statement of consolidated financial position relating to the Wrap SIPP, Onshore Bond and TIP business were classified as a disposal group held for sale. The total proceeds of disposal were not expected to exceed the carrying value of the related net assets and accordingly the disposal group was measured at fair value less costs to sell, resulting in an impairment of the acquired in-force business ('AVIF') of £59 million at the date of the transaction.

Prior to 31 December 2023, a re-scoping exercise was undertaken with Aberdeen Group plc and it was agreed that the insured funds elements of the Wrap SIPP and Onshore Bond businesses would no longer transfer to Aberdeen Group plc, and as a result this business was no longer considered to meet the requirements to be classified as held for sale. The self-invested elements of the Wrap SIPP business, which are held off-balance sheet, are still expected to transfer after April 2025. Following the re-scoping exercise, effective from 31 December 2023, only the TIP business has been classified as a disposal group held for sale and as at 31 December 2024 both parties remain committed to completing the transfer of the TIP business in March 2025. The balances relating to the Wrap SIPP and Onshore Bond business have from 31 December 2023 been included within the respective line items in the condensed consolidated statement of financial position.

At 31 December 2024, £320 million of pooled property funds were excluded from the assets classified as held for sale. During the period, agreement was reached with Aberdeen Group to enter into an External Funds Link ('EFL') reinsurance arrangement upon completion of the Part VII to provide access to the retained pooled property funds. On completion of the Part VII in 2025, a financial liability will be recognised in respect of the EFL arrangement. No profit or loss is expected to be recognised upon completion of the Part VII and the initial recognition of the EFL reinsurance arrangement. The major classes of assets and liabilities classified as held for sale are as follows:

	2024 £m	2023 £m
Investment property	1,082	2,044
Financial assets	1,985	2,498
Cash and cash equivalents	33	52
Assets classified as held for sale	3,100	4,594
Assets in consolidated funds[1]	75	188
Total assets of the disposal group	3,175	4,782
Investment contract liabilities	(3,175)	(4,780)
Other financial liabilities	–	(2)
Liabilities classified as held for sale	(3,175)	(4,782)

1 Included in assets of the disposal group are assets in consolidated funds, which are held to back investment contract liabilities of the Onshore Bond and TIP business (and at 31 December 2023 the Wrap SIPP business) and are disclosed within financial assets in the consolidated statement of financial position. The Group controls these funds at 31 December 2024 and therefore consolidates 100% of the assets with any non-controlling interest recognised as net asset value attributable to unitholders.

Notes to the consolidated financial statements continued

H. Interests in subsidiaries and associates continued

H4. Associates

Associates are entities over which the Group has significant influence, but which it does not control. Generally it is presumed that the Group has significant influence if it holds between 20% and 50% of the voting rights of the entity. Investments in associates that are held for investment purposes are accounted for under IFRS 9 *Financial Instruments* as permitted by IAS 28 *Investments in Associates and Joint Ventures*. These are measured at fair value through profit or loss. Those held for strategic purposes are accounted for using the equity method of accounting. Under the equity method, on initial recognition the investment in an associate is recognised at cost. The carrying value is then updated to reflect the Group's share of profit or loss of its associate and that share is recognised in the consolidated income statement.

H4.1 Investment in UK commercial property REIT ('UKCPR')
In May 2024, Tritax Big Box REIT plc ('BBOX') acquired the entire share capital of UK Commercial Property REIT Limited ('UKCPR') a property investment company domiciled in Guernsey which, up until May 2024, was admitted to the official list of the UK Listing Authority and to trading on the London Stock Exchange. Prior to completion the Group held 43.4% of the shares of UKCPR and held its investment in the associate at fair value. Upon completion of the all-share combination, the Group held 10.1% of the shares of BBOX and it was determined that it did not have significant influence over BBOX. Consequently, the investment in BBOX is not treated as an associate and is instead classified as an investment and included within equities.

As at 31 December 2023, the Group held 43.4% of the issued share capital of UKCPR and the value of this investment, measured at fair value and included within financial assets, was £349 million.

H4.2 Future Growth Capital
During the year, the Group announced an agreement with Schroders, to launch Future Growth Capital ('FGC'), the first private market investment manager to be established in the UK to promote the objectives of the Mansion House Compact. The Group's investment in FGC is through a 49.9% holding in Future Growth Capital Holdings Limited and its wholly owned subsidiary undertaking, Future Growth Capital Limited. This investment in the FGC associate is accounted for using the equity method in the consolidated financial statements. At 31 December 2024, the Group's share of the investment is £4 million and its share of the loss from the associate, included within net investment income in the consolidated income statement, is £(1) million.

Summary consolidated financial information (at 100%) for Future Growth Capital Holdings Limited group is shown below:

	2024 £m
Total assets	10
Total liabilities	(3)
	7
Loss for the year after tax	**(2)**

H5. Structured entities

A structured entity is an entity that has 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. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Group has determined that all of its investments in collective investment schemes are structured entities. In addition, a number of debt security structures and private equity funds have been identified as structured entities. The Group has assessed that it has interests in both consolidated and unconsolidated structured entities as shown below:

- unit trusts;
- OEICs;
- SICAVs;
- private equity funds;
- asset-backed securities;
- Collateralised Debt Obligations ('CDOs');
- other debt structures; and
- Phoenix Group Employee Benefit Trust ('EBT').

The Group's holdings in the investments listed above are susceptible to market price risk arising from uncertainties about future values. Holdings in investment funds are subject to the terms and conditions of the respective fund's prospectus and the Group holds redeemable shares or units in each of the funds. The funds are managed by internal and external fund managers who apply various investment strategies to accomplish their respective investment objectives. All of the funds are managed by fund managers who are compensated by the respective funds 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 each fund.

H5.1 Interests in consolidated structured entities
The Group has determined that where it has control over funds, these investments are consolidated structured entities.

The EBT is a consolidated structured entity that holds shares to satisfy awards granted to employees under the Group's share-based payment schemes. During the year, the Group granted further loans to the EBT of £16 million (2023: £12 million).

As at the reporting date, the Group has no intention to provide financial or other support to any other consolidated structured entity.

H5.2 Interests in unconsolidated structured entities
The Group has interests in unconsolidated structured entities. These investments are held as financial assets in the Group's consolidated statement of financial position held at fair value through profit or loss. Any change in fair value is included in the consolidated income statement in 'net investment income'. Dividend and interest income is received from these investments.

A summary of the Group's interest in unconsolidated structured entities is included below. These are shown according to the financial asset categorisation in the consolidated statement of financial position.

	2024 Carrying value of financial assets £m	2023 Carrying value of financial assets £m
Equities	1,398	1,051
Collective investment schemes	82,740	78,909
Debt securities	7,542	8,264
	91,680	88,224

The Group's maximum exposure to loss with regard to the interests presented above is the carrying amount of the Group's investments. 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 largely less than 50% and as such the size of these structured entities are likely to be significantly higher than their carrying value.

Details of commitments to subscribe to private equity funds and other unlisted assets are included in note I5.

H6. Group entities

The table below sets out the Group's subsidiaries (including consolidated collective investment schemes), associates and significant holdings in undertakings (including undertakings in which the holding amounts to 20% or more of the nominal value of the shares or units and they are not classified as a subsidiary or associate).

	Registered address of incorporated entities	If unincorporated, address of principal place of business	Type of investment (including class of shares held)	% of shares/ units held
Subsidiaries:				
Phoenix Life Limited (life assurance company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Life Assurance Europe DAC (life assurance company)	Dublin[3]		Ordinary Shares	100.00%
Phoenix Life CA Limited (Formerly Sun Life Assurance Company of Canada (U.K.) Limited) (life assurance company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Re Limited (life assurance company)	Bermuda[34]		Ordinary Shares	100.00%
ReAssure Life Limited (life assurance company)	Telford[4]		Ordinary Shares	100.00%
ReAssure Limited (life assurance company)	Telford[4]		Ordinary Shares	100.00%
Standard Life Assurance Limited (life assurance company – directly owned by the Company)	Edinburgh[2]		Ordinary Shares	100.00%
Standard Life International Designated Activity Company (life assurance company – directly owned by the Company)	Dublin[3]		Ordinary Shares	100.00%
Pearl Group Services Limited (management services company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Group Management Services Limited (management services company)	Wythall[1]		Ordinary Shares	100.00%
PGMS (Ireland) Limited (management services company)	Dublin[5]		Ordinary Shares	100.00%
Phoenix Management Services (Bermuda) Limited (management services company)	Bermuda[34]		Ordinary Shares	100.00%
ReAssure UK Services Limited (management services company)	Telford[4]		Ordinary Shares	100.00%
PA (GI) Limited (non-trading company)	Wythall[1]		Ordinary Shares	100.00%
103 Wardour Street Retail Investment Company Limited (investment company)	Telford[4]		Ordinary Shares	100.00%
3 St Andrew Square Apartments Limited (property management company)	Edinburgh[6]		Ordinary Shares	100.00%
Abbey Life Assurance Company Limited (non-trading company)	Wythall[1]		Ordinary Shares	100.00%
Abbey Life Trust Securities Limited (pension trustee company)	Wythall[1]		Ordinary Shares	100.00%
Abbey Life Trustee Services Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Alba LAS Pensions Management Limited (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
Alba Life Trustees Limited (non-trading company)	Edinburgh[2]		Ordinary Shares	100.00%
Axial Fundamental Strategies (US Investments) LLC (investment company)	Wilmington[50]		Limited Liability Company	100.00%
BA (FURBS) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Barnwood Properties Limited (property investment company)	Wythall[1]		Ordinary Shares	100.00%
BL Telford Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
Britannic Finance Limited (finance and insurance services company)	Wythall[1]		Ordinary Shares	100.00%
Britannic Group Services Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%

Notes to the consolidated financial statements continued

H. Interests in subsidiaries and associates continued
H6. Group entities continued

	Registered address of incorporated entities	If unincorporated, address of principal place of business	Type of investment (including class of shares held)	% of shares/ units held
Britannic Money Investment Services Limited (investment advice company)	Wythall[1]		Ordinary Shares	100.00%
Century Trustee Services Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
CGE Management Company Limited	Edinburgh[6]		Ordinary Shares	100.00%
CH Management Limited (investment company)	Wilmington[50]		Ordinary Shares	100.00%
Cityfourinc (dormant company)	Wythall[1]		Unlimited with Shares	100.00%
ERIP General Partner Limited (General Partner to ERIP Limited Partnership)	Telford[4]		Ordinary Shares	80.00%
ERIP Limited Partnership (Limited Partnership)	Telford[4]		Ordinary Shares	100.00%
G Assurance & Pensions Services Limited (non-trading company)	Telford[4]		Ordinary Shares	100.00%
G Financial Services Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
G Life H Limited (holding company)	Telford[4]		Ordinary Shares	100.00%
G Trustees Ltd (trustee company)	Telford[4]		Ordinary Shares	100.00%
Gallions Reach Shopping Park (Nominee) Limited (dormant company)	London[36]		Ordinary Shares	100.00%
Gresham Life Assurance Society Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
Iceni Nominees (No. 2) Limited (dormant company)	London[36]		Ordinary Shares	100.00%
IH (Jersey) Limited (dormant company)	Jersey[7]		Ordinary Shares	100.00%
Impala Holdings Limited (holding company)	Wythall[1]		Ordinary Shares	100.00%
Impala Loan Company 1 Limited (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
Inhoco 3107 Limited (dormant company)	London[36]		Ordinary Shares	100.00%
Laurtrust Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
London Life Trustees Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Namulas Pension Trustees Limited (trustee company)	Telford[4]		Ordinary Shares	100.00%
National Provident Institution (dormant company)	Wythall[1]		Unlimited without Shares	100.00%
National Provident Life Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
NM Life Trustees Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
NM Pensions Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
NP Life Holdings Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
NPI (Printworks) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
NPI (Westgate) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Patria Private Equity Trust plc (formerly know as abrdn Private Equity Opportunities Trust plc) (investment company)	Edinburgh[49]		Ordinary Shares	100.00%
Pearl (Covent Garden) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Pearl (Martineau Phase 1) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Pearl (Martineau Phase 2) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Pearl (Moor House) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Pearl (WP) Investments LLC (investment company)	Wilmington[50]		Limited Liability Company	100.00%
Pearl AL Limited (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
Pearl Assurance Group Holdings Limited (investment company)	Wythall[1]		Ordinary Shares	100.00%
Pearl Customer Care Limited (financial services company)	Wythall[1]		Ordinary Shares	100.00%
Pearl Group Holdings (No. 1) Limited (finance company)	London[8]		Ordinary Shares	100.00%
Pearl Group Holdings (No. 2) Limited (holding company)	Wythall[1]		Ordinary Shares	100.00%
Pearl Group Secretariat Services Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Pearl Life Holdings Limited (holding company)	Wythall[1]		Ordinary Shares	100.00%
Pearl MP Birmingham Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Pearl RLG Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Pearl Trustees Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
PG Dormant (No 4) Limited) (formerly know as Phoenix Life CA Holdings Limited) (dormant company)	Wythall[1]		Ordinary Shares	100.00%
PG Dormant (No 5) Limited (formerly known as Phoenix Group CA Services Limited) (dormant company)	Wythall[1]		Ordinary Shares	100.00%

Financials

	Registered address of incorporated entities	If unincorporated, address of principal place of business	Type of investment (including class of shares held)	% of shares/ units held
PG Dormant (No 6) Limited (formerly known as Phoenix Life CA Limited) (dormant company)	Wythall[1]		Ordinary Shares	100.00%
PG Dormant (No 7) Limited (formerly known as PGH CA Limited) (dormant company)	London[8]		Ordinary Shares	100.00%
PGH CA Limited (formerly known as Sun Life of Canada UK Holdings Limited) (dormant company)	Hampshire[35]		Ordinary Shares	100.00%
PGL Pension Trustee Limited	London[8]		Limited by Guarantee	100.00%
PGMS (Glasgow) Limited	Edinburgh[2]		Ordinary Shares	100.00%
PGMS (Ireland) Holdings Unlimited Company (holding company)	Dublin[5]		Unlimited with Shares	100.00%
PGS 2 Limited (investment company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix & London Assurance Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix (Barwell 2) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix (Chiswick House) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix (Moor House 1) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix (Moor House 2) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix (Printworks) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix (Stockley Park) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Advisers Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix AW Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Customer Care Limited (financial services company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix ER1 Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix ER2 Limited (finance company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix ER3 Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix ER4 Limited (finance company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix ER5 Limited (finance company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix ER6 Limited (finance company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Group CA Services Limited (formerly known as SLFC Services Company (UK) Limited)	Hampshire[35]		Ordinary Shares	100.00%
Phoenix Group Employee Benefit Trust	Jersey[51]		Trust	100.00%
Phoenix Group Holdings (Bermuda) Limited (holding company – directly owned by the Company)	Bermuda[34]		Ordinary Shares	100.00%
Phoenix Group Holdings (non-trading company)	Cayman Islands[9]		Private Company	100.00%
Phoenix Group Management Ltd (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Holdings (Bermuda) Limited (holding company)	Bermuda[34]		Ordinary Shares	100.00%
Phoenix Life Assurance Limited	Wythall[1]		Ordinary Shares	100.00%
Phoenix Life CA Holdings Limited (formerly known as SLF of Canada UK Limited) (holding company – directly owned by the Company)	Hampshire[35]		Ordinary Shares	100.00%
Phoenix Life Holdings Limited (holding company – directly owned by the Company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Management Services Holdings (Bermuda) Limited (holding company)	Bermuda[34]		Ordinary Shares	100.00%
Phoenix Pension Scheme (Trustees) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Pensions Trustee Services Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix SCP Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix SCP Pensions Trustees Limited (trustee company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix SCP Trustees Limited (trustee company)	Edinburgh[2]		Ordinary Shares	100.00%
Phoenix SL Direct Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix SPV1 Limited (investment company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix SPV2 Limited (investment company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix SPV3 Limited (investment company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix SPV4 Limited (investment company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix ULA Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Unit Trust Managers Limited (unit trust manager)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Wealth Holdings Limited (holding company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Wealth Services Limited (financial services company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Wealth Trustee Services Limited (trustee company)	Wythall[1]		Ordinary Shares	100.00%
Pilangen Logistik AB (investment company)	Stockholm[12]		Ordinary Shares	100.00%
Pilangen Logistik I AB (investment company)	Stockholm[12]		Ordinary Shares	100.00%

Notes to the consolidated financial statements continued

H. Interests in subsidiaries and associates continued
H6. Group entities continued

	Registered address of incorporated entities	If unincorporated, address of principal place of business	Type of investment (including class of shares held)	% of shares/ units held
ReAssure Companies Services Limited	Telford[4]		Ordinary Shares	100.00%
ReAssure FS Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
ReAssure FSH UK Limited (holding company)	Telford[4]		Ordinary Shares	100.00%
ReAssure Group plc (holding company – directly owned by the Company)	Telford[4]		Ordinary Shares	100.00%
ReAssure Life Pension Trustees Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
ReAssure LL Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
ReAssure Midco Limited (holding company)	Telford[4]		Ordinary Shares	100.00%
ReAssure Nominees Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
ReAssure Pension Trustees Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
ReAssure PM Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
ReAssure Trustees Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
ReAssure Two Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
ReAssure UK Life Assurance Company Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
Scottish Mutual Assurance Limited (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
Scottish Mutual Nominees Limited (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
Scottish Mutual Pension Funds Investment Limited (trustee company)	Edinburgh[2]		Ordinary Shares	100.00%
SL (NEWCO) Limited (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
SL Liverpool Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
SLA Belgium No.1 SA (investment company)	Brussels[10]		Société Anonyme	100.00%
SLA Denmark No.1 ApS (investment company)	Copenhagen[13]		Ordinary Shares	100.00%
SLA Denmark No.2 ApS (investment company)	Copenhagen[13]		Ordinary Shares	100.00%
SLA France SCI (investment company)	Luxembourg[16]		Ordinary Shares	100.00%
SLA Germany No.1 S.à.r.l. (investment company)	Luxembourg[16]		Ordinary Shares	100.00%
SLA Germany No.2 S.à.r.l. (investment company)	Luxembourg[16]		Ordinary Shares	100.00%
SLA Germany No.3 S.à.r.l. (investment company)	Luxembourg[16]		Ordinary Shares	100.00%
SLA Netherlands No.1 B.V. (investment company)	Amsterdam[11]		Ordinary Shares	100.00%
SLACOM (No. 8) Limited (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
SLACOM (No. 9) Limited (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
SLACOM (No. 10) Limited (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
SLIF Property Investment GP Limited (General Partner to SLIF Property Investment)	Edinburgh[6]		Ordinary Shares	100.00%
Standard Life Agency Services Limited (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
Standard Life Assets and Employee Services Limited	Edinburgh[2]		Ordinary Shares	100.00%
Standard Life Assurance (HWPF) Luxembourg S.à.r.l. (investment company)	Luxembourg[16]		Ordinary Shares	100.00%
Standard Life Financial Advice Services Limited	Wythall[1]		Ordinary Shares	100.00%
Standard Life Group Limited (formerly known as Phoenix Group Capital Limited)	Wythall[1]		Ordinary Shares	100.00%
Standard Life Investment Funds Limited (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
Standard Life Lifetime Mortgages Limited (mortgage provider company)	Edinburgh[2]		Ordinary Shares	100.00%
Standard Life Limited (formerly known as London Life Limited) (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Standard Life Master Trust Co. Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Standard Life Mortgages Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Standard Life Pension Funds Limited	Edinburgh[2]		Limited by Guarantee	100.00%
Standard Life Property Company Limited (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
Standard Life Trustee Company Limited (trustee company)	Edinburgh[2]		Ordinary Shares	100.00%
SunLife Limited (financial services distribution company)	Wythall[1]		Ordinary Shares	100.00%
The Heritable Securities and Mortgage Investment Association Ltd (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
The London Life Association Limited (dormant company)	Wythall[1]		Limited by Guarantee	100.00%
The Pathe Building Management Company Limited (dormant company)	Telford[4]		Ordinary Shares	100.00%
The Phoenix Life SCP Institution (dormant company)	Edinburgh[2]		Limited by Guarantee	100.00%
The Scottish Mutual Assurance Society (dormant company)	Edinburgh[2]		Limited by Guarantee	100.00%
The Standard Life Assurance Company of Europe B.V. (financial holding company)	Amsterdam[11]		Ordinary Shares	100.00%
Vebnet (Holdings) Limited (holding company)	Wythall[1]		Ordinary Shares	100.00%

	Registered address of incorporated entities	If unincorporated, address of principal place of business	Type of investment (including class of shares held)	% of shares/ units held
Vebnet Limited	Edinburgh[2]		Ordinary Shares	100.00%
Welbrent Property Investment Company Limited (dormant company)	London[36]		Ordinary Shares	100.00%
ESP General Partner Limited Partnership		Edinburgh[52]	Limited Partnership	100.00%
ESP II General Partner Limited Partnership		Edinburgh[52]	Limited Partnership	100.00%
European Strategic Partners LP		Edinburgh[6]	Limited Partnership	72.70%
Patria Phoenix Global Private Equity III LP		Edinburgh[6]	Limited Partnership	100.00%
Phoenix Highvista Venture Capital Partners LP		Boston[46]	Limited Partnership	100.00%
Pearl Private Equity LP		Edinburgh[52]	Limited Partnership	100.00%
Pearl Strategic Credit LP		Edinburgh[52]	Limited Partnership	100.00%
SLIF Property Investment LP		Edinburgh[6]	Limited Partnership	100.00%
Janus Henderson Global Funds – Janus Henderson Institutional Overseas Bond Fund		London[14]	OEIC, sub fund	99.28%
Janus Henderson Institutional High Alpha UK Equity Fund		London[14]	Unit Trust	92.50%
Janus Henderson Institutional Mainstream UK Equity Trust		London[14]	Unit Trust	100.00%
Janus Henderson Institutional Short Duration Bond Fund		London[14]	Unit Trust	100.00%
Janus Henderson Institutional UK Equity Tracker Trust		London[14]	Unit Trust	100.00%
Janus Henderson Strategic Investment Funds – Janus Henderson Institutional Asia Pacific ex Japan Index Opportunities Fund		London[14]	OEIC, sub fund	96.04%
Janus Henderson Strategic Investment Funds – Janus Henderson Institutional Japan Index Opportunities Fund		London[14]	OEIC, sub fund	86.39%
Janus Henderson Strategic Investment Funds – Janus Henderson Institutional North American Index Opportunities Fund		London[14]	OEIC, sub fund	80.69%
PUTM ACS Asia Pacific ex Japan Fund		Wythall[1]	Unit Trust	99.95%
PUTM ACS Emerging Market Equity Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS European ex UK Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS Japan Equity Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS Lothian European Ex UK Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS Lothian North American Equity Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS Lothian UK Gilt Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS Lothian UK Listed Smaller Companies Fund		Wythall[1]	Unit Trust	99.99%
PUTM ACS North American Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS North American 2 Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS North American 3 Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS Sterling Credit Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS Sustainable Index Asia Pacific ex Japan Equity Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS Sustainable Index Emerging Markets Equity Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS Sustainable Index European Equity Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS Sustainable Index Japan Equity Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS Sustainable Index UK Equity Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS Sustainable Index US Equity Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS UK All Share Listed Equity Multi Manager Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS US Dollar Credit Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Asia Pacific (Excluding Japan) Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Emerging Market Debt Unconstrained Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Emerging Markets Equity Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Euro Sovereign Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell European Credit Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Floating Rate ABS Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Global Bond Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Global Credit Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Index-Linked Sterling Hedged Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Long Gilt Sterling Hedged Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Short Duration Credit Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Sterling Credit Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Sterling Government Bond Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Sub-Sovereign A Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Tactical Asset Allocation Fund		Wythall[1]	Unit Trust	100.00%
PUTM Bothwell Uk Equity Income Fund		Wythall[1]	Unit Trust	100.00%

Notes to the consolidated financial statements continued

H. Interests in subsidiaries and associates continued
H6. Group entities continued

	Registered address of incorporated entities	If unincorporated, address of principal place of business	Type of investment (including class of shares held)	% of shares/ units held
PUTM Bothwell Ultra Short Duration Fund		Wythall[1]	Unit Trust	100.00%
PUTM Far Eastern Unit Trust		Wythall[1]	Unit Trust	99.70%
PUTM UK All-Share Index Unit Trust		Wythall[1]	Unit Trust	100.00%
PUTM UK Stock Market Fund		Wythall[1]	Unit Trust	100.00%
PUTM UK Stock Market Fund (Series 3)		Wythall[1]	Unit Trust	100.00%
Amundi Index Solutions – Amundi MSCI China ESG Leaders Select		Luxembourg[23]	SICAV, sub fund	63.46%
iShares 350 UK Equity Index Fund UK		London[20]	OEIC, sub fund	97.98%
iShares Bloomberg Roll Select Commodity Strategy ETF		Wilmington[47]	OEIC, sub fund	51.90%
Schroders (Future Growth Capital) UK Private Assets LTAF		London[55]	OEIC, sub fund	100.00%
Schroders (Future Growth Capital) Global Private Assets LTAF		London[55]	OEIC, sub fund	100.00%
abrdn (Lothian) International Trust		London[36]	Unit Trust	99.99%
abrdn (Lothian) Japan Trust		London[36]	Unit Trust	99.41%
abrdn (Lothian) North American Trust		London[36]	Unit Trust	98.33%
abrdn (Lothian) Pacific Basin Trust		London[36]	Unit Trust	98.28%
abrdn (Lothian) UK Equity General Trust		London[36]	Unit Trust	99.70%
abrdn Emerging Markets Income Equity Fund		London[36]	OEIC, sub fund	75.56%
abrdn Europe Ex UK Ethical Equity Fund		London[36]	OEIC, sub fund	80.35%
abrdn MT American Equity Unconstrained Fund		London[36]	Unit Trust	72.75%
abrdn MyFolio Managed I Fund		London[36]	OEIC, sub fund	78.33%
abrdn MyFolio Managed II Fund		London[36]	OEIC, sub fund	79.02%
abrdn MyFolio Managed III Fund		London[36]	OEIC, sub fund	86.29%
abrdn MyFolio Managed V Fund		London[36]	OEIC, sub fund	79.31%
abrdn Phoenix Fund Financing SCSP		Luxembourg[16]	Special Limited Partnership	100.00%
abrdn Short Dated Global Corporate Bond Tracker Fund		London[36]	OEIC, sub fund	95.61%
abrdn Short Dated Sterling Corporate Bond Tracker Fund		London[36]	OEIC, sub fund	84.86%
abrdn Standard Liquidity Fund (Lux) – Seabury Euro Liquidity 1 Fund		Luxembourg[16]	UCITS, sub fund	100.00%
abrdn Standard Liquidity Fund (Lux) – Seabury Sterling Liquidity 2 Fund		Luxembourg[16]	UCITS, sub fund	100.00%
abrdn Standard Liquidity Fund (Lux) – Seabury Sterling Liquidity 3 Fund		Luxembourg[16]	UCITS, sub fund	86.85%
abrdn Sustainable Index American Equity Fund		London[36]	OEIC, sub fund	59.05%
abrdn Sustainable Index World Equity Fund		London[36]	Unit Trust	72.57%
abrdn UK Real Estate Feeder Fund		London[36]	Unit Trust	72.12%
abrdn UK Real Estate Fund		London[36]	Unit Trust	89.91%
HSBC Investment Funds – Balanced Fund		London[36]	OEIC, sub fund	78.31%
Ignis Private Equity Fund LP		Cayman Islands[9]	Limited Partnership	100.00%
Ignis Strategic Credit Fund LP		Cayman Islands[9]	Limited Partnership	100.00%
Ignis Strategic Solutions Funds plc – Fundamental Strategies Fund		Dublin[18]	OEIC, sub fund	100.00%
Ignis Strategic Solutions Funds plc – Systematic Strategies Fund		Dublin[18]	OEIC, sub fund	100.00%
North American Strategic Partners (Feeder) 2008 Limited Partnership		Edinburgh[52]	Limited Partnership	100.00%
Legal & General European Equity Income Fund		London[21]	Unit Trust	87.08%
North American Strategic Partners 2008 L.P.		Delaware[7]	Limited Partnership	100.00%
Partners Group Phoenix, L.P. Inc.		Guernsey[45]	Limited Partnership	100.00%
Quilter Investors Global Dynamic Equity Fund		London[22]	OEIC, sub fund	83.31%
Stonepeak Core Fund (Lux) SCSp		Luxembourg[41]	Special Limited Partnership	83.30%
Associates:				
Future Growth Capital (Holdings) Limited	London[42]		Ordinary Shares	49.90%
Future Growth Capital Limited	London[42]		Ordinary Shares	49.90%
Significant holdings:				
AB SICAV I – Diversified Yield Plus Portfolio		Luxembourg[15]	SICAV, sub fund	43.09%
AB SICAV I – Sustainable All Market Portfolio		Luxembourg[15]	SICAV, sub fund	25.05%

	Registered address of incorporated entities	If unincorporated, address of principal place of business	Type of investment (including class of shares held)	% of shares/ units held
abrdn American Equity Fund		London[36]	OEIC, sub fund	56.43%
abrdn American Equity Enhanced Index Fund		London[36]	OEIC, sub fund	33.83%
abrdn Asia Pacific Equity Enhanced Index Fund		London[36]	OEIC, sub fund	32.83%
abrdn Asia Pacific Equity Fund		London[36]	OEIC, sub fund	23.80%
abrdn Dynamic Distribution Fund		London[36]	Unit Trust	64.83%
abrdn Ethical Corporate Bond Fund		London[36]	OEIC, sub fund	61.90%
abrdn Europe ex UK Equity Fund		London[36]	OEIC, sub fund	20.76%
abrdn Europe Ex UK Income Equity Fund		London[36]	OEIC, sub fund	35.41%
abrdn European Equity Enhanced Index Fund		London[36]	OEIC, sub fund	22.40%
abrdn European Equity Tracker Fund		London[36]	OEIC, sub fund	20.89%
abrdn Emerging Markets Equity Enhanced Index Fund		London[36]	OEIC, sub fund	23.07%
abrdn Emerging Markets Equity Fund		London[36]	OEIC, sub fund	23.56%
abrdn Emerging Markets Equity Tracker Fund		London[36]	OEIC, sub fund	23.32%
abrdn Global Government Bond Tracker Fund		London[36]	OEIC, sub fund	23.25%
abrdn Global Inflation-Linked Bond Fund		London[36]	OEIC, sub fund	23.85%
abrdn Global Inflation-Linked Bond Tracker Fund		London[36]	OEIC, sub fund	59.63%
abrdn Global Infrastructure Equity Fund		London[36]	OEIC, sub fund	54.78%
abrdn Global Real Estate Fund		London[36]	Unit Trust	36.80%
abrdn Global Smaller Companies Fund		London[36]	OEIC, sub fund	26.33%
abrdn High Yield Bond Fund		London[36]	OEIC, sub fund	20.63%
abrdn Japan Equity Enhanced Index Fund		London[36]	OEIC, sub fund	46.04%
abrdn Japanese Equity Fund		London[36]	OEIC, sub fund	51.83%
abrdn Liquidity Fund (Lux) – Euro Fund		Luxembourg[16]	UCITS, sub fund	32.68%
abrdn MyFolio Managed IV Fund		London[36]	OEIC, sub fund	69.51%
abrdn MyFolio Market I Fund		London[36]	OEIC, sub fund	44.42%
abrdn MyFolio Market II Fund		London[36]	OEIC, sub fund	51.94%
abrdn MyFolio Market III Fund		London[36]	OEIC, sub fund	58.67%
abrdn MyFolio Market IV Fund		London[36]	OEIC, sub fund	55.52%
abrdn MyFolio Market V Fund		London[36]	OEIC, sub fund	60.51%
abrdn MyFolio Multi-Manager II Fund		London[36]	OEIC, sub fund	47.27%
abrdn MyFolio Multi-Manager III Fund		London[36]	OEIC, sub fund	60.89%
abrdn MyFolio Multi-Manager IV Fund		London[36]	OEIC, sub fund	60.88%
abrdn MyFolio Multi-Manager V Fund		London[36]	OEIC, sub fund	40.13%
abrdn North American Small & Mid-Cap Equity Fund		London[36]	OEIC, sub fund	29.50%
abrdn Short Dated Corporate Bond Fund		London[36]	OEIC, sub fund	43.90%
abrdn Short Duration Global Inflation-Linked Bond Fund		London[36]	OEIC, sub fund	26.37%
abrdn SICAV I – Diversified Income Fund		Luxembourg[16]	SICAV, sub fund	32.42%
abrdn SICAV I – Emerging Markets Low Volatility Equity Portfolio		Luxembourg[15]	SICAV, sub fund	87.10%
abrdn SICAV I – Europe Ex UK Sustainable Equity Fund		Luxembourg[16]	SICAV, sub fund	67.44%
abrdn SICAV I – GDP Weighted Global Government Bond Fund		Luxembourg[16]	SICAV, sub fund	73.72%
abrdn SICAV I – Global Bond Fund		Luxembourg[16]	SICAV, sub fund	99.87%
abrdn SICAV I – Global Corporate Sustainable Bond Fund		Luxembourg[16]	SICAV, sub fund	42.02%
abrdn SICAV I – Global Government Bond Fund		Luxembourg[16]	SICAV, sub fund	76.64%
abrdn SICAV I – Japanese Sustainable Equity Fund		Luxembourg[16]	SICAV, sub fund	26.29%
abrdn SICAV I – North American Smaller Companies Fund		Luxembourg[16]	SICAV, sub fund	23.45%
abrdn SICAV I – Short Dated Enhanced Income Fund		Luxembourg[16]	SICAV, sub fund	24.66%
abrdn SICAV II – Global Equity Impact Fund		Luxembourg[16]	SICAV, sub fund	71.00%
abrdn SICAV II – Global Inflation-linked Government Bond Fund		Luxembourg[16]	SICAV, sub fund	62.52%
abrdn SICAV II – Global Short Duration Corporate Bond Fund		Luxembourg[16]	SICAV, sub fund	83.23%
abrdn SICAV II Absolute Return Global Bond Strategies Fund		Luxembourg[16]	SICAV, sub fund	92.89%
abrdn SICAV II Emerging Market Local Currency Debt Fund		Luxembourg[16]	SICAV, sub fund	73.27%
abrdn SICAV II European Corporate Bond Fund		Luxembourg[16]	SICAV, sub fund	28.99%
abrdn SICAV II European Smaller Companies Fund		Luxembourg[16]	SICAV, sub fund	25.67%
abrdn SICAV II Global Corporate Bond Fund		Luxembourg[16]	SICAV, sub fund	56.04%
abrdn SICAV II Global High Yield Bond Fund		Luxembourg[16]	SICAV, sub fund	56.34%
abrdn SICAV II Global Real Estate Securities Sustainable Fund		Luxembourg[16]	SICAV, sub fund	87.01%
abrdn Standard Liquidity Fund (Lux) Sterling Fund		Luxembourg[16]	UCITS, sub fund	24.60%
abrdn Standard SICAV I – China Onshore Bond Fund		Luxembourg[16]	SICAV, sub fund	78.87%
abrdn Sterling Corporate Bond Fund		London[36]	OEIC, sub fund	46.31%

Notes to the consolidated financial statements continued

H. Interests in subsidiaries and associates continued
H6. Group entities continued

	Registered address of incorporated entities	If unincorporated, address of principal place of business	Type of investment (including class of shares held)	% of shares/ units held
abrdn Strategic Bond Fund		London[36]	OEIC, sub fund	67.00%
abrdn UK Equity Enhanced Index Fund		London[36]	OEIC, sub fund	29.23%
abrdn UK Income Equity Fund		London[36]	OEIC, sub fund	36.05%
abrdn UK Mid-Cap Equity Fund		London[36]	OEIC, sub fund	34.50%
abrdn UK Smaller Companies Fund		London[36]	OEIC, sub fund	32.02%
abrdn UK Sustainable and Responsible Investment Equity Fund		London[36]	OEIC, sub fund	40.68%
abrdn UK Value Equity Fund		London[36]	OEIC, sub fund	45.83%
ACS World Multifactor Equity Tracker Fund		London[20]	OEIC, sub fund	23.56%
Amundi Index Solutions – Amundi Global Corp SRI 1-5Y		Luxembourg[23]	SICAV, sub fund	32.53%
Amundi Index Solutions – Amundi MSCI Emerging Ex China ESG Leaders Select		Luxembourg[23]	SICAV, sub fund	43.96%
Amundi UCITS Funds – Amundi Global Multi-Factor Equity Fund		Luxembourg[23]	UCITS, sub fund	72.37%
AQR Global Risk Premium UCITS Fund		Luxembourg[40]	UCITS, sub fund	100.00%
Baillie Gifford Emerging Markets Leading Companies Fund		Edinburgh[32]	OEIC, sub fund	32.50%
Baillie Gifford Investment Funds II ICVC – Baillie Gifford UK Equity Core Fund		Edinburgh[32]	OEIC, sub fund	42.73%
Baillie Gifford UK & Balanced Funds ICVC – Baillie Gifford UK and Worldwide Equity Fund		Edinburgh[32]	OEIC, sub fund	30.23%
Barings Emerging Markets Debt Short Duration Fund		Dublin[27]	OEIC, sub fund	28.41%
BlackRock Cash Fund		London[20]	Unit Trust	23.86%
BlackRock Global Funds – Sustainable World Bond Fund		Luxembourg[15]	SICAV, sub fund	25.48%
BlackRock Market Advantage Fund		London[20]	UCITS, sub fund	51.40%
BlackRock UK Absolute Alpha Fund		London[20]	Unit Trust	20.18%
BNY Mellon Global Equity Fund		London[33]	OEIC, sub fund	28.90%
BNY Mellon Multi-Asset Global Balanced Fund		London[33]	UCITS, sub fund	37.37%
Brent Cross Partnership		London[24]	Limited Partnership	23.83%
Fidelity Multi Asset Open Adventurous Fund		Surrey[28]	OEIC, sub fund	40.78%
Gallions Reach Shopping Park Limited Partnership		London[36]	Unit Trust	100.00%
Gallions Reach Shopping Park Unit Trust		Jersey[17]	Unit Trust	100.00%
Goldman Sachs SICAV – Emerging Markets Total Return Bond Portfolio		Luxembourg[29]	SICAV, sub fund	86.71%
Goldman Sachs SICAV – Goldman Sachs Emerging Markets Debt Portfolio		Luxembourg[29]	SICAV, sub fund	23.81%
Invesco Managed Growth Fund		Oxfordshire[30]	OEIC, sub fund	51.99%
Janus Henderson All Stocks Credit Fund		London[14]	OEIC, sub fund	25.17%
Janus Henderson Diversified Growth Fund		London[14]	OEIC, sub fund	65.06%
Janus Henderson Emerging Markets Opportunities Fund		London[14]	OEIC, sub fund	23.90%
Janus Henderson Institutional Global Responsible Managed Fund		London[14]	OEIC, sub fund	29.35%
Janus Henderson Institutional UK Index Opportunities Fund		London[14]	OEIC, sub fund	57.53%
L&G Absolute Return Bond Plus Fund		Luxembourg[31]	SICAV, sub fund	49.33%
L&G Emerging Markets Bond Fund		Luxembourg[31]	SICAV, sub fund	74.74%
L&G Multi-Asset Target Return Fund		Luxembourg[38]	SICAV, sub fund	40.81%
Legal & General Active Sterling Corporate Bond Fund		London[21]	Unit Trust	23.99%
Legal & General Emerging Markets Government Bond (Local Currency) Index Fund		London[21]	Unit Trust	20.34%
Legal & General Emerging Markets Government Bond USD Index Fund		London[21]	Unit Trust	32.42%
Legal & General High Income Trust		London[21]	Unit Trust	41.01%
Legal & General UK Smaller Companies Trust		London[21]	Unit Trust	31.39%
Ninety One Funds Series i Global Macro Allocation Fund		London[54]	OEIC, sub fund	23.23%
LGIM Sterling Liquidity Plus Fund		Dublin[27]	UCITS, sub fund	21.51%
Quilter Investors Cirilium Balanced Blend Portfolio		London[22]	OEIC, sub fund	35.63%
Quilter Investors Ethical Equity Fund		London[22]	Unit Trust	34.75%
Quilter Investors Global Equity Growth Fund		London[22]	OEIC, sub fund	54.89%
Responsible Global High Yield Bond Fund		Luxembourg[16]	SICAV, sub fund	25.38%
Robeco – Phoenix Customized Multi Asset Fund		Rotterdam[39]	SICAV, sub fund	98.88%
Robeco QI Emerging Markets Sustainable Enhanced Index Equities II		Luxembourg[37]	SICAV, sub fund	100.00%
Schroder European Fund		London[42]	Unit Trust	56.43%
Schroder International Selection Fund – Global Diversified Growth		Luxembourg[43]	SICAV, sub fund	25.69%
Schroder UK Mid 250 Fund		London[42]	Unit Trust	27.03%
Standard Life Investments Brent Cross LP		Edinburgh[6]	Unit Trust	40.13%
Standard Life Investments UK Shopping Centre Trust		Jersey[25]	Unit Trust	40.13%
The Marks and Spencer Worldwide Managed Fund		Chester[48]	Unit Trust	30.42%
Threadneedle Investment Funds ICVC – American Select Fund		London[26]	OEIC, sub fund	20.32%
Vanguard Common Contractual Fund – Vanguard U.S. Equity Index Common Contractual Fund		Dublin[27]	UCITS, sub fund	77.40%
Vanguard Investment Series plc – Vanguard Global Corporate Bond Index Fund		Dublin[27]	UCITS, sub fund	38.21%
Vanguard Investment Series plc – Vanguard Global Short-Term Corporate Bond Index Fund		Dublin[27]	UCITS, sub fund	41.55%
Vanguard Investment Series plc – Vanguard U.K. Short-Term Investment Grade Bond Index Fund		Dublin[27]	UCITS, sub fund	42.85%
Vanguard Investments Common Contractual Fund – Vanguard FTSE Developed Europe ex UK Common Contractual Fund		Dublin[27]	UCITS, sub fund	97.13%
Vanguard Investments Common Contractual Fund – Vanguard FTSE Developed World Common Contractual Fund		Dublin[27]	UCITS, sub fund	40.12%
Vanguard Investments Common Contractual Fund – Vanguard FTSE Developed World ex UK Common Contractual Fund		Dublin[27]	UCITS, sub fund	97.04%

1 Wythall Green Way, Wythall, Birmingham, West Midlands, B47 6WG, United Kingdom
2 Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH, United Kingdom
3 90 St. Stephen's Green, Dublin, D2, Ireland
4 Windsor House, Telford Centre, Telford, Shropshire, TF3 4NB, United Kingdom
5 Goodbody Secretarial Limited, International Financial Services Centre, 25/28 North Wall Quay, Dublin 1, Ireland
6 1 George Street, Edinburgh, EH2 2LL, United Kingdom
7 22-24 New Street, St Pauls Gate, 4th Floor, JE1 4TR, Jersey
8 20 Old Bailey, London, England, EC4M 7AN, United Kingdom
9 Ugland House, Grand Cayman, KY1-1104, Cayman Islands
10 Avenue Louise 326, bte 33 1050 Brussels, Belgium
11 Telestone 8, Teleport, Naritaweg 165, 1043 BW, Amsterdam, Netherlands
12 Citco (Sweden) Ab, Stureplan 4c, 4 Tr, 114 35 Stockholm, Sweden
13 c/o Citco (Denmark) ApS, Holbergsgade 14, 2 .tv, 1057 København K Denmark
14 201 Bishopsgate, London, EC2M 3AE, United Kingdom
15 2-4, Rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg
16 35a Avenue J.F. Kennedy, L-1855, Luxembourg
17 Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
18 32 Molesworth Street, Dublin 2, Dublin, D02 Y512, Ireland
19 8 Canada Square, London, E14 5HQ, United Kingdom
20 12 Throgmorton Avenue, London EC2N 2DL, United Kingdom
21 One Coleman Street, London, EC2R 5AA, United Kingdom
22 Senator House, 85 Queen Victoria Street, London, EC4V 4AB, United Kingdom
23 5, Allée Scheffer, L-2520 Luxembourg, Luxembourg
24 Kings Place, 90 York Way, London, N1 9GE, United Kingdom
25 Elizabeth House, 9 Castle Street, St Helier, JE4 2QP, Jersey
26 Cannon Place, 78 Cannon Street, London, EC4N 6AG, United Kingdom
27 70 Sir John Rogerson's Quay, Dublin 2, Ireland
28 Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP, United Kingdom
29 49, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
30 Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH, United Kingdom
31 10, Château d'Eau, L-3364 Leudelange, Grand Duchy of Luxembourg
32 Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, United Kingdom
33 160 Queen Victoria Street, London, EC4V 4LA, United Kingdom
34 Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda
35 Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom
36 280 Bishopsgate, London, EC2M 4AG, United Kingdom
37 Senningerberg, 6, Route De Trèves, L-2633, Luxembourg
38 Senningerberg, 6, Lou Hemmer Street, L-1748, Luxembourg
39 Weena 850, 3014 DA, Rotterdam, Netherlands
40 Hesperange, 33, rue de Gasperich, L-5826, Luxembourg
41 20, rue de la Poste, Grand Duchy of Luxembourg, L-2346, Luxembourg
42 1 London Wall Place, London, EC2Y 5AU, United Kingdom
43 Senningerberg, 5, Hohenhof, L-1736, Luxembourg
44 33 Sir John Rogersons Quay, Dublin, D02 XK09, Ireland
45 St. Peter Port, Tudor House, Le Bordage, GY1 6BD, Guernsey
46 Highvista Strategies LLC, 200 Clarendon Street 50th Floor, Boston, Massachusetts, 02116, United States
47 Corporation Trust Centre, 1290 Orange Street, Wilmington, 19801, United States
48 c/o Marks and Spencer Unit Trust Management Limited, Kings Meadow, Chester Business Park, Chester, CH99 9FB, United Kingdom
49 16 Charlotte Square, Edinburgh, EH2 4DF, United Kingdom
50 Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States
51 44 Esplanade, St Helier, Jersey, Channel Islands, JE4 9WG, Jersey
52 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, United Kingdom
53 55 Gresham Street, London, EC2V 7EL, United Kingdom
54 1 Wall Place, London, EC2Y 5AU, United Kingdom

Notes to the consolidated financial statements continued

H. Interests in subsidiaries and associates continued
H6. Group entities continued
The following subsidiaries have been granted an audit exemption by parental guarantee by virtue of s.479A of the Companies Act 2006:

- Britannic Finance Limited
- Britannic Money Investment Services Limited
- G Life H Limited
- G Assurance & Pensions Services Limited
- Pearl Assurance Group Holdings Limited
- Pearl Customer Care Limited
- PGH CA Limited (previously known as Sun Life of Canada UK Holdings Limited)
- PGMS (Glasgow) Limited
- PGS 2 Limited
- Phoenix Customer Care Limited
- Phoenix SPV 1 Limited
- Phoenix SPV 2 Limited
- Phoenix SPV 3 Limited
- Phoenix SPV 4 Limited
- Phoenix Wealth Holdings Limited
- ReAssure Companies Services Limited
- ReAssure FSH UK Limited
- Vebnet Limited

The following subsidiaries were dissolved during the period. The subsidiaries were deconsolidated from the date of dissolution:

- abrdn SICAV II European Government All Stocks Fund
- abrdn (Lothian) UK Corporate Bond Trust
- abrdn (Lothian) European Trust
- abrdn (Lothian) European Trust II
- abrdn MT Global REIT Fund
- abrdn MT Japan Fund
- abrdn MT Sterling Intermediate Credit Fund
- PC Management Limited

The following subsidiaries were either fully disposed of or the Group was no longer deemed to control the subsidiary. The subsidiaries were deconsolidated from either the date of disposal or from the date when the Group was deemed to no longer control the subsidiary:

- 28 Riberia de Loira SL
- 330 Avenida de Aragon SL
- Amundi MSCI World Climate Transition CTB
- G Park Management Company Limited
- IFSL AMR OEIC- IFSL AR Diversified Portfolio
- Legal and General Growth Trust
- BNY Mellon 50/50 Global Equity Fund
- Aviva Investors UK Property Feeder Trust
- UBS Global Optimal Fund
- SLA Ireland No.1 S.à.r.l.

The following associates were dissolved during the period. The investments in associates were derecognised from the date of dissolution:

- UK Commercial Property REIT Limited
- UK Commercial Property Estates Holdings Limited
- UK Commercial Property Estates Limited
- UK Commercial Property Finance Holdings Limited
- Duke Distribution Centres S.à.r.l.
- Duke Offices & Developments S.à.r.l.

The Group no longer has significant holdings in the following undertakings:

- abrdn American Income Equity Fund
- abrdn Global Equity Fund
- abrdn UK Government Bond Fund
- abrdn UK Income Unconstrained Equity Fund
- abrdn Investment Grade Corporate Bond Fund
- abrdn Emerging Markets Local Currency Bond Tracker Fund
- CF Macquaries Global Infrastructure Securities Fund
- Schroder Global Emerging Markets Fund
- Invesco Global Targeted Returns Fund
- The Marks and Spencer Worldwide Managed FundLegal & General European Index L ACC
- Legal & General Future World Sustainable UK Equity Fund
- Legal & General European Index L ACC
- Nomura American Century Concentrated Global Growth Equity Fund

I. Other notes
I1. Share-based payment

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Further details regarding the determination of the fair value of equity-settled share-based transactions are set out below.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each period end, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity.

I1.1 Share-based payment expense
The expense recognised for employee services receivable during the year is as follows:

	2024 £m	2023 £m
Expense arising from equity-settled share-based payment transactions	26	22

I1.2 Share-based payment expense
Long-Term Incentive Plan ('LTIP')
The purpose of the LTIP is to motivate and incentivise delivery of sustained performance over the long-term in line with our strategy and purpose, and to promote alignment with shareholders' interests. The awards under this plan are in the form of nil-cost options to acquire an allocated number of ordinary shares.

The 2022 and 2023 LTIP awards are subject to performance conditions tied to the Group's performance in respect of net operating cash receipts, persistency, relative total shareholder return ('TSR'), decarbonisation, Group in-force long-term free cash (2023 LTIP only) and return on shareholder value (2022 LTIP only). The 2024 LTIP awards are subject to performance conditions tied to the Group's performance in respect of net operating cash receipts, return on capital, cumulative net flows, decarbonisation and relative TSR and diversity and inclusion. See the Directors' Remuneration Report for further details of these performance conditions.

A holding period applies to members of the Executive Committee. Once performance vesting requirements are satisfied, awards will not be released for a further two years from the third anniversary of the original award date. Dividends will accrue on LTIP awards until the end of the holding period. There are no cash settlement alternatives.

2024 LTIP awards were granted on 28 March 2024 and are expected to vest on 28 March 2027. The 2021 LTIP awards vested on 25 March 2024. The 2022 awards will vest on 18 March 2025 and the 2023 awards will vest on 17 March 2026.

The fair value of these awards is estimated at the average share price in the three days preceding the date of grant, taking into account the terms and conditions upon which the instruments were granted. The fair value of the LTIP awards is adjusted in respect of the TSR performance condition which is deemed to be a 'market condition'. The fair value of the 2022, 2023 and 2024 TSR elements of the LTIP awards has been calculated using a Monte Carlo model. The inputs to this model are shown below:

	2024 TSR performance condition	2023 TSR performance condition	2022 TSR performance condition
Share price (p)	553	559	639
Expected term (years)	2.8	2.8	2.8
Expected volatility (%)	22	23	31
Risk-free interest rate (%)	4	3.31	1.21
Expected dividend yield (%)	Dividends are received by holders of the awards therefore no adjustment to fair value is required		

On 20 September 2024, 4 October 2023 and 19 August 2022, LTIP awards were granted to certain senior management employees. The vesting periods and performance conditions for these awards are linked to the core 2022, 2023 and 2024 LTIP awards respectively.

On 3 April 2023, 28 March 2024 and 20 September 2024 LTIP Buy-out awards were granted to certain senior management employees. There are discrete vesting periods for these awards are made on the condition that employees remain in employment with the Group for the vesting period. Similar awards were also issued in prior periods.

Each year, the Group issues a Chair's share award under the terms of the LTIP which is granted to a small number of employees in recognition of their outstanding contribution in the previous year. The awards are granted on the same dates as the core 2022, 2023 and 2024 LTIP awards. These grants of shares are conditional on the employees remaining in employment with the Group for the vesting period and achieving an established minimum good/good performance grading. Good leavers will be able to, exercise their full award at vesting.

Deferred Bonus Share Scheme ('DBSS')
Each year, under the rules of the Annual Incentive Plan ('AIP') a percentage of the cash payment is deferred into shares of the Company. The requirement to defer is specifically linked to senior management and the Executive Committee is deferred into shares of the parent company. The grant of these shares is conditional on the employee remaining in employment with the Group for a period of three years from the date of grant. Good leavers will be able to, at the discretion of the Remuneration Committee, exercise their full award at vesting. Dividends will accrue for DBSS awards over the three-year deferral period.

The 2024 DBSS was granted on 28 March 2024 and is expected to vest on 28 March 2027. The 2021 DBSS awards vested on 12 March 2024. The 2022 awards are expected to vest on 18 March 2025 and the 2023 awards are expected to vest on 17 March 2026.

The fair value of these awards is estimated at the average share price in the three days preceding the date of the grant, taking into account the terms and conditions upon which the options were granted.

I. Other notes continued
I1. Share-based payment continued
I1.2 Share-based payment expense continued
ShareSave scheme

The ShareSave scheme allows participating employees in the UK to save up to £500 each month for a period of three or five years. The 2024 ShareSave options were granted on 21 October 2024. Irish ShareSave options are no longer granted.

Under the ShareSave arrangement, participants remaining in the Group's employment at the end of the three or five year saving period are entitled to use their savings to purchase shares at a discounted price ('exercise price') The exercise price is calculated using the three-day average price, discounted by 20% prior to the date of invitation. Employees leaving the Group for certain reasons are able to use their savings to exercise and purchase a prorated number of shares if they leave prior to the end of their three or five year period.

The fair value of the options has been determined using a Black-Scholes valuation model. Key assumptions within this valuation model include expected share price volatility and expected dividend yield.

The following information was relevant in the determination of the fair value of the 2019 to 2023 UK ShareSave options:

	2024 ShareSave	2023 ShareSave	2022 ShareSave	2021 ShareSave	2020 ShareSave
Share price (£)	4.912	4.448	6.142	7.486	5.664
Exercise price (£)	4.18	3.78	5.09	5.89	4.97
Expected life (years)	3.1 and 5,1	3.1 and 5,1	3.25 and 5.25	3.25 and 5.25	3.25 and 5.25
Risk-free rate (%) – based on UK government gilts commensurate with the expected term of the award	4.2 (for 3.1 year scheme) and 4.1 (for 5.25 year scheme)	4.7 (for 3.1 year scheme) and 4.5 (for 5.25 year scheme)	2.0 (for 3.25 year scheme) and 1.9 (for 5.25 year scheme)	0.5 (for 3.25 year scheme) and 0.7 (for 5.25 year scheme)	0.5 (for 3.25 year scheme) and 0.5 (for 5.25 year scheme)
Expected volatility (%) based on the Company's share price volatility to date	22.0	23.0	30.0	30.0	30.0
Dividend yield (%)	10.9	11.5	8	6.3	8.2

The information for determining the fair value of the 2021 Irish ShareSave options differed from that included in the table above as follows:
- Share price (€): 8.618
- Exercise price (€): 6.880
- Risk-free rate (%): (0.3) (for 5.25 year scheme)
- No ShareSave awards have been granted to Irish employees since 2022.

Share Incentive Plan

The Group operates two Share Incentive Plans ('SIP') available to UK and Irish employees. Each plan allows participating employees to purchase 'Partnership shares' in the Group through monthly contributions from salary. In respect of the UK SIP, employees can contribute up to £150 per month or 10% of salary (whichever is lower). For each 'Partnership shares awarded, the Group awards 'Matching shares' on a 1:1 basis up to a maximum of £50. Dividend payments are reinvested into further shares. The Irish SIP, allows employees to contribute up to a€40 per month or 7.5% (whichever is lower). 'Matching shares' are awarded on a 1.4 basis up a maximum of €40. Dividends are paid in cash under the Irish SIP.

The fair value of the Matching shares granted is estimated as the share price at date of grant, taking into account terms and conditions upon which the instruments were granted. At 31 December 2024, 611,207 matching shares (excluding unrestricted shares) were conditionally awarded to employees (2023: 546,430).

I1.3 Movements in the year
The following tables illustrate the number of, and movements in, LTIP, ShareSave and DBSS share options during the year:

	2024 Number of share options		
	LTIP	ShareSave	DBSS
Outstanding at the beginning of the year	11,111,405	6,844,865	3,367,966
Granted during the year	4,595,364	1,426,648	2,525,215
Forfeited during the year	(2,270,979)	(176,532)	(33,470)
Cancelled during the year	(4,258)	(471,709)	–
Exercised during the year	(1,545,139)	(75,229)	(730,869)
Expired during the year	(33,884)	(576,565)	(11,753)
Dividends on vested awards	635,085	–	151,311
Outstanding at the end of the year	12,487,594	6,971,478	5,268,400

	2023 Number of share options		
	LTIP	ShareSave	DBSS
Outstanding at the beginning of the year	9,387,235	5,001,906	2,301,801
Granted during the year	4,202,695	5,038,820	1,675,548
Forfeited during the year	(1,750,509)	(223,565)	(29,932)
Cancelled during the year	–	(1,371,617)	–
Exercised during the year	(1,217,227)	(1,184,132)	(701,644)
Expired during the year	(13,908)	(416,547)	(11,227)
Dividends on vested awards	503,119	–	133,420
Outstanding at the end of the year	11,111,405	6,844,865	3,367,966

The weighted average fair value of options granted during the year was £3.98 (2023: £2.92).

The weighted average share price at the date of exercise for the rewards exercised is £5.18 (2023: £5.46).

The weighted average remaining contractual life for the awards outstanding as at 31 December 2024 is 5.0 years (2023: 5.3 years).

I2. Cash flows from operating activities

Operating cash flows include purchases and sales of investment property and financial investments as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims.

The following analysis gives further detail behind the 'cash (utilised)/generated by operations' figure in the statement of consolidated cash flows.

	Notes	2024 £m	2023 restated[1] £m
(Loss)/profit for the year before tax		(1,107)	262
Adjustments for non-cash movements in loss/(profit) before tax for the year:			
Loss on PGL Pension Scheme buy-out transaction	G1	100	–
Gain on acquisition of Phoenix Life CA Holdings Limited (Formerly known as SLF of Canada UK Limited)	H2	–	(66)
Fair value losses/(gains) on:			
Investment property	G4	100	362
Financial assets and derivative liabilities		(7,884)	(11,045)
Change in fair value of borrowings	E5.2	1	(82)
Amortisation and impairment of intangible assets	G2	273	324
Depreciation of property, plant and equipment	G3	21	23
Share-based payment charge	I1.1	26	22
Finance costs	C7	290	258
Net interest expense on Group defined benefit pension scheme liability/asset	G1	56	111
Pension past service costs	G1	–	12
Other costs of pension schemes	G1	12	6
Movement in assets and liabilities relating to operations:			
Increase in investment assets		(913)	(7,986)
Decrease/(increase) in reinsurers' share of investment contract liabilities		342	(621)
Increase in reinsurance contract assets/liabilities		(305)	(818)
Decrease in assets classified as held for sale		1,475	2,593
(Decrease)/increase in insurance contract liabilities		(166)	4,037
Increase in investment contract liabilities		13,405	13,385
Decrease in obligation for repayment of collateral received		(156)	(703)
Decrease in liabilities classified as held for sale		(1,606)	(3,571)
Net (increase)/decrease in working capital		(406)	2,736
Other cash movements relating to operations:			
Contributions to defined benefit pension schemes	G1	(9)	(9)
Cash generated/(utilised) by operations		3,549	(770)

1 See note A3 for further details of the prior year restatements.

Notes to the consolidated financial statements continued

I. Other notes continued
I3. Capital management

The Group's capital management is based on the principles of Solvency II, as modified by the PRA's 2024 reforms ('Solvency UK'). This involves a valuation of the Group's Own Funds and a risk-based assessment of the Group's Solvency Capital Requirement ('SCR') in line with Solvency UK rules.

This note sets out the Group's approach to managing capital and provides an analysis of Own Funds and SCR.

Risk and capital management objectives
The risk management objectives and policies of the Group are based on the requirement to protect the Group's regulatory capital position, thereby safeguarding policyholders' guaranteed benefits whilst also ensuring the Group can meet its various cash flow requirements. Subject to this, the Group seeks to use available capital to achieve increased returns, balancing risk and reward, to generate additional value for policyholders and shareholders.

In pursuing these objectives, the Group deploys financial and other assets and incurs insurance contract liabilities and financial and other liabilities. Financial and other assets principally comprise investments in equity securities, debt securities, collective investment schemes, property, derivatives, reinsurance, trade and other receivables, and banking deposits. Financial liabilities principally comprise investment contracts, borrowings for financing purposes, derivative liabilities and net asset value attributable to unitholders.

The Group's Risk Management Framework is described in the risk management commentary on pages 46 to 57 of the Annual Report and Accounts and the Risk Universe component of this framework summarises the comprehensive set of risks to which the Group is exposed. The major risks ('Level 1' risks) that the Group's businesses are exposed to and the Group's approach to managing those risks are outlined in the following notes:

- note E6: Credit risk, market risk, financial soundness risk, strategic risk, customer risk and operational risk; and
- note F11: Insurance risk.

The section on capital management objectives is included below.

Capital Management Framework
The Group's Capital Management Framework is designed to achieve the following objectives:

- to provide appropriate security for policyholders and meet all regulatory capital requirements under the Solvency UK regime while not retaining unnecessary excess capital, operating within a Solvency II Shareholder Capital Coverage ratio of 140-180%;
- to ensure sufficient liquidity to meet obligations to policyholders and other creditors;
- to manage the leverage position, including optimisation of the Solvency II leverage ratio and the Fitch leverage ratio to maintain an investment grade credit rating; and
- to maintain a dividend policy to pay an ordinary dividend that is progressive and sustainable.

The framework comprises a suite of capital management policies that govern the allocation of capital throughout the Group to achieve the framework objectives under a range of stress conditions. The policy suite is defined with reference to policyholder security, creditor obligations, owner dividend policy and regulatory capital requirements.

Group capital
Group capital is managed on a Solvency UK basis, under which the primary sources of capital managed by the Group comprise the Group's Own Funds as measured under Solvency UK rules adjusted to exclude surplus funds attributable to the Group's unsupported with-profits funds and unsupported pension schemes.

A Solvency UK capital assessment involves valuation in line with Solvency UK rules of the Group's Own Funds and a risk-based assessment of the Group's Solvency Capital Requirement ('SCR'). Solvency II surplus is the excess of Own Funds over the SCR.

The Group aims to maintain a Solvency II surplus at least equal to its Board-approved capital policy, which reflects Board risk appetite for meeting prevailing solvency requirements.

The capital policy of each Life Company is set and monitored by each Life Company Board. These policies ensure there is sufficient capital within each Life Company to meet regulatory capital requirements under a range of stress conditions. The capital policy of each Life Company varies according to the risk profile and financial strength of the company.

The capital policy of each Group Holding Company is designed to ensure that there is sufficient liquidity to meet creditor obligations through the combination of cash buffers and cash flows from the Group's operating companies.

Own Funds and SCR
Basic Own Funds represents the excess of assets over liabilities from the Solvency II balance sheet adjusted to add back any relevant subordinated liabilities that meet the criteria to be treated as capital items.

The Basic Own Funds are classified into three Tiers based on permanency and loss absorbency (Tier 1 being the highest quality and Tier 3 the lowest). The Group's Own Funds are assessed for their eligibility to cover the Group SCR with reference to both the quality of capital and its availability and transferability. Surplus funds in with-profits funds of the Life Companies and in the pension schemes are restricted and can only be included in Eligible Own Funds up to the value of the SCR they are used to support.

Eligible Own Funds to cover the SCR are obtained after applying the prescribed Tiering limits and availability restrictions to the Basic Own Funds.

The SCR is calibrated so that the likelihood of a loss exceeding the SCR is less than 0.5% over one year. This ensures that capital is sufficient to withstand a broadly '1 in 200-year event'.

The Group operates an Internal Model to calculate Group SCR, all Group companies are within the scope of the single internal model, with the exception of acquired ReAssure businesses, the Irish life entities, Standard Life International Designated Activity Company and Phoenix Life Assurance Europe Designated Activity Company, and Phoenix Life CA Limited (formerly known as Sun Life Assurance Company of Canada (U.K.) Limited), which determine their capital requirements in accordance with the Standard Formula.

Group capital resources – unaudited
The Group capital resources presented on a shareholder basis, are based on the Group's Eligible Own Funds adjusted to remove amounts pertaining to unsupported with-profits funds and Group pension schemes:

Unaudited	2024 £bn	2023 £bn
PGH plc Eligible Own Funds	**10.3**	11.1
Remove Own Funds pertaining to unsupported with-profits funds and pension schemes	(1.9)	(2.2)
Group capital resources	**8.4**	8.9

Reconciliation between IFRS equity and estimated Eligible Own Funds under Solvency II
A reconciliation summarising the key differences between total IFRS equity and the Group's Eligible Own Funds under Solvency II is shown in the following table:

	2024 £bn	2023 £bn
Total IFRS equity	2.2	3.8
Deduct non-controlling interests	(0.5)	(0.5)
Deduct goodwill, intangible assets and deferred acquisition costs	(1.9)	(2.1)
Revaluation of subordinated liabilities	0.2	0.2
Net impact of valuing technical provisions, net of reinsurance recoverables[1], on Solvency II basis[1]	11.6	10.6
Deferred tax impact of valuation differences[1]	(1.1)	(1.0)
Other valuation differences[1]	(0.1)	(0.2)
Excess of assets over liabilities under Solvency II	10.4	10.8
Subordinated liabilities[1]	3.3	3.5
Ring-fenced fund restrictions[1]	(2.6)	(2.2)
Other availability restrictions[1]	(0.8)	(1.0)
PGHP plc eligible own funds	10.3	11.1

1 These balances are unaudited and reflect Solvency II adjustments.

I4. Related party transactions
In the ordinary course of business, the Group and its subsidiaries carry out transactions with related parties as defined by IAS 24 Related Party Disclosures, which comprise Group pension schemes, an associate and key management personnel.

I4.1 Related party transactions
During the year, the Group entered into the following related party transactions with a Group pension scheme and an associate:

	Transactions 2024 £m	Transactions 2023 £m
Pearl Group Staff Pension Scheme:		
Payment of administrative expenses	(5)	(4)
UK Commercial Property REIT ('UKCPR'):		
Dividend income[1]	–	19
Future Growth Capital Holdings Limited:		
Initial investment in associate	(5)	–

1 Transactions with UKCPR only include those that took place prior to the entity ceasing to be an associate and therefore a related party of the Group (see note H4.1 for further details).

In addition to the above, Phoenix Life Limited completed the buy-out of the PGL Pension Scheme liabilities. Further details are included in note G1.2.

I4.2 Transactions with key management personnel
The total compensation of key management personnel, being those having authority and responsibility for planning, directing and controlling the activities of the Group, including the Executive, Non-Executive Directors and members of the Group's Executive Committee is as follows:

	2024 £m	2023 £m
Salary and other short-term benefits	17	15
Equity compensation plans	10	8

Details of the shareholdings and emoluments of individual Directors are provided in the Remuneration report on pages 134 to 160.

During the year to 31 December 2024 key management personnel and their close family members contributed £240,610 (2023: £203,234) to Pensions and Savings products sold by the Group and transferred out £nil (2023: £110,074) of investments. At 31 December 2024, the total value of key management personnel's investments in Group Pensions and Savings products was £2,332,709 (2023: £1,989,979).

Notes to the consolidated financial statements continued

I. Other notes continued
I5. Commitments

This note analyses the Group's other commitments.

	2024 £m	2023 £m
To subscribe to private equity funds and other unlisted assets	2,425	1,738
To purchase, construct or develop investment property and income strips	16	23
For repairs, maintenance or enhancements of investment property	22	15

I6. Contingent liabilities

Where the Group has a possible future obligation as a result of a past event, or a present legal or constructive obligation but it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability.

Legal proceedings
Where the Group has a possible future obligation as a result of a past event, or a present legal or constructive obligation but it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability.

As a long-term savings and retirement business, the Group operates in a highly regulated environment. Therefore, in the normal course of business the Group is exposed to certain legal issues, which can involve litigation and arbitration, complaints, and regulatory and tax authority reviews. At 31 December 2024, the Group has a number of contingent liabilities in this regard, none of which are considered by the Directors to be material.

I7. Events after the reporting period

The financial statements are adjusted to reflect significant events that have a material effect on the financial results and that have occurred between the period end and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the period end. Events that are indicative of conditions that arise after the period end that do not result in an adjustment to the financial statements are disclosed.

On 4 February 2025, the Group redeemed its US $250 million Perpetual Contingent Convertible Tier 1 notes at their principal amount together with interest accrued to the repayment date.

On 12 March 2025, the Group received court approval for the Part VII transfer of the TIP business, currently classified as held for sale (see note H3), to Aberdeen Group. The effective date for this transaction is expected to be 28 March 2025.

On 16 March 2025, the Board recommended a final dividend of 27.35p per share for the year ended 31 December 2024 (2023: 26.65p). Payment of the final dividend is subject to shareholder approval at the AGM. The cost of this dividend has not been recognised as a liability in the consolidated financial statements for 2024 and will be charged to the statement of consolidated changes in equity in 2025.

Sir Nicholas Lyons
Andy Briggs
Nicolaos Nicandrou
Eleanor Bucks
Karen Green
Mark Gregory
Hiroyuki Iioka
Katie Murray
Belinda Richards
David Scott
Margaret Semple, OBE
Nicholas Shott

16 March 2025

Parent company financial statements

Statement of financial position
As at 31 December 2024

	Notes	2024 £m	2023 restated[1] £m
ASSETS			
Property, plant and equipment	10	15	17
Investments in Group entities	11	9,247	10,536
Financial assets			
Loans and deposits	12	1,398	1,302
Derivatives	6	112	119
Debt securities	13	1	1
Collective investment schemes	13	1,095	1,017
Deferred tax	14	309	185
Prepayments and accrued income		47	50
Other amounts due from Group entities	20	105	25
Cash and cash equivalents	15	1	1
Total assets		12,330	13,253
EQUITY AND LIABILITIES			
Equity attributable to ordinary shareholders			
Share capital	3	100	100
Share premium	3	16	16
Merger relief reserve	3	593	1,819
Other reserve	3	(4)	(4)
Retained earnings			
At 1 January		4,632	5,072
Profit for the year	3	249	80
Other movements in retained earnings		690	(520)
Total retained earnings		5,571	4,632
Total equity attributable to ordinary shareholders		6,276	6,563
Tier 1 Notes	4	411	411
Total equity		6,687	6,974
Liabilities			
Financial liabilities			
Borrowings	5	4,926	5,813
Derivatives	6	4	1
Obligations for repayment of collateral received	6	37	30
Other amounts due to Group entities	20	341	77
Provisions	7	207	222
Lease liabilities	8	16	18
Accruals and deferred income	9	112	118
Total liabilities		5,643	6,279
Total equity and liabilities		12,330	13,253

1 See note 1(d) for details of the prior year restatement.

The notes identified numerically on pages 314 to 324 are an integral part of these separate financial statements. Where items also appear in the consolidated financial statements, reference is made to the notes (identified alphanumerically) on pages 197 to 310.

Approved by the Board on 16 March 2025.

Andy Briggs
Chief Executive Officer

Nicolaos Nicandrou
Chief Financial Officer

Company registration number 11606773.

Statement of changes in equity
For the year ended 31 December 2024

	Share capital (note 3) £m	Share premium (note 3) £m	Merger relief reserve (note 3) £m	Other reserve (note 3) £m	Retained earnings £m	Total £m	Tier 1 Notes (note 4) £m	Total equity £m
At 31 December 2023 as reported	100	16	1,819	(4)	4,621	6,552	411	6,963
Restatement[1]	–	–	–	–	11	11	–	11
At 1 January 2024 (restated[1])	100	16	1,819	(4)	4,632	6,563	411	6,974
Total comprehensive income for the year attributable to owners	–	–	–	–	249	249	–	249
Dividends paid on ordinary shares (note B4)	–	–	–	–	(533)	(533)	–	(533)
Coupon paid on Tier 1 Notes	–	–	–	–	(29)	(29)	–	(29)
Credit to equity for equity-settled share-based payments (note I1)	–	–	–	–	26	26	–	26
Transfer of merger reserve	–	–	(1,226)	–	1,226	–	–	–
At 31 December 2024	100	16	593	(4)	5,571	6,276	411	6,687

For the year ended 31 December 2023

	Share capital (note 3) £m	Share premium (note 3) £m	Merger relief reserve (note 3) £m	Other reserve (note 3) £m	Retained earnings £m	Total £m	Tier 1 Notes (note 4) £m	Total equity £m
At 31 December 2022 as reported	100	10	1,819	(4)	5,062	6,987	411	7,398
Restatement[1]	–				10	10	–	10
At 1 January 2023 (restated[1])	100	10	1,819	(4)	5,072	6,997	411	7,408
Total comprehensive income for the year attributable to owners (restated[1])	–	–	–	–	80	80	–	80
Issue of ordinary share capital, net of associated commissions and expenses	–	6	–	–	–	6	–	6
Dividends paid on ordinary shares (note B4)	–	–	–	–	(520)	(520)	–	(520)
Coupon paid on Tier 1 Notes, net of tax relief	–	–	–	–	(22)	(22)	–	(22)
Credit to equity for equity-settled share-based payments (note I1)	–	–	–	–	22	22	–	22
At 31 December 2023 (restated[1])	100	16	1,819	(4)	4,632	6,563	411	6,974

1 See note 1(d) for details of the prior year restatement.

Statement of cash flows
For the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Cash flows from operating activities			
Cash utilised by operations	16	(312)	(589)
Net cash flows from operating activities		(312)	(589)
Cash flows from investing activities			
Acquisition of Phoenix Life CA Holdings Limited (formerly known as SLF of Canada UK Limited)		–	(250)
Advances to Group entities		(63)	(129)
Dividends received from Group entities		1,032	103
Interest received from Group entities		188	219
Capital contribution to subsidiary (note 11)		–	(55)
Repayment of amounts due from Group entities		–	1,425
Derivative settlements		62	72
Net cash flows from investing activities		1,219	1,385
Cash flows from financing activities			
Proceeds from issuing ordinary shares	3	–	6
Proceeds from new shareholder borrowings, net of associated expenses	5	1,579	1,450
Repayment of shareholder borrowings	5	(1,621)	(1,362)
Ordinary share dividends paid	17	(533)	(520)
Interest paid on borrowings		(301)	(338)
Lease payments	8	(2)	(2)
Coupon paid on Tier 1 Notes		(29)	(29)
Net cash flows from financing activities		(907)	(795)
Net increase/(decrease) in cash and cash equivalents		–	1
Cash and cash equivalents at the beginning of the year		1	–
Cash and cash equivalents at the end of the year		1	1

Notes to the parent company financial statements

1. Accounting policies
(a) Basis of preparation
The financial statements have been prepared on a going concern basis and under the historical cost convention, except for those financial assets and financial liabilities (including derivative instruments) that have been measured at fair value.

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. Total comprehensive income for the year attributable to owners was £249 million (2023 restated: £80 million).

Statement of Compliance
The Company's financial statements have been prepared in accordance with UK – adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006.

The financial statements are presented in sterling (£) rounded to the nearest million except where otherwise stated.

Assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

(b) Accounting policies
Where applicable, the accounting policies in the separate financial statements are the same as those presented in the consolidated financial statements on pages 197 to 310 with the exception of the one policy whereby the Company has not adopted the Group's policy of hedge accounting.

Where an accounting policy can be directly attributed to a specific note to the consolidated financial statements, the policy is presented within that note. Each note within the Company financial statements makes reference to the note to the consolidated financial statements containing the applicable accounting policy. The accounting policy in relation to foreign currency transactions is included within note A3 to the consolidated financial statements.

Investments in Group entities
Investments in Group entities are carried in the statement of financial position at cost less impairment.

The Company assesses at each reporting date whether an investment is impaired by assessing whether any indicators of impairment exist. If objective evidence of impairment exists, the Company calculates the amount of impairment as the difference between the recoverable amount of the Group entity and its carrying value and recognises the amount as an expense in the income statement.

The recoverable amount is determined based on the cash flow projections of the underlying entities.

(c) Critical accounting estimates and judgements
Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The area of the Company's business that typically requires such estimates and judgement is the impairment assessment for investments in Group entities.

Impairment of investments in Group entities
The Company conducts impairment reviews of investments in subsidiaries whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Determining whether an asset is impaired requires an estimation of the recoverable amount, which requires the Company to estimate the value in use. The value in use is based on projections of future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise. Further details are included in note 11.

(d) Prior year restatements
Prior year comparative information has been restated due to changes in the tax position of certain Group companies for the years ended 31 December 2022 and 31 December 2023. This impacts the Company due to the resulting change in the quantum of losses surrendered by the Company as Group relief. Consequently, to the extent losses are carried forward to prior periods the resulting deferred tax asset balances have also been restated.

The following table sets out the impact of the restatements as at 31 December 2022 and 31 December 2023:

	31 December 2022 as reported £m	Correction of errors £m	31 December 2022 restated £m	31 December 2023 as reported £m	Correction of errors £m	31 December 2023 restated £m
Statement of financial position:						
Deferred tax assets	113	42	155	159	26	185
Other amounts due to Group entities	(43)	(32)	(75)	(62)	(15)	(77)
Retained earnings	5,062	10	5,072	4,621	11	4,632

2. Financial information
New accounting pronouncements not yet effective
Details of the standards, interpretations and amendments to be adopted in future periods are detailed in note A5 to the consolidated financial statements, none of which are expected to have a significant impact on the Company's financial statements.

3. Share capital, share premium, and reserves

	2024 £m	2023 £m
Issued and fully paid:		
1,003.1 million ordinary shares of £0.10 each (2023: 1,001.5 million)	100	100

	2024 £m	2023 £m
1,003.1 million ordinary shares of £0.10 each (2023: 1,001.5 million)	100	100

	2024 Number	2024 £	2023 Number	2023 £
Shares in issue at 1 January	1,001,538,419	100,153,841	1,000,352,477	100,035,247
Ordinary shares issued in the year	1,573,419	157,342	1,185,942	118,594
Shares in issue at 31 December	1,003,111,838	100,311,183	1,001,538,419	100,153,841

During 2024, the Company issued 1,573,419 shares (2023: 1,185,942 shares) with a premium of £nil (2023: £6 million) in order to satisfy its obligations to employees under the Group's share schemes. This includes 1,500,000 shares that were issued to the Group's Employee Benefit Trust.

The Company has applied the relief in section 612 of the Companies Act 2006 to present the difference between the consideration received and the nominal value of the shares issued of £1,819 million in a merger reserve as opposed to in share premium. During the year £1,226 million of the reserve was transferred to retained earnings following the impairment of the Company's investment in the ReAssure group of companies as a result of the distribution of dividends to the Company.

On 12 December 2018, the Company became the ultimate parent undertaking of the Group by acquiring the entire share capital of 'Old PGH' (the Group's ultimate parent company until December 2018) via a share for share exchange. The cost of investment in Old PGH was determined as the carrying amount of the Company's share of the equity of Old PGH on the date of the transaction. The difference between the cost of investment and the market capitalisation of Old PGH immediately before the share for share exchange of £4 million has been recognised as an Other reserve and is shown as a separate component of equity.

Profit for the year, included within Retained earnings, primarily includes dividend income from subsidiaries of £2,070 million (2023: £655 million), other investment income of £240 million (2023: £261 million), administrative expenses of £582 million (2023: £597 million), impairment of subsidiaries £1,289 million (2023: £nil), finance costs of £380 million (2023: £407 million) and a tax credit of £190 million (2023: £168 million).

4. Tier 1 notes
The accounting policy and details of the terms for the Tier 1 Notes are included in note D4 to the consolidated financial statements.

	2024 £m	2023 £m
Tier 1 Notes	411	411

On 12 December 2018, the Company was substituted in place of Old PGH as issuer of the Tier 1 Notes and these were recognised at the fair value of £411 million in the form of an intragroup loan which was received as consideration.

On 27 October 2020, the terms of the Tier 1 Notes were amended and the consequence of a trigger event, linked to the Solvency II capital position, was changed. Previously, the Tier 1 Notes were subject to a permanent write-down in value to zero. The amended terms require that the Tier 1 Notes would automatically be subject to conversion to ordinary shares of the Company at the conversion price of £1,000 per share, subject to adjustment in accordance with the terms and conditions of the notes and all accrued and unpaid interest would be cancelled. Following any such conversion there would be no reinstatement of any part of the principal amount of, or interest on, the Tier 1 Notes at any time.

Notes to the parent company financial statements continued

5. Borrowings

The accounting policy for borrowings is included in note E5 to the consolidated financial statements.

	Carrying value 2024 £m	Carrying value 2023 £m	Fair value 2024 £m	Fair value 2023 £m
Loans due to third-parties[1]:				
£428 million Tier 2 notes	197	199	199	202
US $500 million Tier 2 notes	381	368	399	377
€500 million Tier 2 notes	394	409	423	419
US $750 million Perpetual Contingent Convertible Tier 1 notes	199	587	200	563
£500 million 5.625% Tier 2 notes	490	489	485	476
US $500 million Fixed Rate Reset Callable Tier 2 notes	279	274	275	262
£500 million 5.867% Tier 2 notes	529	536	500	493
£250 million Fixed Rate Reset Callable Tier 2 notes	–	254	–	239
£250 million Tier 3 notes	252	253	246	250
£350 million Fixed Rate Reset Callable Tier 2 notes	347	346	367	368
US $500 million Perpetual Contingent Convertible Tier 1 notes	398	–	415	–
	3,466	3,715	3,509	3,649
Loans due to Group companies:				
€100 million loan due to Standard Life International DAC (note a)	90	90	90	90
£130 million loan due to ReAssure Life Limited (note b)	98	138	98	138
£250 million loan due to ReAssure Limited (note c)	–	261	–	261
£250 million loan due to ReAssure Limited (note d)	–	257	–	257
€50 million loan due to Standard Life International DAC (note e)	44	44	44	44
Cash-pooling with other Group entities (note f)	1,228	1,308	1,228	1,308
	1,460	2,098	1,460	2,098
Total borrowings	4,926	5,813	4,969	5,747
Amount due for settlement after 12 months	3,457	4,505		

1 Details of the principal features of loans due to third parties are included in note E5 to the consolidated financial statements.

a. On 20 December 2022, SLIDAC issued a €100 million floating term loan to the Company with a maturity date of 30 June 2028 (on 25 March 2024 the term of the loan was changed from 31 March 2024). Interest accrues on the term loan at a rate of EURIBOR plus 1.15%. As at 31 December 2024, the interest rate was 4.82%.

b. On 16 December 2022, ReAssure Life Limited ('RLL') issued a £130 million floating term loan to the Company for a term of 5 years. Interest accrues on the term loan at a rate of SONIA plus 1.49%. On 17 December 2024, RLL made a partial repayment of £50 million. As at 31 December 2024, the interest rate was 6.19%.

c. On 5 May 2023, ReAssure Limited ('RAL') issued a £250 million floating term loan to the Company for a term of 5 years. Interest accrues on the term loan at a rate of SONIA plus 1.62%. On 20 June 2024 RAL paid a dividend in specie of £269 million, removing the Company's obligation under the loan.

d. On 21 July 2023, RAL issued a £250 million loan to the Company for a term of 5 years. Interest accrues on the term loan at a rate of SONIA plus 1.51%. The Company repaid the loan in full on 17 December 2024.

e. On 15 June 2023, SLIDAC issued a €50 million floating term loan to the Company with a maturity date of 31 March 2025. Interest accrues on the term loan at a rate of EURIBOR plus 0.79%. As at 31 December 2024, the interest rate was 4.46%.

f. On 13 September 2022, the Company entered into an uncommitted intra-group cash-pooling facility with certain subsidiaries, under which the Company will either borrow funds from, or lend funds to, the relevant subsidiary. All amounts due under the facility attract interest at SONIA and are repayable on demand. On 16 December 2024 ReAssure Group plc paid a dividend in specie of £700 million, thereby reducing the Company's liability under the cash-pooling facility.

On 18 November 2024, the Group replaced its £1.75 billion unsecured revolving credit facility with a new £1.5 billion unsecured revolving credit facility (the 'revolving facility'), maturing in November 2029. The new facility remains undrawn as at 31 December 2024.

Borrowings initially recognised at fair value are being amortised to par value over the life of the borrowings.

For the purposes of the additional fair value disclosures for liabilities recognised at amortised cost, all borrowings have been categorised as Level 2 financial instruments.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	Loans due to third parties £m	Loans due to Group companies £m	Total borrowings £m	Derivative assets[1] (note 6) £m	Accrued interest £m	Total £m
At 1 January 2024	3,715	2,098	5,813	(118)	78	5,773
Cash movements						
New borrowings, net of costs	390	1,189	1,579	–	–	1,579
Repayments	(643)	(978)	(1,621)	–	(301)	(1,922)
Non-cash movements						
Dividend in specie payment	–	(969)	(969)	–	–	(969)
Movement in foreign exchange	5	(8)	(3)	–	–	(3)
Amortisation	(1)	–	(1)	–	–	(1)
Capitalised interest	–	128	128	–	–	128
Movement in fair value	–	–	–	12	–	12
Other movements[2]	–	–	–	–	298	298
At 31 December 2024	3,466	1,460	4,926	(106)	75	4,895

1 Cross currency swaps to hedge against adverse currency movements in respect of the Group's Euro and US Dollar denominated borrowings (see note 6 for further details).
2 Other movement represents the non-cash movement in the interest liability on borrowings.

	Loans due to third parties £m	Loans due to Group companies £m	Total borrowings £m	Derivative assets[1] (note 6) £m	Accrued interest £m	Total £m
At 1 January 2023	3,805	2,424	6,229	(225)	78	6,082
Cash movements						
New borrowings, net of costs	346	1,104	1,450	–	–	1,450
Repayments	(350)	(1,012)	(1,362)	–	(338)	(1,700)
Non-cash movements						
Dividend in specie payment	–	(513)	(513)	–	–	(513)
Movement in foreign exchange	(82)	(2)	(84)	–	–	(84)
Amortisation	(4)	(5)	(9)	(1)	–	(10)
Capitalised interest	–	102	102	–	–	102
Movement in fair value	–	–	–	108	–	108
Other movements[2]	–	–	–	–	338	338
At 31 December 2023	3,715	2,098	5,813	(118)	78	5,773

1 Cross currency swaps to hedge against adverse currency movements in respect of the Group's Euro and US Dollar denominated borrowings (see note 6 for further details).
2 Other movement represents the non-cash movement in the interest liability on borrowings.

Notes to the parent company financial statements continued

6. Derivatives

The accounting policy for derivatives is included in note E3 to the consolidated financial statements.

At 31 December 2023, the Company had in place four cross currency swaps in order to hedge against adverse currency movements in respect of its Euro and US Dollar denominated borrowings. On 12 June 2024, the Company issued US $500 million Contingent Convertible Tier 1 notes and the related cross currency swap that was entered into at this time. On 18 June 2024, $500 million of the $750 million Contingently Convertible T1 notes were repurchased via a tender offer, leading to an unwinding of $500 million of the related swap arrangement.

The Company also hedged certain Euro, US Dollar, Japanese Yen and Hong Kong Dollar exposures to adverse foreign currency movements in respect of underlying business within its subsidiaries.

The fair value of the derivative financial instruments is as follows:

	Asset		Liability	
	2024 £m	2023 £m	2024 £m	2023 £m
Cross currency swaps	106	118	–	–
Foreign currency swaps	6	1	4	1
	112	119	4	1

Derivative collateral arrangements

The accounting policy for collateral arrangements is included in note E4 to the consolidated financial statements.

Assets accepted

The maximum exposure to credit risk in respect of over-the-counter ('OTC') derivative assets is £112 million (2023: £119 million) of which credit risk of £37 million (2023: £30 million) is mitigated by use of collateral arrangements (which are settled net after taking account of any OTC derivative liabilities owed by the counterparty).

Assets pledged

The Company has not pledged any collateral in respect of its OTC derivative liabilities.

7. Provisions

The accounting policy for provisions is included in note G7 to the consolidated financial statements.

	Restructuring provisions		
2024	Transition and Transformation £m	Transfer of ReAssure policy administration £m	Total £m
At 1 January	63	159	222
Additions in the year	39	30	69
Utilised during the year	(22)	(46)	(68)
Discounting	(7)	(9)	(16)
At 31 December	73	134	207

Transition and transformation

In 2019, the Company recognised a Standard Life transition and transformation restructuring provision, which included migration costs, severance costs and other expenses. During the year, £22 million (2023: £27 million) of the restructuring provision was utilised and the provision was increased by £39 million (2023: decreased by £7 million). The impact of discounting the provision was £7 million in the year. The remaining provision of £73 million (2023: £63 million) is expected to be utilised within one to four years.

Transfer of ReAssure policy administration

Following the acquisition of the ReAssure businesses in 2020, the Group established a transition and transformation programme which aims to deliver the integration of the Group's operating models via a series of phases. During 2023, the Group announced its intention to migrate existing ReAssure policies to the TCS platform and recognised a provision which included migration costs, severance costs and other expenses.

During the year, the provision was increased by £30 million (2023: £65 million) and £46 million was utilised (2023: £33 million). The impact of discounting the provision was £9 million in the year The remaining provision of £134 million (2023: £159 million) is expected to be utilised within one to four years.

See note G7 to the consolidated financial statements for further details of each of these provisions.

8. Lease liabilities

The accounting policy for lease liabilities is included in note G9 to the consolidated financial statements.

Lease liabilities relate to office premises at 20 Old Bailey, London. The lease was assigned on 24 March 2021 for a term of 12 years and 9 months, with an option to break the contract on 25 December 2028. It is currently not expected that the break clause will be exercised.

	2024 £m	2023 £m
At 1 January	18	20
Lease payments	(2)	(2)
At 31 December	16	18
Amount due within twelve months	2	2
Amount due after twelve months	14	16

9. Accruals and deferred income

The accounting policy for accruals and deferred income is included in note G10 to the consolidated financial statements.

	2024 £m	2023 £m
Accruals and deferred income	112	118
Amount due for settlement after 12 months	5	5

10. Property, plant and equipment

The accounting policy for property, plant and equipment is included in note G3 to the consolidated financial statements.

Property, plant and equipment includes the right-of-use asset relating to office premises leased at 20 Old Bailey, London. Depreciation is being charged on a straight-line basis over the term of the lease.

	Total Property, plant and equipment 2024 £m	Total Property, plant and equipment 2023 £m
Cost or valuation		
At 1 January and 31 December	22	22
Depreciation		
At 1 January	(5)	(3)
Depreciation	(2)	(2)
At 31 December	(7)	(5)
Carrying amount		
At 31 December	15	17

Notes to the parent company financial statements continued

11. Investments in Group entities

	2024 £m	2023 £m
Cost		
At 1 January	14,725	14,420
Additions	–	305
At 31 December	14,725	14,725
Impairment		
At 1 January	(4,189)	(4,189)
Charge for the year	(1,289)	–
At 31 December	(5,478)	(4,189)
Carrying amount		
At 31 December	9,247	10,536

During 2024 the servicing activities of Phoenix Group CA Services Limited (formerly known as SLFC Services Company (UK) Limited) were transferred to Pearl Group Management Services Limited.

As at 31 December 2024 and 31 December 2023, the market capitalisation of the Company was lower than the net asset value, and this was considered to be an indicator that the Company's investments in its subsidiaries may have been impaired. Dividends were also paid to the Company by ReAssure Group plc ('RGP') and Phoenix Life CA Holdings Limited ('PLCAH') during 2024 that were in excess of previously identified impairment headroom. Accordingly, an impairment test has been performed to assess the recoverable amount of each investment against carrying value.

The recoverable amount of each subsidiary is based on its value in use. The value in use of the life insurance subsidiaries has been calculated based on dividend projections on a consistent basis to that set out in the Group's business plan approved by the Board. These dividend projections reflect the emergence of surplus from in-force business on a Solvency II basis, together with the impact of planned management actions in the next five years and any anticipated new business. The contribution to value in use of the non-life entities, which do not generate revenues external to the Group, was based on their Solvency II Own Funds as at the balance sheet date. The value in use calculation has used a discount rate of 9.2%, calculated using a risk adjusted weighted average cost of capital approach.

For Phoenix Life Holdings Limited ('PLHL'), which includes the vast majority of the Group's new business franchise, an assumption for the terminal rate of growth after the initial five-year business plan period was set at 2%.

For all other subsidiaries of the Company, which predominantly comprise closed-book life insurance businesses, ten-year cash flow projections were utilised with a value at the ten-year point determined with reference to projected Solvency II shareholder Own Funds.

The impairment test resulted in a £1,226 million impairment charge being recognised in respect of RGP and £43 million in respect of PLCAH. The value in use of these entities has declined over time as the life insurance business has run off and distributions have been made to the Company. In addition, a £20 million impairment to the investment in Phoenix Group Holdings (Bermuda) Limited was recognised. This reflects the strategic decision not to proceed with further reinsurance transactions through this entity.

The value in use calculation for certain subsidiaries is particularly sensitive to the discount rate, and in respect of PLHL, the terminal growth rate, as set out below:

- For PLHL, a 1% increase in the discount rate would reduce the recoverable amount by £908 million and would not have resulted in any impairment being recognised. A 0.5% decrease in the terminal growth rate would reduce the recoverable amount by £361 million.
- For RGP, a 1% increase in the discount rate would decrease the value in use and increase the impairment recognised by £68 million.
- For PLCAH, a 1% increase in the discount rate would decrease the value in use and increase the impairment recognised by £10 million.

In April 2023, the Company acquired 100% of the issued share capital of Phoenix Life CA Holdings Limited (formerly SLF of Canada UK Limited) for a cost of £250 million. In addition, during 2023 the Company established a Bermuda-based entity, Phoenix Group Holdings (Bermuda) Limited, and capital contributions totalling £55 million were paid to the entity.

During 2023, the following Part VII schemes (transfer of insurance business) were undertaken which had the effect of reallocating the value of the Company's investment in Group entities between certain subsidiaries:

- the PLL and RLL EU business policies were transferred into a new EU regulated Life Company, Phoenix Life Assurance Europe DAC ('PLAE'), within the Group.
- the business of PLAL, SLAL and Standard Life Pension Funds Limited ('SLPF') was transferred to PLL. In line with the strategic objectives of the Group, the transfer simplifies the operating model whilst resulting in financial, operational and liquidity benefits with the excess capital position, after allowing for costs and capital policy, of the Life Companies improving significantly.

Additionally, during 2023 the servicing activities of Pearl Group Services Limited and Standard Life Asset and Employee Services Limited were transferred to Phoenix Group Management Services Limited. In line with the strategic objectives of the Group, the transfer simplifies the operating model resulting in operational benefits.

For a list of principal Group entities, refer to note H6 of the consolidated financial statements in which the entities directly held by the Company are separately identified.

12. Loans and deposits

	Carrying value		Fair value	
	2024 £m	2023 £m	2024 £m	2023 £m
Loans due from Phoenix Life Holdings Limited (note a)	1,327	1,284	1,349	1,299
Cash-pooling to other Group entities (note b)	53	5	53	5
Loan due from Phoenix Group Employee Benefit Trust (note c)	18	13	18	13
Total loans and deposits	1,398	1,302	1,420	1,317
Amounts due after 12 months	915	1,297		

All loans and deposit balances are due from Group entities and are measured at amortised cost using the effective interest method. The fair value of these loans and deposits are also disclosed. None of the loans are considered to be overdue.

a On 12 December 2018, the Company assigned a £428 million subordinated loan to Phoenix Life Holdings Limited ('PLHL'). The loan accrues interest at a rate of 6.675% and matures on 18 December 2025. This loan was initially recognised at fair value of £439 million and is amortised to par over the period to 2025. At 31 December 2024, the carrying value of the loan was £430 million (2023: £432 million).

On 12 December 2018, the Company assigned a £450 million subordinated loan to PLHL. The loan accrues interest at a rate of 4.158% and matured on 20 July 2022. On 20 July 2022, the amount due on the maturity of the subordinated loan of £450 million was advanced under a new loan to PLHL. The new loan accrues interest at a compounded rate of SONIA plus a margin of 1.30% and is capitalised. During the year interest of £32 million (2023: £27 million) was capitalised. The loan matures on 31 December 2027. At 31 December 2024, the carrying value of the loan was £516 million (2023: £484 million).

On 12 December 2018, the Company assigned a US $500 million loan to PLHL due to mature in 2027 with a coupon of 5.375%. This loan was initially recognised at fair value of £349 million and is accreted to par over the period to 2027. Movement in foreign exchange during the year increased the carrying value by £7 million (2023: £20 million decrease). At 31 December 2024, the carrying value of the loan was £381 million (2023: £368 million).

b On 13 September 2022, the Company entered into an uncommitted intra-group cash-pooling facility with certain subsidiaries, under which the Company will either borrow funds from, or lend funds to, the relevant subsidiary. All amounts due under the facility attract interest at SONIA and are repayable on demand.

c On 18 June 2019, the Company was assigned an interest free facility arrangement with Phoenix Group Employee Benefit Trust ('EBT'). As at 31 December 2024, the carrying value of the loan was £18 million (2023: £13 million). The loan is fully recoverable until the awards held in the EBT vest to the participants, at which point the loan is reviewed for impairment. Any impairments are determined by comparing the carrying value to the estimated recoverable amount of the loan. During the year funding of £16 million (2023: £12 million) was provided to the EBT and £11 million of the loan was impaired (2023: £12 million).

For the purposes of the additional fair value disclosures for assets recognised at amortised cost, all loans and deposits are categorised as Level 3 financial instruments. The fair value of loans and deposits with no external market is determined by internally developed discounted cash flow models using a risk adjusted discount rate corroborated with external market data where possible.

Details of the factors considered in determination of fair value are included in note E2 to the consolidated financial statements.

13. Financial assets

	2024 £m	2023 £m
Financial assets at fair value through profit or loss		
Derivatives	112	119
Debt securities	1	1
Collective investment schemes	1,095	1,017
	1,208	1,137
Amounts due after 12 months	1	1

Determination of fair value and fair value hierarchy of financial assets

Details of the factors considered in determination of the fair value are included in note E2 to the consolidated financial statements.

2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Derivatives	–	112	–	112
Debt securities	–	–	1	1
Collective investment schemes	1,095	–	–	1,095
	1,095	112	1	1,208

Notes to the parent company financial statements continued

13. Financial assets continued

2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Derivatives	–	119	–	119
Debt securities	–	–	1	1
Collective investment schemes	1,017	–	–	1,017
	1,017	119	1	1,137

There were no transfers between levels in either 2024 or 2023.

Level 3 financial instrument sensitivities

The investment in debt securities is in respect of debt holdings in a property investment structure which was originally transferred to the Company via an in-specie dividend received from Old PGH during 2019. The holding was disposed of during the year ended 31 December 2020, but a balance of £1 million remains in respect of a potential repayment of cash reserves that may be due to the Company. The amount recognised has taken account of both the uncertain nature of the value of the proceeds and when they will be received.

14. Deferred tax

The accounting policy for tax assets and liabilities is included in note G8 to the consolidated financial statements.

Movement in deferred tax balances

	1 January 2024 restated[1] £m	Recognised in comprehensive income £m	31 December 2024 £m
Provisions and other temporary differences	25	(8)	17
Trading losses	160	132	292
	185	124	309

	1 January 2023 £m	Recognised in comprehensive income £m	31 December 2023 £m
Provisions and other temporary differences (restated[1])	25	–	25
Trading losses (restated[1])	130	30	160
	155	30	185

1 See note 1(d) for details of the prior year restatements.

The standard rate of UK corporation tax for the accounting period is 25% (2023: 23.5%). This rate was effective from April 2023, therefore deferred tax assets and liabilities are provided at the rate of 25%.

15. Cash and cash equivalents

The accounting policy for cash and cash equivalents is included in note G6 to the consolidated financial statements.

	2024 £m	2023 £m
Bank and cash balances	1	1

16. Cash flows from operating activities

	2024 £m	2023 £m
Profit/(loss) for the year before tax	59	(89)
Non-cash movements in profit/(loss) for the year before tax:		
Impairment of loan due from subsidiary	11	12
Impairment of investments in Group entities	1,289	–
Investment income	(2,306)	(965)
Finance costs	373	399
Fair value losses on financial assets	10	117
Foreign exchange movement on borrowings at amortised cost	(10)	(63)
Share-based payment charge	26	22
Depreciation	2	2
Decrease/(increase) in investment assets	(77)	(242)
Net (increase)/decrease in working capital	311	218
Cash utilised by operations	(312)	(589)

17. Capital and risk management

The Company's capital comprises share capital, the Tier 1 Notes and all reserves as calculated in accordance with International Financial Reporting Standards ('IFRS'), as set out in the statement of changes in equity. Under English company law, dividends must be paid from distributable profits. As the ultimate parent undertaking of the Group, the Company manages its capital to ensure that it has sufficient distributable profits to pay dividends in accordance with its dividend policy. The distributable reserves of the Company as at 31 December 2024 were £5,571 million (2023 restated: £4,632 million).

At 31 December 2024, total capital was £6,687 million (2023 restated: £6,974 million). The movement in capital in the year comprises the total comprehensive income for the year attributable to owners of £249 million (2023 restated: £80 million), dividends paid of £533 million (2023: £520 million), coupon paid on Tier 1 Notes of £29 million (2023: £22 million) and credit to equity for equity-settled share-based payments of £26 million (2023: £22 million).

In addition, the Group also manages its capital on a regulatory basis as described in note I3 to the consolidated financial statements.

The principal risks and uncertainties facing the Company are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Company hedges its currency risk exposure arising on foreign currency hybrid debt.

Details of the Group's financial risk management policies are outlined in note E6 to the consolidated financial statements.

Credit risk management practices

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12 month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

The table below details the credit quality of the Company's financial assets, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

2024	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Loans and deposits (note 12)	N/A	Performing	12 month ECL	1,398	–	1,398
Other amounts due from Group entities (note 20)	N/A	Performing	12 month ECL	105	–	105
Cash and cash equivalents (note 15)	A	N/A	12 month ECL	1	–	1

2023	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Loans and deposits (note 12)	N/A	Performing	12 month ECL	1,302	–	1,302
Other amounts due from Group entities (note 20)	N/A	Performing	12 month ECL	25	–	25
Cash and cash equivalents (note 15)	A	N/A	12 month ECL	1	–	1

The Company considers reasonable and supportable information that is relevant and available without undue cost or effort to assess whether there has been a significant increase in risk since initial recognition. This includes quantitative and qualitative information and forward-looking analysis.

Loans and deposits – The Company is exposed to credit risk relating to loans and deposits from other Group companies, which are considered to be of low risk. Given their low risk, the loss allowance has been set at less than £1 million. The Company assesses whether there has been a significant increase in credit risk since initial recognition by assessing whether there have been any historic defaults, by reviewing the going concern assessment of the borrower and the ability of the Group to prevent a default by providing a capital or cash injection. Specific considerations for the loan to the Employee Benefit Trust are discussed in note 12.

Amounts due from other Group entities – The credit risk from activities undertaken in the normal course of business is considered to be extremely low. Given their low risk, the loss allowance has been set at less than £1 million. The Company assesses whether there has been a significant increase in credit risk since initial recognition by assessing past credit impairments, history of defaults and the long-term stability of the Group.

Cash and cash equivalents – The Company's cash and cash equivalents are held with bank and financial institution counterparties which have investment grade 'A' credit ratings. The Company considers the associated credit risk is low based on the external credit ratings of the counterparties and, there being no history of default, the impact to the net carrying amount stated in the table above is therefore considered not to be material.

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed into liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

18. Share-based payments

Detailed information on the Long-term incentive plans, Sharesave schemes and Deferred bonus share schemes is contained in note I1 in the consolidated financial statements.

19. Directors' remuneration

Details of the remuneration of the Directors of Phoenix Group Holdings plc is included in the Directors' Remuneration Report on pages 134 to 160 of the Annual Report and Accounts.

Notes to the parent company financial statements continued

20. Related party transactions

The Company has related party transactions with Group entities and its key management personnel. Details of the total compensation of key management personnel, being those having authority and responsibility for planning, directing and controlling the activities of the Group, including the Executive and Non-Executive Directors and members of the Group's Executive Committee, are included in note I4 to the consolidated financial statements.

During the year ended 31 December 2024, the Company entered into the following transactions with related parties.

	2024 £m	2023 £m
Dividend income from other Group entities	2,070	655
Interest income from other Group entities	124	210
	2,194	865
Expense to other Group entities	589	561
Interest expense to other Group entities	162	196
	751	757

Amounts due from related parties at the end of the year:

	2024 £m	2023 £m
Loans due from Group entities	1,398	1,302
Interest accrued on loans due from Group entities	24	28
Other amounts due from Group entities	105	25
	1,527	1,355
Amount due for settlement after 12 months	915	1,297

Amounts due to related parties at the end of the year:

	2024 £m	2023 restated[1] £m
Loans due to Group entities	1,460	2,098
Interest accrued on loans due to Group entities	11	15
Other amounts due to Group entities	341	77
	1,812	2,190
Amount due for settlement after 12 months	188	700

1 See note 1(d) for details of the prior year restatements.

21. Auditor's remuneration

Details of auditor's remuneration for Phoenix Group Holdings plc and its subsidiaries is included in note C6 to the consolidated financial statements.

22. Events after the reporting period

Details of events after the reporting date are included in note I7 to the consolidated financial statements.

Sir Nicholas Lyons
Andy Briggs
Nicolaos Nicandrou
Eleanor Bucks
Karen Green
Mark Gregory
Hiroyuki Iioka
Katie Murray
Belinda Richards
David Scott
Margaret Semple, OBE
Nicholas Shott

16 March 2025

Additional Life Company Asset Disclosures

The analysis of the asset portfolio provided below comprises the assets held by the Group's Life Companies, and it is stated net of derivative liabilities. It excludes other Group assets such as cash held in the holding and management service companies and the assets held by the non-controlling interests in consolidated collective investment schemes. The information is presented on a look-through basis into the underlying funds.

The following table provides an overview of the exposure by asset category of the Group's Life Companies' shareholder and policyholder funds:

31 December 2024

Carrying value	Shareholder and non-profit funds[1] £m	Participating supported[1] £m	Participating non-supported[2] £m	Unit-linked[2] £m	Total £m
Cash and cash equivalents	4,286	875	4,390	7,934	17,485
Debt securities – gilts and foreign government bonds	8,260	227	14,233	14,891	37,611
Debt securities – other government and supranationals	2,484	139	1,798	4,811	9,232
Debt securities – infrastructure loans - project finance[3]	1,025	–	–	–	1,025
Debt securities – infrastructure loans - corporate[4]	1,619	–	1	–	1,620
Debt securities – local authority loans[5]	879	–	2	2	883
Debt securities – loans guaranteed by export credit agencies and supranationals[6]	688	–	–	–	688
Debt securities – private corporate credit[7]	3,071	–	99	8	3,178
Debt securities – loans to housing association[8]	1,218	–	7	2	1,227
Debt securities – commercial real estate loans[9]	1,170	–	–	–	1,170
Debt securities – equity release mortgages[9]	4,795	–	–	–	4,795
Debt securities – other debt securities	13,207	1,107	11,786	26,930	53,030
	38,416	1,473	27,926	46,644	114,459
Equity securities	116	51	16,901	122,304	139,372
Property investments	35	11	1,541	4,195	5,782
Income strips[9]	–	–	–	555	555
Other investments[10]	(726)	(678)	629	10,299	9,524
Total Life Company assets	42,127	1,732	51,387	191,931	287,177
Less assets held by disposal groups[11]	–	–	–	(3,175)	(3,175)
At 31 December 2024	42,127	1,732	51,387	188,756	284,002
Cash and cash equivalents in Group holding companies					1,117
Cash and financial assets in other Group companies					748
Financial assets held by the non-controlling interest in consolidated collective investment schemes					3,335
Financial assets in consolidated funds held by disposal groups[11]					75
Total Group consolidated assets excluding amounts classified as held for sale					289,277
Comprised of:					
Investment property					4,370
Financial assets					279,539
Cash and cash equivalents					9,453
Derivative liabilities					(4,085)
					289,277

1 Includes assets where shareholders of the life companies bear the investment risk.
2 Includes assets where policyholders bear most of the investment risk.
3 Total infrastructure loans - project finance of £1,025 million include £1,011 million classified as Level 3 debt securities in the fair value hierarchy.
4 Total infrastructure loans - corporate of £1,620 million include £1,613 million classified as Level 3 debt securities in the fair value hierarchy.
5 Total local authority loans of £883 million include £823 million classified as Level 3 debt securities in the fair value hierarchy.
6 Total loans guaranteed by export credit agencies and supranationals of £688 million include £461 million classified as Level 3 debt securities in the fair value hierarchy.
7 Total private corporate credit of £3,178 million include £3,046 million classified as Level 3 debt securities in the fair value hierarchy.
8 Total loans to housing associations of £1,227 million include £1,172 million classified as Level 3 debt securities in the fair value hierarchy.
9 All commercial real estate loans, equity release mortgages and income strips are classified as Level 3 debt securities in the fair value hierarchy.
10 Includes other loans of £133 million, net derivative liabilities of £(866) million, reinsurers' share of investment contracts of £9,297 million and other investments of £960 million.
11 See note H3 to the consolidated financial statements for further details.

Additional Life Company Asset Disclosures continued

31 December 2023

Carrying value	Shareholder and non-profit funds[1] £m	Participating supported[1] £m	Participating non-supported[2] £m	Unit-linked[2] £m	Total £m
Cash and cash equivalents	4,129	1,085	5,309	8,002	18,525
Debt securities – gilts and foreign government bonds	7,753	286	15,039	12,312	35,390
Debt securities – other government and supranational	2,021	230	2,175	3,253	7,679
Debt securities – infrastructure loans - project finance[3]	1,137	–	–	–	1,137
Debt securities – infrastructure loans - corporate[4]	1,523	–	1	–	1,524
Debt securities – local authority loans[5]	1,032	1	2	4	1,039
Debt securities – loans guaranteed by export credit agencies and supranationals[6]	733	–	–	–	733
Debt securities – private corporate credit[7]	2,271	–	106	8	2,385
Debt securities – loans to housing associations[8]	1,243	–	8	2	1,253
Debt securities – commercial real estate loans[9]	1,147	–	–	–	1,147
Debt securities – equity release mortgages[9]	4,486	–	–	–	4,486
Debt securities – other debt securities	15,097	1,152	12,397	27,688	56,334
	38,443	1,669	29,728	43,267	113,107
Equity securities	117	50	17,227	112,122	129,516
Property investments	47	16	1,677	5,062	6,802
Income strips[10]	–	–	–	674	674
Other investments[11]	(371)	(529)	822	10,800	10,722
Total Life Company assets	42,365	2,291	54,763	179,927	279,346
Less assets held by disposal groups[11]	–	–	–	(4,780)	(4,780)
At 31 December 2023	42,365	2,291	54,763	175,147	274,566
Cash and cash equivalents in Group holding companies					1,012
Cash and financial assets in other Group companies					686
Financial assets held by the non-controlling interest in consolidated collective investment schemes					4,018
Financial assets in consolidated funds held by disposal groups[11]					188
Total Group consolidated assets excluding amounts classified as held for sale					280,470
Comprised of:					
Investment property					3,698
Financial assets					272,946
Cash and cash equivalents					7,168
Derivative liabilities					(3,342)
					280,470

1 Includes assets where shareholders of the life companies bear the investment risk.
2 Includes assets where policyholders bear most of the investment risk.
3 Total infrastructure loans - project finance of £1,137 million include £1,097 million classified as Level 3 debt securities in the fair value hierarchy.
4 Total infrastructure loans - corporate of £1,524 million include £1,493 million classified as Level 3 debt securities in the fair value hierarchy.
5 Total local authority loans of £1,039 million include £932 million classified as Level 3 debt securities in the fair value hierarchy.
6 Total loans guaranteed by export credit agencies and supranationals of £733 million include £486 million classified as Level 3 debt securities in the fair value hierarchy.
7 Total private corporate credit of £2,385 million include £1,829 million classified as Level 3 debt securities in the fair value hierarchy.
8 Total loans to housing associations of £1,253 million include £1,186 million classified as Level 3 debt securities in the fair value hierarchy.
9 All commercial real estate loans, equity release mortgages and income strips are classified as Level 3 debt securities in the fair value hierarchy.
10 Includes other loans of £189 million, net derivative assets of £(770) million, reinsurers' share of investment contracts of £9,700 million and other investments of £1,602 million.
11 See note H3 to the consolidated financial statements for further details.

The following table provides a reconciliation of the total Life Company assets to the Assets under Administration ('AUA') as at 31 December 2024 detailed in the Business review on page 40.

	2024 £bn	2023 £bn
Total Life Company assets excluding amounts classified as held for sale	**284.0**	274.6
Off-balance sheet AUA[1]	**10.3**	10.3
Less: Wrap SIPP and Onshore Bond assets[2]	**(2.3)**	(2.4)
Assets under Administration	**292.0**	282.5

1 Off-balance sheet AUA represents assets held in respect of certain Group Self-Invested Personal Pension products where the beneficial ownership interest resides with the customer (and which are therefore not recognised in the consolidated statement of financial position) but on which the Group earns fee revenue.
2 Assets held in Wrap Self-Invested Personal Pension ('Wrap SIPP') and Onshore Bond products the associated profits of which accrue to Aberdeen Group plc under a profit transfer arrangement have been excluded from AUA.

All of the Life Companies' debt securities are held at fair value through profit or loss under IFRS 9 Financial Instruments, and therefore already reflect any reduction in value between the date of purchase and the reporting date.

The Life Companies have in place a comprehensive database that consolidates credit exposures across counterparties, geographies and business lines. This database is used for credit monitoring, stress testing and scenario planning. The Life Companies continue to manage their balance sheets prudently and have taken extra measures to ensure their market exposures remain within risk appetite.

For each of the Life Companies' significant financial institution counterparties, industry and other data has been used to assess the exposure of the individual counterparties. As part of the Group's risk appetite framework and analysis of shareholder exposure to a potential worsening of the economic situation, this assessment has been used to identify counterparties considered to be most at risk from defaults. The financial impact on these counterparties, and the contagion impact on the rest of the shareholder portfolio, is assessed under various scenarios and assumptions. This analysis is regularly reviewed to reflect the latest economic outlook, economic data and changes to asset portfolios. The results are used to inform the Group's views on whether any management actions are required.

The table below shows the Group's market exposure analysed by credit rating for the shareholder debt portfolio, which comprises of debt securities held in the shareholder and non-profit funds.

Sector analysis of shareholder and non-profit fund bond portfolio

2024	AAA £m	AA £m	A £m	BBB £m	BB & below[1] £m	Total £m
Industrials	–	251	177	713	18	1,159
Basic materials	–	–	104	10	–	114
Consumer, cyclical	–	235	264	79	59	637
Technology and telecoms	31	115	297	421	1	865
Consumer, non-cyclical	103	357	548	150	7	1,165
Structured finance	–	–	36	–	–	36
Banks[2]	263	423	2,132	500	–	3,318
Financial services	50	278	239	140	19	726
Diversified	–	3	19	–	–	22
Utilities	–	268	1,265	1,620	67	3,220
Sovereign, sub-sovereign and supranational[3]	1,341	10,387	701	115	–	12,544
Real estate	29	481	4,092	1,352	107	6,061
Investment companies	1	94	82	–	–	177
Insurance	57	382	218	117	–	774
Oil and gas	–	297	306	62	–	665
Collateralised debt obligations	–	6	–	–	–	6
Private equity loans	–	–	15	107	–	122
Equity release mortgages[4]	2,675	948	1,172	–	–	4,795
Infrastructure	–	375	207	1,370	58	2,010
At 31 December 2024	4,550	14,900	11,874	6,756	336	38,416

1 Includes unrated holdings of £13 million.
2 The £3,318 million total shareholder exposure to bank debt comprised £2,624 million senior debt and £694 million subordinated debt.
3 Includes £879 million reported as local authority loans, £688 million reported as loans guaranteed by export credit agencies and supranationals and £233 million reported as private corporate credit in the summary table on page 325.
4 The credit ratings attributed to equity release mortgages are based on the ratings assigned to the internal securitised loan notes.

Additional Life Company Asset Disclosures continued

Sector analysis of shareholder and non-profit fund bond portfolio

2023	AAA £m	AA £m	A £m	BBB £m	BB & below[1] £m	Total £m
Industrials	–	127	216	520	10	873
Basic materials	–	1	126	55	–	182
Consumer, cyclical	10	227	344	82	70	733
Technology and telecoms	118	142	644	706	1	1,611
Consumer, non-cyclical	197	334	677	240	–	1,448
Structured finance	–	–	37	–	–	37
Banks[2]	314	749	2,915	682	13	4,673
Financial services	65	558	197	69	14	903
Diversified	–	4	17	6	–	27
Utilities	14	515	979	1,208	10	2,726
Sovereign, sub-sovereign and supranational[3]	1,348	8,932	658	152	–	11,090
Real estate	132	588	3,334	1,259	92	5,405
Investment companies	–	91	48	8	–	147
Insurance	18	325	176	106	–	625
Oil and gas	–	218	330	149	–	697
Collateralised debt obligations	–	7	2	–	–	9
Private equity loans	–	–	18	105	–	123
Equity release mortgages[4]	2,504	991	864	127	–	4,486
Infrastructure	–	467	243	1,881	57	2,648
At 31 December 2023	4,720	14,276	11,825	7,355	267	38,443

1 Includes unrated holdings of £17 million.
2 The £4,673 million total shareholder exposure to bank debt comprised £3,730 million senior debt and £943 million subordinated debt.
3 Includes £762 million reported as local authority loans, £467 million reported as loans guaranteed by export credit agencies and supranationals and £87 million reported as private corporate credit in the summary table on page 326.
4 The credit ratings attributed to equity release mortgages are based on the ratings assigned to the internal securitised loan notes.

The following table sets out the debt security exposure by country of the shareholder and non-profit funds of the Life Companies:

Analysis of shareholder debt security exposure by country	Sovereign, sub-sovereign and supranational 2024 £m	Corporate and other 2024 £m	Total 2024 £m	Sovereign, sub-sovereign and supranational 2023 £m	Corporate and other 2023 £m	Total 2023 £m
UK	10,438	15,807	26,245	9,046	16,169	25,215
Supranationals	729	–	729	704	–	704
USA	293	3,949	4,242	274	4,764	5,038
Germany	156	1,010	1,166	133	811	944
France	195	1,769	1,964	169	1,724	1,893
Netherlands	83	273	356	79	457	536
Italy	–	335	335	–	304	304
Ireland	39	48	87	35	88	123
Spain	7	232	239	12	253	265
Luxembourg	–	31	31	55	133	188
Belgium	113	53	166	89	134	223
Australia	1	532	533	1	477	478
Canada	49	177	226	45	410	455
Japan	–	221	221	–	285	285
Mexico	1	150	151	2	157	159
Other – non-Eurozone[1]	329	953	1,282	356	840	1,196
Other – Eurozone	111	332	443	90	347	437
Total shareholder debt securities	12,544	25,872	38,416	11,090	27,353	38,443

1 There was no shareholder exposure to Russia, Ukraine and Belarus at 31 December 2024 and 31 December 2023.

Additional capital and segmental disclosures

PGH Plc Solvency II Surplus

The estimated PGH plc surplus at 31 December 2024 is £3.5 billion (2023: £3.9 billion).

	31 December 2024 Estimated £bn	31 December 2023 £bn
Own Funds	10.3	11.1
SCR	(6.8)	(7.2)
Surplus	3.5	3.9

Composition of own funds

Own Funds items are classified into different Tiers based on the features of the specific items and the extent to which they possess the following characteristics, with Tier 1 being the highest quality:

- availability to be called up on demand to fully absorb losses on a going-concern basis, as well as in the case of winding-up ('permanent availability'); and
- in the case of winding-up, the total amount that is available to absorb losses before repayment to the holder until all obligations to policyholders and other beneficiaries have been met ('subordination').

PGH plc's total Own Funds are analysed by Tier as follows:

	31 December 2024 Estimated £bn	31 December 2023 £bn
Tier 1 - Unrestricted	6.2	6.7
Tier 1 - Restricted	1.1	1.1
Tier 2	2.4	2.7
Tier 3	0.6	0.6
Total Own Funds	10.3	11.1

PGH plc's unrestricted Tier 1 capital accounts for 59% (2023: 60%) of total Own Funds and comprises ordinary share capital, surplus funds of the unsupported with-profits funds which are recognised only to a maximum of the notional SCR of the fund, and the accumulated profits of the remaining business.

Restricted Tier 1 and Tier 2 capital comprises subordinated notes the terms of which enable them to qualify as capital in their respective Tiers for regulatory reporting purposes.

Tier 3 items include the Tier 3 subordinated notes of £0.2 billion (2023: £0.2 billion) and the deferred tax asset of £0.4 billion (2023: £0.4 billion).

Breakdown of SCR

The Group operates one single PRA approved Internal Model covering all Group entities, with the exception of the Irish entities, Standard Life International Designated Activity Company and Phoenix Life Assurance Europe DAC and the acquired ReAssure and Phoenix Life CA Holdings Limited (formerly known as SLF Canada UK Limited) businesses. These entities calculate their capital requirements in accordance with the Standard Formula. An analysis of the prediversified SCR of PGH plc is presented below:

	31 December 2024 Estimated		31 December 2023	
	Internal Model	Standard Formula	Internal Model	Standard Formula
	%	%	%	%
Longevity	13	11	17	10
Credit	20	16	19	19
Persistency	21	31	19	33
Interest rates	7	4	5	3
Operational	6	4	8	4
Swap spreads	1	–	2	–
Property	7	1	6	1
Other market risks	11	20	10	18
Other non-market risks	14	13	14	12
Total pre-diversified SCR	100	100	100	100

The above table includes within each risk driver category the sum of each individual risk with no diversification between the individual risks within a risk driver category.

Additional capital and segmental disclosures continued

The following table sets out the estimated Solvency II shareholder SCR by risk category. In this table diversification is included between the individual risks within each risk driver. Therefore the diversification benefit shown is that between risk drivers.

	31 December 2024 Estimated £bn	31 December 2023 £bn
Unrewarded market risks (hedged)		
Interest rates	0.6	0.5
Equities	0.8	0.6
Currency	0.6	0.5
Inflation	0.2	0.2
Rewarded market risks		
Credit	2.2	2.4
Property	0.7	0.6
Other market risks	0.2	0.3
Non-market risks		
Longevity	1.4	1.7
Persistency	2.4	2.4
Operational	0.8	1.0
Other non-market risks	2.2	2.0
Loss absorbing capacity of deferred tax	(1.1)	(1.1)
Adjustments	0.4	0.4
Total undiversified shareholder SCR	11.4	11.5
Diversification benefit	(6.5)	(6.4)
Diversified shareholder SCR	4.9	5.1

Where market risks are considered unrewarded the Group enters into hedging arrangements to minimise exposure.

Rewarded market risks primarily includes credit risk in the shareholder credit portfolio, and property risk from equity release mortgages.

For non-market risks, longevity risk primarily arises from the annuity book and is managed through reinsurance. We retain approximately half of this risk across our current in-force book, and reinsurance most of this risk on new business. Persistency risk is managed through our customer proposition.

Minimum capital requirements
Under the Solvency II regulations, the Minimum Capital Requirement ('MCR') is the minimum amount of capital an insurer is required to hold below which policyholders and beneficiaries would become exposed to an unacceptable level of risk if an insurer was allowed to continue its operations. For Groups this is referred to as the Minimum Consolidated Group SCR ('MGSCR').

The MCR is calculated according to a formula prescribed by the Solvency II regulations and is subject to a floor of 25% of the SCR or £3.5 million, whichever is higher, and a cap of 45% of the SCR. The MCR formula is based on factors applied to technical provisions and capital at risk. The MGSCR represents the sum of the MCRs of the underlying insurance companies.

The Eligible Own Funds to cover the MGSCR is subject to quantitative limits as shown below:

- the Eligible amounts of Tier 1 items should be at least 80% of the MGSCR; and
- the Eligible amounts of Tier 2 items shall not exceed 20% of the MGSCR.

PGH plc's estimated MGSCR at 31 December 2024 is £2.3 billion (2023: £2.2 billion).

PGH plc's estimated Eligible Own Funds to cover MGSCR is £7.5 billion (2023: £8 billion) leaving an excess of Eligible Own Funds over MGSCR of £5.2 billion (2023: £5.8 billion), which transfers to an MGSCR coverage ratio of 325% (2023: 362%).

Reconciliation of IFRS shareholder equity to estimated shareholder Solvency II surplus
The following table provides a reconciliation of the Total equity attributable to owners of the parent as presented on the IFRS balance sheet to the estimated shareholder Solvency II surplus at 31 December 2024. The shareholder view of estimated Solvency II surplus excludes the Solvency II Own Funds and Solvency Capital Requirements ('SCR') of unsupported with-profits funds and unsupported pension schemes. The resulting estimated Solvency II surplus aligns with the regulatory view.

	31 December 2024 Estimated £bn
Total equity attributable to owners of the parent	1.2
CSM (net of tax)	2.5
IFRS Adjusted Shareholders Equity	3.7
Deduct Acquired in-force business intangible (net of tax)	(1.3)
Add Investment contract value of In-Force ('VIF') (Solvency II basis)[1]	3.6
Other valuation differences[2]	(1.4)
Solvency II Own Funds (excluding Qualifying Debt)	4.6
Add Qualifying debt	3.8
Solvency II Own Funds (shareholder basis)	8.4
SCR (shareholder basis)	(4.9)
Solvency II surplus	3.5

1 Investment contract VIF is estimated from the Solvency II VIF for unit-linked contracts.
2 Other valuation differences include removal of other intangibles such as goodwill, brands and deferred acquisition costs from IFRS (£0.2 billion decrease), differences in technical provision measurement including discount rate and allowance for risk (totalling a £1.1 billion decrease), valuation of debt (£0.2 billion increase), pension scheme availability restrictions (£0.3 billion decrease) and the inclusion of the foreseeable dividend on a Solvency II basis (£0.3 billion decrease) and other items including tax on the valuation differences (£0.3 billion increase).

Additional segmental analysis
The table below provides an analysis IFRS adjusted operating profit by segment and by driver:

	Release of CSM £m	Release of risk adjustment £m	Expected investment margin £m	Operating profit on investment contacts £m	Non-financial experience variances £m	Other £m	31 December 2024 £m
Retirement Solutions	150	24	366	–	(11)	(55)	474
Pensions & Savings	33	12	–	349	9	(87)	316
With-Profits	19	1	9	(9)	29	(8)	41
Europe & Other	44	8	64	8	(11)	(17)	96
Corporate Centre	–	–	–	–	–	(102)	(102)
Total	246	45	439	348	16	(269)	825

Additional capital and segmental disclosures continued

A detailed analysis of our most significant segments, Retirement Solutions and Pensions & Savings is provided below.

Retirement Solutions	31 December 2024 £m	31 December 2023 £m
CSM release (Note 1)	150	129
Risk adjustment release	24	19
Expected investment margin (Note 2)	212	157
Trading profit	154	135
Other insurance items	(11)	(9)
Insurance result	**529**	**431**
Non-attributable expenses	(60)	(52)
Other items	5	(1)
IFRS adjusted operating profit (Note 3)	**474**	**378**

Note 1
The CSM release reflects the recognition of service provided in the period. This can be expressed at a rate of CSM release with reference to the closing CSM immediately before amortisation as follows:

	31 December 2024	31 December 2023
CSM before amortisation (£m)	2,456	2,274
CSM release (%)	6.1%	5.7%

The CSM release has increased by £23 million to £151 million (2023: £128 million) primarily driven by new business and management actions.

Note 2
Expected investment return comprises:

	31 December 2024 £m	31 December 2023 £m
Long-term returns on Shareholder funds	149	100
Impact of mismatch in returns on matched assets & liabilities	63	57
	212	157

Long-term returns on Shareholder funds is determined as surplus assets multiplied by the long-term returns set out in Note B2.1 to the Consolidated financial statements.

	31 December 2024	31 December 2023
Surplus assets (£bn)	3.0	2.3
Average long-term return on Shareholder funds	5.0%	4.3%

Expected investment return has increased to £212 million (2023: £157 million) driven by a higher level of surplus assets and higher yields. Returns from assets backing liabilities of £63 million (2023: £57 million) include £84 million (2023: £72 million) arising from differences where the CSM on general model business unwinds at locked in rates whereas the investment return on the backing assets is earned at current rates of and the unwind of credit default assumptions of £25 million (2023: £18 million). This is offset by the temporary new business strain resulting from assets received not yet having been deployed at their end state pricing asset allocation amounting to £46 million (2023: £33 million). Trading profits of £154 million (2023: £135 million) have benefited from the higher level of management actions undertaken.

Note 3:
IFRS adjusted operating profits for the Retirement Solutions segment are equivalent to 122bps (2023: 99bps) on average assets under administration ('AUA').

	31 December 2024	31 December 2023
Average Assets under Administration (£bn)	39.0	38.0
Adjusted operating profit margin (bps)	122	99

Pensions & Savings	31 December 2024 £m	31 December 2023 £m
CSM & Risk adjustment release	45	33
Other insurance items	9	(28)
Insurance result (Note 1)	**54**	**5**
Investment contract charges	868	781
Investment contract expenses	(519)	(519)
Investment result (Note 2)	**349**	**262**
Non-attributable expenses	(88)	(96)
Other items	1	19
IFRS adjusted operating profit (Note 3)	**316**	**190**

Note 1
The CSM and risk adjustment release has benefited from positive investment performance in the period increasing the value of the CSM as these contracts are primarily measured using the Variable Fee Approach. Other insurance items in 2024 include a non-recurring £21 million benefit (2023: £15 million adverse) from modelling refinements.

Note 2
Positive investment performance has also resulted in increased average AUA as it has more than offset the net fund outflows over 2024 to give growth of 11%, driving an increase in investment contract charges. Investment contract charges in 2023 did not include £30 million in relation to a block of business which was recognised outside of the investment result. These charges are correctly classified in 2024.

Investment contract expenses are flat, reflecting the Group's cost efficiency drive and fee rate savings for investment management services which offset higher investment management expenses driven by the increase in AUA.

Note 3
Overall IFRS adjusted operating margin for 2024 was 17bps (2023: 12bps) driven by positive investment returns and reduction in costs.

	31 December 2024	31 December 2023
IFRS adjusted operating profit (£m)	316	190
Average AUA (£bn)	182.3	164.4
IFRS adjusted operating profit margin (bps)	17	12

Alternative Performance Measures

The Group assesses its financial performance based on a number of measures. Some measures are management derived measures of historic or future financial performance, position or cash flows of the Group, which are not defined or specified in accordance with relevant financial reporting frameworks such as International Financial Reporting Standards ('IFRS') or Solvency UK.

These measures are known as Alternative Performance Measures ('APMs').

APMs are disclosed to provide stakeholders with further helpful information on the performance of the Group and should be viewed as complementary to, rather than a substitute for, the measures determined according to IFRS and Solvency UK requirements. Accordingly, these APMs may not be comparable with similarly titled measures and disclosures by other companies.

A list of the APMs used in our Annual Report and Accounts as well as their definitions, why they are used and, if applicable, how they can be reconciled to the nearest equivalent GAAP measure is provided below. Further discussion of these measures can be found in the business review from page 36.

APMs marked as 'AMENDED' have been amended from the 'Bulk Purchase Annuity ('BPA') premiums written' and 'BPA Capital Strain' APMs, disclosed in the 2023 Annual Report and Accounts. As part of the Group's growth strategy, the Group now actively participates in the individual annuity market. To reflect this the APMs noted have been amended to be 'Annuity premiums written' and 'Annuity Capital Strain', respectively, reflecting the inclusion of individual annuities in these metrics.

'Run-rate cost savings', 'Holding companies' cash and cash equivalents' and 'IFRS adjusted operating profit margin', marked as 'NEW', have been added in the period.

A number of APMs disclosed in the 2023 Annual Report and Accounts have been removed. 'New business net fund flows' has been removed as an APM as it is considered less relevant following the change in segments in 2023, with greater focus being placed by management on Net fund flows which reflects both new business growth and the retention of existing business. 'Incremental new business long-term free cash' and 'Group inforce long-term free cash' have been removed as they are not considered key measures of the strategy announced in early 2024. 'New business contribution' and 'Return on Capital' have also been removed, these are now relevant only for 2024 Remuneration schemes and definitions of these metrics can be found in the Glossary.

APM	Definition	Why this measure is used	Reconciliation to financial statements
APMs derived **from IFRS**			
Annuity premiums written AMENDED	Represents the aggregate, gross of reinsurance, new business premium volume for annuity business, written in the period and measured at the risk transfer date.	Annuity premiums written provides a measure of the Group's ability to deliver new business growth.	Annuity premiums written is not directly reconcilable to the financial statements as premiums are no longer reported in the IFRS consolidated income statement. Under IFRS 17, vesting annuities are generally not recognised as new contracts; where they arise from a pre-existing deferred annuity or pension contracts, they are typically treated as a continuation of the original contract. Therefore, the "Premiums received" reported within insurance contract liabilities in Note F2 will not reconcile to Annuity premiums written.
Assets under administration	The Group's Assets under Administration ('AUA') represents assets administered by or on behalf of the Group, covering both policyholder fund and shareholder assets. It includes assets recognised in the Group's IFRS statement of consolidated financial position together with certain assets administered by the Group for which beneficial ownership resides with customers.	AUA indicates the potential earnings capability of the Group arising from its insurance and investment business. AUA flows provide a measure of the Group's ability to deliver new business growth.	A reconciliation from the Group's IFRS statement of consolidated financial position to the Group's AUA is provided on page 327 for FY24 and FY23.

APM	Definition	Why this measure is used	Reconciliation to financial statements
Fitch Leverage ratio	The Fitch Leverage ratio is calculated by Phoenix (using Fitch Ratings' stated methodology) as debt as a percentage of the sum of debt and equity. Debt is defined as the IFRS carrying value of shareholder borrowings. Equity is defined as the sum of equity attributable to the owners of the parent, non-controlling interests, contractual service margin ('CSM') (net of tax), policyholders' share of the with-profits estate and the Tier 1 Notes. Values for debt are adjusted to allow for the impact of currency hedges in place over foreign currency denominated debt.	The Group seeks to manage the level of debt on its balance sheet by monitoring its financial leverage position. One of the output metrics used in this regard is the Fitch leverage ratio. This is to ensure the Group maintains its investment grade credit rating as issued by Fitch Ratings.	The adjusted equity component of the Fitch Leverage ratio is as set out below for the IFRS adjusted shareholders' equity metric.

Fitch Leverage ratio	FY24 £bn	FY23 restated[1] £bn
Total equity attributable to owners of the parent	1.2	2.7
CSM (net of tax)	2.5	2.2
IFRS adjusted shareholders' equity	3.7	4.9
Non controlling interests	0.5	0.5
Policyholder surplus in with-profits funds	4.1	4.2
Tier 1 notes	1.1	1.0
Total Shareholders' Equity A – Fitch basis	**9.4**	**10.6**
Total Shareholder debt B	**2.8**	**3.1**
Fitch Leverage ratio (B/A + B)	**23%**	**23%**

1. See note A3 for further details of the prior year restatements.

Non-controlling interests is directly sourced from the Group's IFRS statement of consolidated financial position and Tier 1 notes from the borrowings note E5 on page 228. Policyholder surplus in with-profits funds is a subset of 'Estimates of present value of future cash flows' within insurance contract liabilities in Note F1 on page 246.

APM	Definition	Why this measure is used	Reconciliation to financial statements
Holding companies' cash and cash equivalents. NEW	Represents the liquid assets held within the Group holding companies. The glossary on page 344 lists the entities that make up the Group holding companies.	The amount reflects the available liquidity within the holding companies for recurring and strategic use. This includes cash remittances paid by the operating companies to the Group holding companies which is used to fund the Group's operating costs, debt interest and repayments, planned investment across our strategic priorities and shareholder dividends.	See table below.

	FY24 £m	FY23 £m
Parent company cash and collective investment schemes	**1,096**	**1,018**
Add: cash and collective investment schemes held within other Group holding companies	21	19
Less: ringfenced cash for regulatory requirements	–	(25)
Holding companies' cash and cash equivalents	**1,117**	**1,012**

Alternative Performance Measures continued

<table>
<tr><th>APM</th><th>Definition</th><th>Why this measure is used</th><th>Reconciliation to financial statements</th></tr>
<tr><td>IFRS adjusted operating profit</td><td>IFRS adjusted operating profit is a financial performance measure based on expected long-term investment returns in respect of insurance business. It is stated before tax and excludes the impacts of economic volatility, amortisation and impairments of intangibles, finance costs attributable to owners and other non-operating items which in the Director's view should be excluded by their nature or incidence to enable a full understanding of financial performance.

Further details of the components of this measure and the assumptions inherent in the calculation of the long-term investment return are included in note B2 to the financial statements.</td><td>This measure provides a more representative view of the Group's performance than the IFRS result after tax as it provides long-term performance information unaffected by short-term economic volatility, one-off items and other items, and is stated net of policyholder finance charges and tax.

IFRS adjusted operating profit is a key performance indicator used by management for planning, reporting and executive remuneration.

It helps give stakeholders a better understanding of the underlying performance of the Group by identifying and analysing non-operating items.</td><td>A reconciliation of IFRS adjusted operating profit to the IFRS result before tax attributable to owners is included in the business review on page 40.</td></tr>
<tr><td>IFRS adjusted operating profit margin

NEW</td><td>This is reported for the Pensions and Savings and Retirement Solutions segments and represents the IFRS adjusted operating profit for that segment divided by the average Assets under Administration.</td><td>This measure reflects the underlying profitability of the segments in relation to the size of the portfolio being managed.</td><td><table><tr><th>Pensions and Savings</th><th>FY24</th><th>FY23</th></tr><tr><td>IFRS adjusted operating profit (£m)</td><td>316</td><td>190</td></tr><tr><td>Average Assets under Administration (£bn)</td><td>182.3</td><td>164.4</td></tr><tr><td>IFRS adjusted operating profit margin (bps)</td><td>17</td><td>12</td></tr></table><table><tr><th>Retirement Solutions</th><th>FY24</th><th>FY23</th></tr><tr><td>IFRS adjusted operating profit (£m)</td><td>474</td><td>378</td></tr><tr><td>Average Assets under Administration (£bn)</td><td>39.0</td><td>38.0</td></tr><tr><td>IFRS adjusted operating profit margin (bps)</td><td>122</td><td>99</td></tr></table></td></tr>
<tr><td>IFRS adjusted shareholders' equity</td><td>IFRS adjusted shareholders' equity is calculated as IFRS Total equity attributable to owners of the parent plus the CSM, net of tax.</td><td>IFRS adjusted shareholders' equity provides a more meaningful measure of the value generated by the Group, including the value held in the CSM for IFRS 17 contracts.</td><td>IFRS adjusted shareholders' equity reconciles to the IFRS statement of consolidated financial position as follows:<table><tr><th></th><th>FY24 £m</th><th>FY23 restated[1] £m</th></tr><tr><td>Total equity attributable to owners of the parent</td><td>1,213</td><td>2,742</td></tr><tr><td>Add: CSM</td><td>3,257</td><td>2,853</td></tr><tr><td>Less: Tax on CSM</td><td>(814)</td><td>(713)</td></tr><tr><td>IFRS adjusted shareholders' equity</td><td>3,656</td><td>4,882</td></tr></table>1. See note A3 for further details of the prior year restatements.

Total equity attributable to owners of the parent is directly sourced from the Group's IFRS statement of consolidated financial position on pages 192 and 193. CSM is set out in note F1. Tax is reflected at the deferred tax rate which is currently 25%.</td></tr>
</table>

<table>
<tr><th>APM</th><th>Definition</th><th>Why this measure is used</th><th>Reconciliation to financial statements</th></tr>
<tr><td>Net fund flows</td><td>Represents the aggregate net position of gross AUA inflows less gross outflows. It is an in-year movement in the Group's AUA.</td><td>Net fund flows provide a measure of the Group's ability to deliver new business growth.</td><td>Net fund flows are not directly reconcilable to the financial statements as it includes movements in AUA which do not flow directly to the Group's IFRS consolidated income statement. However, a reconciliation from the Group's IFRS statement of consolidated financial position to the Group's AUA is provided on page 327.</td></tr>
<tr><td>Run-rate cost savings

NEW</td><td>Represents an annualised estimate of the impact of cost savings actions delivered in the year that are expected to materialise in the following year.</td><td>Our focus is on driving cost efficiencies by moving to a more efficient Group-wide operating model, which in turn supports better customer outcomes. The Group has set a target of delivering c.£250 million of run-rate cost savings by the end of 2026.</td><td>Run-rate cost savings is not directly reconcilable to the financial statements as it represents an annualised view of future savings expected to materialise in the following year, whereas the Group's IFRS consolidated income statement will only include achieved cost savings in the period.

In 2024, the Group's cost savings programme delivered £63 million of run-rate savings, with in-year savings of £28 million achieved.</td></tr>
<tr><td>Total cash generation</td><td>Cash remitted by the Group's operating companies to the Group's holding companies.</td><td>The statement of consolidated cash flows prepared in accordance with IFRS combines cash flows relating to shareholders with cash flows relating to policyholders, but the practical management of cash within the Group maintains a distinction between the two. The Group therefore focuses on the cash flows of the holding companies which relate only to shareholders. Such cash flows are considered more representative of the cash generation that could potentially be distributed as dividends or used for debt repayment and servicing, and Group operating expences.

Total cash generation is a key performance indicator used by management for planning, reporting and executive remuneration.</td><td>Total cash generation is not directly reconcilable to the IFRS statement of consolidated cash flows as it includes amounts that eliminate on consolidation.

Further details of holding companies' cash flows are included within the business review on page 38, and a breakdown of the Group's cash position by type of entity is provided in the additional life company asset disclosures section on page 325.</td></tr>
<tr><td colspan="4">APMs derived from Solvency II</td></tr>
<tr><td>Annuity Capital Strain

AMENDED</td><td>Represents the capital deployment on annuities measured on a Solvency II basis, expressed as a proportion of the annuity premium.

It is calculated as the capital deployed (being the Solvency II Technical Provisions plus SCR plus acquisition costs plus reinsurance premium less annuity premium, net of tax) as a proportion of the annuity premium.</td><td>Annuity Capital Strain reflects how efficiently capital is deployed on annuities to deliver new business growth.</td><td>The capital deployed in writing annuity business is included within the holding companies' cash flows on page 38 within the business review.</td></tr>
</table>

Alternative Performance Measures continued

APM	Definition	Why this measure is used	Reconciliation to financial statements
Life Company Free Surplus	The Solvency II surplus of the Life Companies that is in excess of their Board approved capital according to their capital management policies.	This figure provides a view of the level of surplus capital in the Life Companies that is available for distribution to the holding companies, and the generation of Free Surplus underpins future Operating Cash Generation ('OCG').	Life Company Free Surplus is a subset of the change in Solvency II surplus over the period set out in the table on page 39. It can be reconciled as follows: (see table below)
Operating Cash Generation ('OCG') And Operating Surplus Generation ('OSG')	Operating Cash Generation ('OCG') is the emergence of cash on a Solvency II basis as surplus emerges (being the in-force business run off over time and capital unwind, plus day one surplus from writing new business (net of day 1 strain for fee based business) plus group tax relief, plus the recurring management actions, plus the capitalised benefit from delivery of our cost savings programme. As a cash measure it will be reported in line with Life Company Free Surplus view and therefore is the excess of their Board approved capital according to their capital management policies. OCG before adjustment to reflect the release of capital management policy is referred to as Operating Surplus Generation ('OSG').	The measure represents the sustainable level of ongoing cash generation from our underlying business operations that is remitted from our Life Companies to the Group.	The components of the OCG are: (see table below) OSG forms a component of the change in Solvency II surplus in the period as set out in the table on page 39.
Recurring management actions	Recurring management actions are measured on a Solvency II basis and represent the Day 1 impact on Own Funds and SCR. They are management actions that are either genuinely repeatable, repeatable in nature but subject to diminishing returns, or are not repeatable but benefits are expected from similar types of actions in the future.	The measure is a key component of OCG and one of the sources which can be used to support sustainable cash remittances from the Life Companies.	Recurring management actions are a subset of the Solvency II surplus generated in the period as shown in the table on page 39.
Shareholder Capital Coverage Ratio ('SCCR')	Represents total Eligible Own Funds divided by the Solvency Capital Requirements ('SCR'), adjusted to a shareholder view through the exclusion of amounts relating to those ring-fenced with-profits funds and Group pension schemes whose Own Funds exceed their SCR.	The unsupported with-profits funds and Group pension funds do not contribute to the Group Solvency II surplus. However, the inclusion of related Own Funds and SCR amounts dampens the implied Solvency II capital ratio. The Group therefore focuses on a shareholder view of the capital coverage ratio which is considered to give a more accurate reflection of the capital strength of the Group.	Further details of the Shareholder Capital Coverage Ratio and its calculation are included in the business review on page 39.

Life Company Free Surplus reconciliation:

	FY24 £bn	FY23 £bn
Group Solvency II surplus	3.5	3.9
Less: Non-life components and consolidation adjustments	0.1	0.7
Less: Capital Management Policy	(1.7)	(2.4)
Life Company Free Surplus	**1.9**	**2.2**

Components of the OCG:

	FY24 £bn	FY23 £bn
Surplus generation	0.8	0.8
Recurring management actions	0.5	0.3
OSG	1.3	1.1
Release of capital management policy	0.1	–
OCG	**1.4**	**1.1**

APM	Definition	Why this measure is used	Reconciliation to financial statements
Solvency II Leverage ratio	The Solvency II Leverage is calculated as the Solvency II value of debt divided by the value of Solvency II Regulatory Own Funds. Values for debt are adjusted to allow for the impact of currency hedges in place over foreign currency denominated debt.	The Group is committed to reducing its leverage and has set a SII leverage ratio target of c.30% by the end of 2026.	(see table below) Regulatory Eligible Own Funds is a component of the calculation of the Group's regulatory Solvency II surplus as set out on page 329. There are valuation differences between IFRS (as reported on page 228) and SII due to IFRS measuring the debt on an amortised cost basis, with SII reflecting the fair value which would include movements in interest rates. Both amounts are adjusted for the value of the foreign currency hedges used to hedge foreign currency exposure on the Group's borrowings as described on page 230.

	FY24 £bn	FY23 £bn
Solvency II Leverage ratio[1]		
Regulatory Eligible Own Funds	10.2	11.0
Total Debt	3.7	3.9
Solvency II Leverage ratio	**36%**	**36%**

1. Solvency II Leverage ratio allows for currency hedges over foreign current denominated debt.

Policy for making pro forma adjustments in the financial statements
Pro forma adjustments will be used in the financial statements where management considers that they allow the users to better understand the financial performance, financial position, cash flows or outlook of the Group.

Examples of where pro forma adjustments may be used are in relation to acquisitions or disposals which are material to the Group, changes to the Group's capital structure or changes in reporting frameworks the Group applies such as Solvency II or IFRS. Where pro forma adjustments are considered necessary for the understanding of the financial performance, financial position, cash flows or outlook of the Group these will be clearly labelled as pro forma with a clear explanation provided as to the reason for the adjustments and the Key Performance Indicators, Alternative Performance Metrics and other performance metrics impacted.

Shareholder information

Annual General Meeting ('AGM')
Our AGM will be held on 13 May 2025 at 10:30am at Floor 9, 20 Old Bailey, London, EC4M 7AN.

Full details of the business to be considered at the meeting will be included in the Notice of Meeting which, along with all other details relating to the AGM, will be available at: www.thephoenixgroup.com.

We encourage shareholders to submit any questions to the Company in advance of the AGM by email to Investor.Relations@thephoenixgroup.com. Please note that questions must be received no later than 10:30am on 9 May 2025.

Following the meeting, the voting results for our 2025 AGM, including proxy votes and votes withheld will be available on our website at: www.thephoenixgroup.com.

Shareholder services
Managing your shareholding
Our registrar, Computershare PLC ('Computershare'), maintains Phoenix Group's register of members. Shareholders may request a hard copy of this Annual Report and Accounts from our registrar and should you have any queries in respect of your shareholding, please contact Computershare directly using the contact details set out under the 'Useful contact information' section on page 341.

Investor Centre
The Investor Centre is an online enquiry service, provided by Computershare, which allows you to manage your shareholding with ease. Visit the Investor Centre at www-uk.computershare.com/Investor/#Home. Once logged in, you can:

- view details of your Phoenix Group shareholding;
- view your recent dividend payments;
- update your address details;
- change your payment method; and
- register for electronic communications.

You can also use Computershare's web-based enquiry service at www-uk.computershare.com/Investor/#Home to download forms such as a dividend mandate form or submit dividend mandate details online.

Alternatively, contact Computershare using the details found under the 'Useful contact information' section on page 341.

Electronic communications
Phoenix Group is committed to communicating to shareholders in the most efficient and sustainable way. We encourage shareholders to opt to receive electronic communications including the Annual Report, Notice of Meeting and dividend information. Shareholders can update their communication preferences by logging in to the Investor Centre at www-uk.computershare.com/Investor/#Home

Shareholders are also able to access a wide range of information and documentation on the Investor section of the Group's website at www.thephoenixgroup.com.

You can access electronic copies of Phoenix Group's financial reports and presentations on the website at: www.thephoenixgroup.com.

Online news
Phoenix Group has a dedicated 'News and Views' section on its website, www.thephoenixgroup.com, to keep shareholders, investors, journalists and employees up to date and informed on news.

Dividend information
Typically, Phoenix Group pays dividends twice a year. The Interim dividend is usually paid in October and the Final dividend is paid in May following approval by shareholders at the AGM.

Information about the 2024 Final dividend has been included in the 2024 Full Year Results Announcement.

Payment method
Shareholders may find it convenient to have their dividends paid directly to their bank or building society account.

You can use Computershare's web-based enquiry service at www-uk.computershare.com/Investor/#Home to download a dividend mandate form or submit dividend mandate details online.

Alternatively, contact Computershare using the details found under the 'Useful contact information' section on page 341.

Scrip dividend alternative
The Company does not currently offer a scrip dividend alternative.

Dividend reinvestment plan
The Company does not currently offer a dividend reinvestment plan.

2025 Financial calendar
Ordinary shares – 2024 Final dividend

Ex-dividend date	3 April 2025
Record date	4 April 2025
Payment date for the recommended Final dividend	21 May 2025

Group Financial calendar for 2025

Annual General Meeting	13 May 2025
Announcement of unaudited Interim Results	Sept 2025[1]

1 See website for announcement dates.

Share price
For a more detailed look at the share price of Phoenix Group Holdings plc, including current share price and the share price over time, please see the 'Share Monitor' section of the Group's website at www.thephoenixgroup.com.

Please be mindful that the share price data on the website is delayed by 15 minutes.

Share fraud warning to shareholders
Over recent years, many companies have been informed that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turns out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'.

We continue to receive reports of share scams. Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free reports about Phoenix Group:

- make sure you get the correct name of the person and organisation;
- check that they are properly authorised by the Financial Conduct Authority ('FCA') before getting involved by visiting www.fca.org.uk/firms/financial-services-register;
- report the matter to the FCA by using the contact us form at www.fca.org.uk/register or call the FCA consumer helpline on +44 (0)800 111 6768; and
- if the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. If you have lost money to investment fraud, you should report it to Action Fraud at www.actionfraud.police.uk or call them on +44 (0) 300 123 2040. Details of any share dealing facilities that Phoenix Group endorses will be included in our shareholder mailings.

More detailed information on this or similar activity can be found on the FCA website available at www.fca.org.uk/consumers.

Useful contact information
Computershare
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
United Kingdom

Shareholder helpline number: +44 (0) 370 702 0181
Lines open from 8.30am to 5.30pm Monday to Friday, excluding public holidays in England and Wales.

Phoenix Group Holdings plc
For Company Secretariat or Investor enquiries:

Kulbinder Dosanjh
Group Company Secretary
Telephone: +44 (0)20 4559 4513
Email: kulbinder.dosanjh@thephoenixgroup.com

Claire Hawkins
Director of Corporate Affairs and Investor Relations
Telephone: +44 (0)20 4559 3161
Email: claire.hawkins@thephoenixgroup.com

Glossary

Acquired value in force ('AVIF')
The present value of future profits on a portfolio of long-term insurance and investment contracts, acquired either directly or through the purchase of, or investment in, a business.

Alternative Performance Measure ('APM')
A financial measure of historic or future financial performance, financial position or cash flows, other than a financial measure defined under IFRS or under Solvency UK rules. The Group uses a range of these metrics to provide a better understanding of the underlying performance of the Group. All APMs are defined within this glossary and the APM section on pages 334 to 339.

Annuity policy
A policy that pays out regular benefit amounts, either immediately and for the remainder of a policyholder's lifetime (immediate annuity), or deferred to commence at some future date (deferred annuity).

Asset Backed Securities ('ABS')
A collateralised security whose value and income payments are derived from a specified pool of underlying assets.

Asset Liability Management ('ALM')
The management of mismatches between assets and liabilities within risk appetite.

Asset management
The management of assets using a structured approach to guide the act of acquiring and disposing of assets, with the objective of meeting defined investment goals and maximising value for investors, including policyholders.

Assets under administration ('AUA')
Assets administered by or on behalf of the Group, covering both policyholder funds and shareholder assets. This includes assets recognised in the Group's IFRS consolidated statement of financial position together with certain assets administered by the Group but for which beneficial ownership resides with customers.

Association of British Insurers ('ABI')
A trade association made up of insurance companies in the United Kingdom.

Auto-enrolment
Under the Pensions Act 2008, every employer in the UK must put certain staff into a workplace pensions scheme and contribute towards it. This is called auto-enrolment.

Bulk Purchase Annuities ('BPA')
A bulk annuity is an insurance policy that is purchased by pension scheme trustees to better secure members' benefits by removing investment, inflation and longevity risk associated with defined benefit pension schemes.

Carbon footprint
A carbon footprint is the total greenhouse gas ('GHG') emissions caused by an individual, event, organisation, service, place or product, expressed as carbon dioxide equivalent (CO2e).

Carbon offsets
A reduction or removal of emissions of carbon dioxide or other greenhouse gases made in order to compensate for emissions created else where.

Climate scenario
A plausible representation of future climate that has been constructed for explicit use in investigating the potential impacts of anthropogenic climate change.

Climate-related opportunities
The potential positive impacts of climate change on an organisation. Efforts to adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings and the development of new products and services.

Climate-related risks
The potential negative impacts of climate change on an organisation. The risk consists of physical risks and transition risk.

Climate solutions
Economic activities that contribute substantially to climate change mitigation or adaptation. The products or services are either produced sustainably or allow others to do so.

Closed life fund
A fund that no longer accepts new business. The fund continues to be managed for the existing policyholders.

Compound annual growth rate ('CAGR')
The mean annual growth rate of an investment over a specified period of time longer than one year.

Confederation of British Insurers ('CBI')
The CBI is a not-for-profit organisation that represents 190,000 businesses. It provides a voice for firms at a regional, national and international level to policymakers.

Contractual Service Margin ('CSM')
Under IFRS 17, revenue and profit recognition of day 1 gains on annuity contracts is deferred into recognition at a point in the future, by being added to the CSM. The CSM therefore represents a stock of future profits that will unwind into the P&L in future years.

Customer
A customer could be a lead policyholder on more than one policy and some policies could have more than one customer, therefore the customer number is approximate. The number of customers is measured as number of lead policyholders.

Customised decarbonisation benchmarks
Climate aware and climate aligned benchmarks that aim to deliver net zero by 2050 while meeting our customer requirements. These are investment benchmarks, that aim to deliver a representative return for the asset class (as measured by the existing market cap benchmarks), but with Group exclusions and built in systematic decarbonisation pathway, consistent with achieving net zero by 2050.

Defined benefit pension scheme
A pension scheme that defines the benefits payable to members irrespective of any contributions paid or investment gains made.

Defined contribution pension scheme
A pension scheme where the benefits depend on the amount and frequency of contributions paid into the scheme, the investment gain on those contributions, and annuity rates at the time of retirement. The exact pension valuation will not be known until the point of retirement.

Definition of assets within our control and influence
(i) product componentry which are not external fund links (i.e. we have an Investment Management Agreement with an Asset Management Partner, so can control the terms of the investment strategy), or (ii) where we have a default, managed or blended vehicle which has external fund link componentry and / or directly held securities, and we have the ability to substitute investments without the need to secure explicit client approval when they do not meet our needs.

Department for Business & Trade
The Department for Business & Trade (formerly the Department for Business, Energy & Industrial Strategy ('BEIS') is a ministerial department in the UK.

Economic assumptions
Assumptions related to future interest rates, inflation, market value movements and tax.

Employee Benefit Trust ('EBT')
A trust set up to enable its Trustee to purchase and hold shares to satisfy employee share-based incentive plan awards. The Company's EBT is the Phoenix Group Holdings plc Employee Benefit Trust.

Equity release mortgage ('ERM')
An ERM product enables a home owner aged over 55 to draw a lump sum or regular smaller sums from the value of the home, while remaining in their home.

ESG
Environmental criteria consider how a company performs as a steward of nature and the climate. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls and shareholder rights.

Experience variances
Current period differences between the actual experience incurred and the assumptions used in the calculation of IFRS insurance liabilities.

Financed emissions
Greenhouse gas ('GHG') emissions that occur as a result of financing, including lending and investment activity. These activities fall within Scope 3, category 15 of the GHG protocol.

Financial Conduct Authority ('FCA')
The body responsible for supervising the conduct of all financial services firms and for the prudential regulation of those financial services firms not supervised by the Prudential Regulation Authority ('PRA'), such as asset managers and independent financial advisers.

Financial Ombudsman Service ('FOS')
An ombudsman established in 2000, and given statutory powers in 2001 by the Financial Services and Markets Act 2000, to help settle disputes between consumers and UK-based businesses providing financial services.

Financial Reporting Council ('FRC')
The UK's independent regulator responsible for promoting high-quality corporate governance and reporting to foster investment.

Fitch leverage ratio
The Fitch leverage ratio is calculated by Phoenix (using Fitch Ratings' stated methodology) as debt as a percentage of the sum of debt and equity. Debt is defined as the IFRS carrying value of shareholder borrowings excluding subordinated liabilities qualifying as Tier 1 Own Funds under Solvency UK rules. Equity is defined as the sum of equity attributable to the owners of the parent, non-controlling interests, contractual service margin ('CSM') (net of tax), policyholders' share of the estate and subordinated liabilities qualifying as Tier 1 Notes. Values for debt and equity are adjusted to allow for the impact of currency hedges in place over foreign currency denominated debt.

FTSE Women Leaders review
An independent, business-led framework supported by the Government, which sets recommendations for Britain's largest companies to improve the representation of Women on Boards and in Leadership positions. It continues the work of the Hampton-Alexander and Davies Reviews.

Full-time equivalent ('FTE')
A measure that allows the Group to calculate the equivalent number of full-time employees for all types of employees.

Greenhouse Gas ('GHG') emissions
GHGs are atmospheric gases that absorb and emit radiation within the thermal infrared range and that contribute to the greenhouse effect and global climate change. They include water vapour, carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydro chlorofluorocarbons (HCFCs), ozone (O_3), hydrofluorocarbons (HFCs),and perfluorocarbons (PFCs).

Greenhouse Gas Protocol
Global standard for companies and organisations to measure and manage their GHG emissions.

Group in-force Long-term Free Cash ('Group in-force LTFC')
Group in-force LTFC is the cash available to shareholders. It is defined as the estimated lifetime cash generation from our in-force business, plus Group cash held in the Holding Company, less outstanding shareholder debt, committed M&A and transition costs, and interest on debt until maturity. The calculation for the 2023 LTIP performance metric excludes any future shareholder dividends and is before interest on debt until maturity.

Guaranteed Annuity Rate
A rate available to certain pension policyholders to acquire annuity at a contractually guaranteed conversion rate.

Glossary continued

HMRC
His Majesty's Revenue and Customs.

Holding companies
Refers to Phoenix Group Holdings plc, Phoenix Life Holdings Limited, Pearl Group Holdings (No. 2) Limited, Impala Holdings Limited, Pearl Life Holdings Limited, ReAssure Group plc and ReAssure MidCo Limited.

IASB
International Accounting Standards Board.

IFRS adjusted operating profit
A non-Generally Accepted Accounting Principles ('GAAP') measure that is considered a more representative measurement of performance than IFRS profit or loss after tax as it is based on expected long-term investment returns. This measure is included in the 2025 AIP scheme. Cumulative operating profit, being operating profit over the 3 year LTIP performance period is included in the 2025 LTIP grant.

In-force
Long-term business written before the period end and which has not terminated before the period end.

Inter-governmental Panel on Climate Change ('IPCC')
The United Nations body created to provide policymakers with regular scientific assessments on climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation options.

Internal Model
The Internal Model is a risk measurement system developed by an insurer to analyse its overall risk position, to quantify risks and to determine the economic capital required to meet those individual risks.

Internal rate of return ('IRR')
A metric used in financial analysis to estimate the profitability of potential investments. IRR is a discount rate that makes the net present value of all cashflows equal to zero in a discounted cashflow analysis.

International Financial Reporting Standards ('IFRS')
Accounting standards, interpretations and the framework adopted by the International Accounting Standards Board.

Life Company
A subsidiary providing life and pension products.

Life Company Free Surplus
The amount of capital held in Life Companies in excess of that needed to support their regulatory Solvency Capital Requirement ('SCR'), plus the capital required under the Board approved Capital Management Policy ('CMP').

Longer Lives Index
The Longer Lives Index is the first piece of research by Phoenix Insights, the Group's think-tank, and was launched in 2022. The research provides a rich picture of people's financial readiness for longer lives across the UK.

Long-Term Incentive Plan ('LTIP')
The part of an executive's remuneration designed to incentivise long-term value for shareholders through an award of shares with vesting contingent on employment and the satisfaction of stretching performance conditions linked to Group strategy.

M&A Advisory Committee
An ad hoc advisory PGH plc Board committee which meets to consider proposed mergers and acquisitions, including due diligence activities undertaken by management.

Management actions
Management actions are used to define the financial impacts of programmes of activity instigated and undertaken by the Group to enhance shareholder outcomes. Such actions will be undertaken to either increase Shareholder Own funds (and therefore increase future organic cash generation) or to reduce SCR (therefore accelerating expected cash generation). Examples of management action activities include investment into higher yielding asset types, optimisation of asset and liabilities matching positions, and cost reduction initiatives. Certain management actions are classified as recurring and form part of Operating Cash Generation ('OCG') – these are actions which are either genuinely repeatable, repeatable in nature but subject to diminishing returns or not repeatable but benefits are expected from similar types of actions.

Master Trust
A defined contribution workplace pension scheme that is established under a trust. A master trust seeks to provide a workplace pension that can be used by several non-associated employers, as opposed to traditional schemes that are set up to provide a workplace pension for a single employer. Master trusts are supervised and authorised by the Pensions Regulator.

Material suppliers
These are Suppliers who are Strategic or Critical to Phoenix Group's operations.

Strategic (also known as a tier 1 supplier): Of significant importance to Phoenix Group where the services the supplier provides support Phoenix's strategic objectives and are crucial in providing ongoing and future services to Phoenix customers, policyholders and shareholders. These suppliers are highly likely to be integrated into Phoenix Group's operating model and will be deemed as a Critical/Material Arrangement for Solvency UK purposes.

Critical (also known as a tier 2 supplier): Deemed as a Critical/Material Arrangements, however, are not viewed as a Strategic partner to Group. These suppliers will perform a Critical function and/or activity on behalf of Phoenix Group, they could be crucial in providing current services to Phoenix customers, policyholders, and shareholders.

Minimum Capital Requirements ('MCR')
The minimum amount of capital that the Group needs to hold to cover its risks under the Solvency UK regulatory framework.

Net flows
Represents the difference between the inflows (premiums) and outflows and excludes market movements. Net flows may be reported for the Group as a whole, for a specific part of the Group or for different time periods. Cumulative net flows, being net flows over the 3 year LTIP performance period, are included in the 2024 LTIP grant.

Net operating cash receipts
This is a LTIP performance metric in the 2022, 2023 and 2024 grants which represents cash generation after allowing for corporate expenses and pension contributions.

Net zero
A state where no incremental greenhouse gases are added to the atmosphere. Emissions output is balanced with the removal of carbon from the atmosphere.

Network for Greening the Financial System ('NGFS')
A group of central banks, supervisors and observers committed to sharing best practices, contributing to the development of climate and environment-related risk management in the financial sector and mobilising mainstream finance to support the transition towards a sustainable economy.

New business contribution ('NBC')
Represents the increase in Solvency II Shareholder Own funds arising from new business written in the year, assuming assets have been fully transitioned in to the pricing portfolio, and provides an assessment of the day one value (excluding a cost of capital) arising on the writing of new business on a discounted basis. It is adjusted to exclude (i) prudence in the Fundamental Spread, (ii) the associated risk margin and (iii) any restrictions in respect of contract boundaries. Is stated on a net of tax basis, is after acquisition costs and includes future year cash flows in which long term maintenance costs are deducted and therefore it excludes any short term cost overruns. This measure is included in the 2024 AIP scheme.

Non-economic assumptions
Assumptions related to future levels of mortality, morbidity, persistency and expenses.

Non-profit fund
The portion of a life fund which is not a With-Profit fund, where risks and rewards of the fund fall wholly to shareholders.

Operating Cash Generation ('OCG')
OCG is the emergence of cash as in-force business runs off over time and capital unwinds, plus day one surplus from writing new business (net of day 1 strain for fee-based business) plus group tax relief, plus recurring management actions. As a cash measure it is reported on an Excess over CMP view. Cumulative OCG , being OCG over the 3 year LTIP performance period, is included in the 2025 LTIP grant.

Operating companies
Refers to the trading companies within Phoenix Group.

Operations intensity metrics
Metrics based on Scopes 1 and 2 emissions within the Group's occupied premises.

Origo
An electronic pensions transfer system.

Over-the-Counter ('OTC')
OTC financial instruments are traded directly between two parties without a broker or exchange market.

Own Funds
Under Solvency UK rules, Own Funds refers to the regulatory capital available to cover capital requirements. Basic Own Funds comprise the excess of assets over liabilities valued in accordance with the Solvency UK rules and subordinated liabilities which qualify to be included in Own Funds under the Solvency UK rules. Eligible Own Funds are the amount of Own Funds that are available to cover the Solvency Capital Requirements after applying prescribed tiering limits and transferability restrictions to Basic Own Funds.

Own Risk and Solvency Assessment ('ORSA')
The processes undertaken to provide a forward looking assessment of the Group's risk and capital profile, under normal and stress scenarios, as a result of its proposed business strategy and Annual Operating Plan.

Parker review and guidance
An independent review which considered how to improve the ethnic and cultural diversity of UK boards to better reflect their employee base and the communities they serve. The Parker guidance sets out objectives and timescales to encourage greater diversity, and provides practical tools to help business leaders to address the issue. Each FTSE 100 Board should have at least one "director of colour" by 2021.

Partial internal model
The model used to calculate the Group Solvency Capital Requirement where permission is granted by the PRA under Solvency UK. It aggregates outputs from the harmonised internal model and the standard formula with no diversification between the two.

Part VII transfer
The transfer of insurance policies under Part VII of Financial Services and Markets Act 2000. The insurers involved can be in the same corporate group or in different groups. Transfers require the consent of the High Court, which will consider the views of the PRA and FCA and of an Independent Expert.

Participating business
See With-Profit fund below.

Partnership for Carbon Accounting Financials ('PCAF')
PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.

Persistency
This LTIP performance metric is set for the specific Pensions and Savings products only and based on a principle of protecting value, with a target based on the best estimate assumption of persistency at the start of the performance period. This is measured on a product-by-product basis with the average value of each product then used to create a single weighted average persistency rate. Further details of persistency insurance risks are covered in section F11 of the consolidated financial statements. This is a LTIP performance metric for the 2022 and 2023 grants.

Physical risks
Risks related to the physical impacts of climate change which can either be acute or chronic. Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes or floods. Chronic physical risks refer to longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea level rise or chronic heatwaves.

Protection policy
A policy which provides benefits payable on certain events. The benefits may be a single lump sum or a series of payments and may be payable on death, serious illness or sickness.

Glossary continued

Prudential Regulation Authority ('PRA')
The body responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The PRA and FCA use a Memorandum of Understanding to co-ordinate and carry out their respective responsibilities.

ReAssure
The companies comprising ReAssure Limited, ReAssure Life Limited and Ark Life Assurance Company dac businesses which were acquired on 22 July 2020.

Representative Concentration Pathway ('RCP')
A GHG concentration trajectory adopted by the IPCC. The pathways (RCP2.6, RCP4.5, RCP6, and RCP8.5) describe different climate futures, all of which are considered possible depending on the volume of GHGs emitted in the years to come. RCP 2.6 is a very stringent pathway. According to the IPCC, RCP 2.6 requires that carbon dioxide emissions start declining by 2020 and go to zero by 2100. In RCP 8.5, emissions continue to rise throughout the 21st century. It is generally taken as the basis for worst-case climate change scenario.

Return on Capital ('RoC')
Reflects the Own Funds component of the Operating Cash Generation (i.e. the in-force and new business surplus generation and group tax relief), less financing costs plus recurring management actions divided by Opening Unrestricted Core Tier 1 Shareholder Capital (UT1) + Deferred tax assets. At a high level, this could be more simply described as the operating growth in Own Funds less financing costs/opening Own Funds excluding debt. This is a LTIP performance metric for the 2024 grant.

Return on shareholder value
Shareholder value reflects the group's Eligible Own Funds adjusted to remove amounts pertaining to unsupported With-Profit funds. Group pension schemes, the value of Shareholder debt and adjusted to remove the short-term impact economic movements in the performance period. The return on shareholder value reflects excess return above risk free. This is a LTIP performance metric for the 2022 grant.

Science Based Targets
An emissions reduction target is defined as 'science-based' if it is developed in line with the scale of reductions required to keep global warming below 2C from pre-industrial levels.

Scope 1, 2 and 3 emissions
Greenhouse gas emissions are categorised into three groups or 'Scopes'. Scope 1 covers direct emissions e.g. use of natural gas, company car vehicle emissions. Scope 2 covers indirect emissions from the generation of purchased electricity, steam and heating. Scope 3 includes 15 other categories of indirect emissions in a company's value chain e.g. business travel and investments.

Shareholder Capital Coverage Ratio ('SCCR')
Represents total Eligible Own Funds divided by the Solvency Capital Requirements ('SCR'), adjusted to a shareholder view through the exclusion of amounts relating to those ring-fenced With-Profit funds and Group pension schemes whose Own Funds exceed their SCR.

Shareholder value
The Group's Eligible Own Funds adjusted to remove amounts pertaining to unsupported With-Profit funds, Group pension schemes, the value of shareholder debt and adjusted to remove the short-term impact economic movements in the performance period.

Solvency II leverage ratio
Calculated as the Solvency II value of debt divided by the value of Solvency II Regulatory Own Funds. Values for debt are adjusted to allow for the impact of currency hedges in place over foreign currency denominated debt.

Solvency II Shareholder Own Funds Unrestricted Tier 1
Under Solvency UK rules, SII Shareholder Own Funds Unrestricted Tier 1 refers to the highest quality tier of regulatory capital available to cover capital requirements. It comprises the excess of assets (excluding deferred tax assets) over liabilities valued in accordance with the Solvency UK rules. This measure is included in the 2025 AIP scheme.

Solvency II surplus
The excess of Eligible Own Funds over the Solvency Capital Requirement. This is a performance metric in the 2025 LTIP grant.

Solvency Capital Requirements ('SCR')
Relates to the risks and obligations to which the Group is exposed, and is calibrated so that the likelihood of a loss exceeding the SCR is less than 0.5% over one year. This ensures that capital is sufficient to withstand a broadly '1-in-200-year event'.

Standard formula
A set of calculations prescribed by the Solvency UK rules for generating the SCR.

Standard Life Assurance businesses
Standard Life Assurance Limited, Standard Life Pensions Fund Limited, Standard Life International Designated Activity Company, Vebnet (Holdings) Limited, Vebnet Limited, Standard Life Lifetime Mortgages Limited, Standard Life Assets and Employee Services Limited and Standard Life Investment Funds Limited (together known as the Standard Life Assurance businesses) acquired by the Group on 31 August 2018.

Sterling overnight interest average ('SONIA')
The average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors, administered by the Bank of England.

Stewardship
Stewardship is the use of the rights and position of ownership to influence the activity or behaviour of investee companies. For listed equities it includes both engagement and (proxy) voting (including filing shareholder resolutions). For other asset classes, engagement is still relevant while voting is not. Engagement is a two-way interaction between the investor and investees in relation to corporate business and ESG strategies with the goal of influencing issuers' practices when needed to unlock value.

Streamlined Energy and Carbon Reporting ('SECR')
Reporting of emissions sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Task Force on Climate-related financial disclosures ('TCFD')
The TCFD was created in 2015 by the Financial Stability Board ('FSB'), now incorporated into the International Sustainability Standards Board ('ISSB'), to develop consistent climate-related financial risk disclosures for use by companies in providing information to stakeholders.

Task Force on Nature related financial disclosures ('TNFD')
A market-led, science-based and government-backed initiative providing organisations with the tools to act on evolving nature-related issues including a disclosure.

TCS BaNCS
TCS BaNCS is a state of the art Life and Pensions administration platform operated by Tate Consultancy Services ('TCS').

The Pensions Regulator ('TPR')
A non-departmental public body which regulates work-based pension schemes in the United Kingdom.

Tier 1 Notes
The £500 million fixed rate reset perpetual restricted Tier 1 write down Notes issued by Phoenix.

Total cash generation ('TCG')
Cash remitted by the Group's operating companies to the Group's holding companies. This metrics was formerly referred to as operating companies' total cash generation. This measure is included in the 2024 and 2025 AIP scheme.

Total shareholder return ('TSR')
TSR is the total return, over a fixed period, to an investor in terms of share price growth and dividends (assuming that dividends paid are re-invested, on the ex-dividend date, in acquiring further shares). This is a LTIP performance metric.

Transition risks
Climate-related risks associated with the transition to a low-carbon economy. They include risks related to policy and legal actions, market and economic responses, technology changes and reputational considerations.

Transitional Measures on Technical Provisions ('TMTP')
This is an allowance, subject to the PRA's approval, to apply a transitional deduction to technical provisions. The transitional deduction corresponds to the difference between net technical provisions calculated in accordance with Solvency UK rules and net technical provisions calculated in accordance with the previous regime and is expected to decrease linearly over a period of 16 years starting from 1 January 2016 to 1 January 2032. TMTP is subject to a mandatory recalculation every two years or on the occurrence of certain defined events.

UK Endorsement Board ('UKEB')
The UKEB was established following the UK's exit from the EU. The board's purpose is to endorse and adopt new and amended international accounting standards issued by the IASB for use by UK Companies and has responsibility for influencing the development of those standards.

Unit-linked policy
A policy where the benefits are determined by the investment performance of the underlying assets in the unit-linked fund.

Windfall gains
A windfall gain may arise if the Company has experienced a significant fall in its share price at the point of granting LTIP awards so the recipient received significantly more share than in previous years, and this is followed by a subsequent increase in share price at the point of vesting.

With-Profit fund
A fund where policyholders are entitled to a share of the profits of the fund. Normally, policyholders receive their share of the profits through bonuses. Also known as a participating fund as policyholders have a participating interest in the With-Profit fund and any declared bonuses. Generally, policyholder and shareholder participations in the With-Profit fund in the UK are split 90:10.

2018 UK Corporate Governance Code
The current version of the UK Corporate Governance Code published by the Financial Reporting Council setting out guidance on standards of good corporate governance practice in the UK relating to issues such as board composition and development, remuneration, accountability, audit and relations with shareholders.

Forward looking statements

The 2024 Annual Report and Accounts contains, and the Group may make other statements (verbal or otherwise) containing, forward looking statements and other financial and/or statistical data about the Group's current plans, goals, ambitions, outlook, guidance and expectations relating to future financial condition, performance, results, strategy and/or objectives. Statements containing the words: 'believes', 'intends', 'will', 'may', 'should', 'expects', 'plans', 'aims', 'seeks', 'targets', 'continues' and 'anticipates' or other words of similar meaning are forward looking. Such forward-looking statements and other financial and/or statistical data involve known and unknown risks and uncertainty because they relate to future events and circumstances that are beyond the Group's control. For example, certain insurance risk disclosures are dependent on the Group's choices about assumptions and models, which by their nature are estimates. As such, actual future gains and losses could differ materially from those that the Group has estimated. Other factors which could cause actual results to differ materially from those estimated by forward-looking statements include, but are not limited to:

- domestic and global economic, political, social, environmental and business conditions;
- asset prices;
- market-related risks such as fluctuations in investment yields, interest rates and exchange rates, the potential for a sustained low-interest rate or high interest rate environment, and the performance of financial or credit markets generally;
- the policies and actions of governmental and/or regulatory authorities including, for example, climate change and the effect of the UK's version of the 'Solvency II' regulations on the Group's capital maintenance requirements;
- developments in the UK's relationship with the European Union;
- the direct and indirect consequences of the conflicts in Ukraine and the Middle East for European and global macroeconomic conditions and related or other geopolitical conflicts;
- political uncertainty and instability including the rise in protectionist measures;
- the impact of changing inflation rates (including high inflation) and/or deflation;
- information technology (including developments in Artificial Intelligence) or data security breaches (including the Group being subject to cyber-attacks);
- the development of standards and interpretations including evolving practices in sustainability and climate reporting with regard to the interpretation and application of accounting;
- the limitation of climate scenario analysis and the models that analyse them;
- lack of transparency and comparability of climate-related forward-looking methodologies;
- climate change and a transition to a low-carbon economy (including the risk that the Group may not achieve its targets);
- the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively;
- market competition;
- changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, gender pricing and lapse rates);
- the timing, impact and other uncertainties of any acquisitions, disposals or other strategic transactions;
- risks associated with arrangements with third parties;
- inability of reinsurers to meet obligations or unavailability of reinsurance coverage; and
- the impact of changes in capital, and implementing changes in IFRS 17 or any other regulatory, solvency and/or accounting standards, and tax and other legislation and regulations in the jurisdictions in which members of the Group operate.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals, targets, ambitions, outlook, guidance and expectations set out in the forward-looking statements and other financial and/or statistical data within the 2024 Annual Report and Accounts. No representation is made that any of these statements will come to pass or that any future results will be achieved. As a result, you are cautioned not to place undue reliance on such forward-looking statements contained in this 2024 Annual Report and Accounts.

The Group undertakes no obligation to update any of the forward-looking statements or data contained within the 2024 Annual Report and Accounts or any other forward-looking statements or data it may make or publish. The information in this report does not constitute an offer to sell or an invitation to buy securities in Phoenix Group Holdings plc or an invitation or inducement to engage in any other investment activities.

The 2024 Annual Report and Accounts has been prepared for the members of the Company and no one else. The Company, its Directors or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed. Nothing in the 2024 Annual Report and Accounts is or should be construed as a profit forecast or estimate.

Caution about climate and sustainability related disclosures

Climate and sustainability disclosures in the 2024 Annual Report and Accounts use a greater number and level of judgements, assumptions and estimates, including with respect to the classification of climate-related activities, than the Group's reporting of historical financial information. These judgements, assumptions and estimates are highly likely to change over time, and, when coupled with the longer time frames used in these disclosures, make any assessment of materiality inherently uncertain. In addition, the Group's climate risk analysis and net zero transition planning will continue to evolve and the data underlying the Group's analysis and strategy remain subject to change over time. As a result, the Group expects that certain climate and sustainability disclosures made in the 2024 Annual Report and Accounts are likely to be amended, updated, recalculated or restated in the future. Please also refer to the 2024 Sustainability Report and the cautionary statements contained therein.

Designed and produced by emperor
Visit us at emperor.works

Phoenix

Registered address

Phoenix Group Holdings plc
20 Old Bailey
London
England EC4M 7AN

Registered Number 11606773

thephoenixgroup.com