Phoenix

Helping people secure a life of possibilities

Annual Report and Accounts 2023
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

Who we are

We're the UK's largest long-term savings and retirement business. **Our purpose is helping people secure a life of possibilities,** making better longer lives a reality for all of us.

We're here to create long-term value for all our stakeholders, including our customers, colleagues, investors and wider society. We're achieving this in many ways including helping people engage with their financial futures and using our voice to advocate on their behalf. We're focused on managing the risks and maximising the opportunities presented by the transition to net zero by 2050 to deliver good outcomes for our customers and shareholders.

See How we deliver our purpose-led business on pages **4 to 9** to find out more

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**

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**

Sustainability Report

Climate Report

Online Summary

ESG Data Appendix

2023 Performance

Key performance indicators

Total cash generation

£2,024m

(2022: £1,504m) REM APM

Incremental new business long-term cash generation

£1,514m

(2022: £1,233m) REM APM

Group Solvency II surplus (estimated)

£3.9bn

(2022: £4.4bn)

Group Solvency II shareholder capital coverage ratio (estimated)

176%

(2022: 189%) APM

All amounts throughout the report marked with REM are KPIs linked to Executive remuneration. See Directors' Remuneration report on pages 111 to 140. All amounts throughout the report marked with APM are alternative performance measures. Read more on page 312.

Other performance indicators

Total ordinary dividend per share

52.65p

(2022: 50.8p)

IFRS adjusted operating profit

£617m

(2022: £544m[1,2]) APM

IFRS loss after tax

£(88)m

(2022: £(2,657[1,2])m)

Solvency II leverage ratio

36%

(2022: 34%) APM

New business net fund flows

£6.7bn

(2022: £3.9bn) APM

The Strategic report was approved by the Board of Directors on 21 March 2024 and signed on its behalf by

Andy Briggs
Group Chief Executive Officer

1 2022 restated comparative to reflect adoption of IFRS 17.
2 Incorporates changes to the Group's methodology for determining IFRS adjusted operating profit since HY 2023.

In this report

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 the savings life cycle from 18 to 80+, through our family of brands.

Our business

c.£283bn
total assets under administration APM

c.7,800
colleagues as at 31 December 2023

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 nearly 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 is a closed book consolidator that has grown from a series of acquisitions and policy transfers throughout their 200-year history.

ReAssure
Part of Phoenix Group

ReAssure is a major life and pensions consolidator in the UK market.

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

We offer a range of customer solutions across our businesses

Savings for retirement

Products and solutions that support customers as they save for and transition to retirement:

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

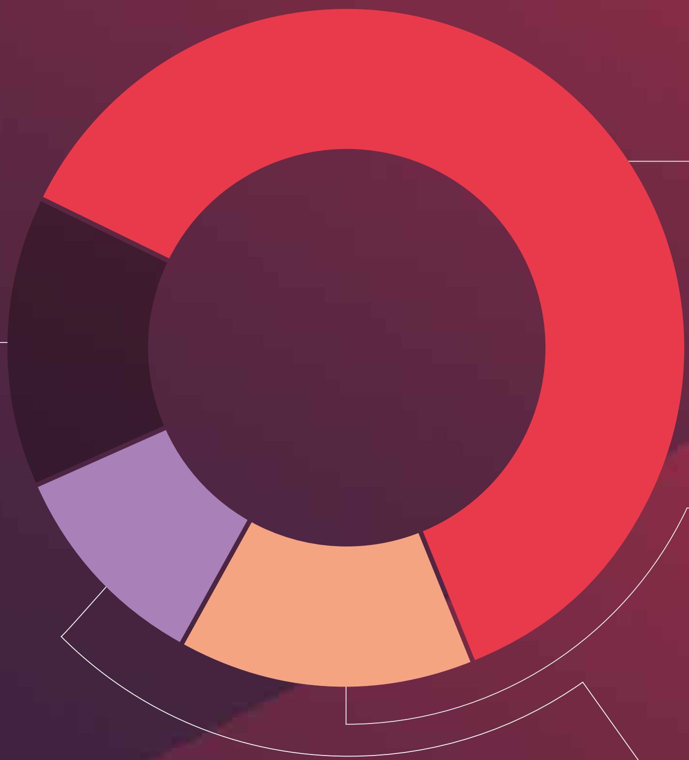
Retirement income

Products and solutions that secure an income for customers in their retirement:

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

See Our business model on pages **20 to 23** for more information

Business areas



c.£175bn 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.

c.£40bn Retirement Solutions

We participate across the key retirement markets, as we seek to help customers secure income certainty in retirement, including Defined benefit pensions (including Bulk Purchase Annuities), individual annuities and home equity release.

With-Profits c.£39bn

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.

c.£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 and funeral plans direct to the over 50s market in the UK.

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 **24 to 25**

Optimise

Optimise our scale in-force business.

See pages **26 to 27**

Enhance

Transforming our operating model and culture.

See pages **28 to 29**

Our sustainability strategy

People

We want to help people live better longer lives. This means tackling the pension 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 better outcomes for our customers, playing a key role in delivering a net zero economy by 2050 and reducing 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 reports

Sustainability Report

Climate Report

Our purpose drives everything we do. It reflects our aim to make better longer lives a reality for us all.

Better and long-term value for all

Helping people secure a life of possibilities

As a purpose-led business we seek to address the needs of a broad range of stakeholders. Positive engagement and successful outcomes are key to ensuring a strong and sustainable business.

Providing certainty in retirement

We are delivering new products and solutions to provide more support to new and existing customers as they journey to and through retirement. In September, we launched a new individual annuity product, the Standard Life Pension Annuity, that pays customers a guaranteed income for the rest of their life, bought with some or all of the proceeds from their pension plan. Available on the open market to both new and existing customers, the launch of this product has been welcomed by both advisers and customers and we have seen a strong pipeline of applications building.

> With 9 in 10 people saying income certainty in retirement is important to them[1], an annuity is likely to be an ideal solution for many.
>
> **Claire Altman,** MD Individual Retirement Solutions

1 Retirement Voice I Standard Life.

Encouraging a national conversation

At Phoenix Group we recognise that we all need to think differently about our futures, and the futures of those we care about, if we are to lead better longer lives. Research from our think tank, Phoenix Insights, continues to highlight the scale and severity of under saving for retirement in the UK. To encourage a national conversation, we launched our 'Let's Start Talking' campaign in 2023. It is designed to get people talking about the need to think about how we live, work, and save for the longer lives we are now leading. The campaign features real people sharing their stories and perspectives on preparing for the retirement they want, and emphasises the need to take steps now to make better longer lives a reality for all of us.

> Through our Let's Start Talking campaign we reached over 4 million people, which inspired conversations about how we live, work, learn and save for the longer lives we lead.
>
> **Ben Rhodes,** Brand Director

Supporting financial wellbeing

We want to help our customers to be empowered to take charge of their finances, so that is why we've rolled out Our Money Mindset solution to over 1.5 million Standard Life Workplace pension scheme members. Money Mindset is a digital platform that allows customers to monitor their financial position. This better understanding helps put them in a position to improve their financial wellbeing, and the app provides the information they need to help plan for the future.

moneyhub

75%[1]

of people don't know how much they have in pension savings

1 Standard Life partners with Moneyhub press release.

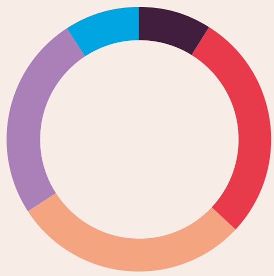
Bridging the digital divide

We believe digital inclusion is a collective responsibility and it's vital we work in partnership across the public, private and third sectors to achieve it. We have successfully launched Digital Skills Hubs across our customer brands, which include online training videos and how-to guides. This enables our customers to access and learn online in their own time and at their own pace. We're also making sure our colleagues are fully informed about digital inclusion, so that they can support our customers better, and ensure we design and aim to deliver an inclusive service for all our customers.

> Together we're building a purpose-led business, where our people are proud of the difference they make to our customers and communities.
>
> **Sara Thompson,** Group HR Director

Empowering and inspiring colleagues

Age of Phoenix Group's workforce



16–25	9%
26–35	28%
36–45	29%
46–55	25%
56–65+	9%

Age-friendly Employer Pledge

Midlife MOT

Wealth, work and wellbeing

As average life expectancy continues to rise, many of us will live and work for longer. The decisions we make now will affect us for the rest of our lives, so there's no better time to start looking after our future. Launched in 2023, our Midlife MOT assessment helps colleagues take stock: to see where they're going, where they want to be and how to get there. It's designed to help colleagues, regardless of age, and focuses on the key areas of wealth, work and wellbeing.

Investing in a better future

As the UK's largest long-term savings and retirement business, we recognise our responsibility to tackle climate change. By taking the right actions to decarbonise, we believe that we can manage the risks and maximise the opportunities of climate change on behalf of our 12 million customers. And with £283 billion of assets under administration, our scale means we can make a real difference. This year we published our Net Zero Transition Plan, which outlined the tangible steps we will take to become a net zero business by 2050.

For more information view our **Net Zero Transition Plan**

Delivering attractive returns for investors

Executing against our strategy is driving growth which underpins our progressive and sustainable ordinary dividend policy. This delivers a reliable and attractive income for our shareholders.

Rakesh Thakrar, Group Chief Financial Officer

For details on our investment case see pages **16 to 17**

Inspiring career changes and offering support

We believe that better career support, at all ages, allows people to build and develop long and fulfilling careers. Phoenix Insights is leading the way with a new campaign, 'Careers can change', to inspire people to see that their careers can change successfully, by small incremental shifts or total pivots. At the heart of this campaign is a new coalition of experts and partners working with us. Together, we will raise awareness of good quality, accessible career support and make sure people are connected to it.

Chair's statement

Delivering on our purpose

We want to help people journey to and through retirement while investing in a better future for us all. Our approach focuses on two key areas: People and Planet. We are looking to address the UK pensions savings gap and manage the risk and opportunities of climate change.

Sabbatical reflections

1 December 2023 marked my return as Chair of Phoenix Group, following a 14-month sabbatical where I fulfilled the role of Lord Mayor of the City of London. I am delighted to be back and look forward to supporting the continued evolution of our business.

As Lord Mayor it was my great privilege and responsibility to represent and promote the UK financial services industry. In doing so, my sabbatical confirmed to me that this industry is an essential element of the UK economy, with a critical role to play in supporting both economic growth and the trajectory to net zero by 2050 through sustainable investment. The clear feedback from my international travels is that the UK financial services industry is perceived as market-leading and there is great optimism about its future.

I would like to thank Alastair Barbour who assumed the role of Chair in my absence. He has made an enormous contribution to Phoenix over his ten-year tenure as a Director, and I wish him well for the future now that he has stepped down from the Board.

At Phoenix our purpose is our North Star and it drives all that we do. I am delighted with the progress we have made this year to bring about better outcomes for all our stakeholders.

Nicholas Lyons, Chair of the Group Board

Delivering on our purpose
The pensions savings gap in the UK is a growing societal problem. As the UK's largest long-term savings and retirement business, we are striving to raise awareness of this problem and advocate for the changes needed to deliver the solutions and help people secure a life of possibilities.

We know that people can only save for their retirement if they have access to good work over their longer lives. That is why we are playing a role in promoting good work through Phoenix Insights, working in collaboration with others to influence government policy.

We are committed to innovating to develop the retirement income solutions of the future and we are advocating for the removal of policy barriers to enable us to support customers as they save for, journey to, and secure income in, retirement. More specifically we have recommended a framework to support an increase in auto-enrolment contributions from 8% to 12%, and we believe that guidance and advice should be available for everyone, not just those who can afford to pay for it.

We can drive good outcomes for our customers and manage the risks of climate change by delivering on our Net Zero Transition Plan commitments, outlined in our plan published in May, and by helping to unlock the barriers to allow capital to flow at scale into productive and sustainable investments.

I was delighted that we were a leading signatory and vocal proponent of the Mansion House Compact when it was unveiled in July. This seeks to address some of the issues around investing in unlisted equity, and the growth of UK companies of the future. I have every confidence the Compact will accomplish the dual aim of securing a brighter future for retirees and helping to channel billions of pounds into the UK economy.

Strong cash generation provides opportunity to invest and realise our vision
The team has delivered strong cash generation in 2023 with an acceleration in the organic growth story clearly evident, whilst at the same time maintaining a resilient balance sheet.

We are on a journey to deliver our vision of becoming the UK's leading retirement savings and income business. The clear strategic success in building the organic growth business over the last three years means we have reached a key milestone on our journey, as we evolve the business. The focus is now on investing to grow, optimise and enhance the business even further.

Strategic outcomes support a new dividend policy
I am delighted to announce that the Board is recommending a 2.5% increase in the Group's 2023 Final dividend to 26.65 pence per share. This means the Group's Total dividend for 2023 will be 52.65 pence per share.

The Board is confident in the Group's ability to deliver the next phase of our strategic journey, as we transition to our vision of becoming the UK's leading retirement savings and income business. This has supported our decision to move to a progressive and sustainable ordinary dividend policy, which is underpinned by the sustainable growth in Operating Cash Generation we now expect to deliver.

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.

Nicholas Lyons

Nicholas Lyons
Chair of the Group Board

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 decisions 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.

Examples of how Directors have considered these matters in connection with key decisions linked to our strategic priorities are detailed on pages **74 to 77** of the Corporate governance report.

Successfully delivering our strategy

2023 has seen Phoenix Group deliver significant strategic progress and strong results, further supporting our track record of dividend growth.

- We are on a journey from being a closed-book life consolidator to a purpose-led retirement savings and income business
- Strong 2023 results delivered through strategic execution
- We are balancing our investment to grow, optimise and enhance our business
- Our strategy delivers sustainable, growing Operating Cash Generation that more than covers our recurring uses and a growing dividend
- Phoenix will now operate a progressive and sustainable ordinary dividend policy

£2.0bn
2023 Total cash generation (2022: £1.5bn) REM APM

+2.5%
2023 Final dividend increase

> I am delighted that 2023 was another year of strong new business growth for Phoenix Group. Having now built the component parts of a sustainably growing business, the next stage on our journey will see us grow, optimise and enhance our business so we can meet more of our customers' retirement needs and deliver more value for our stakeholders.
>
> **Andy Briggs,** Group Chief Executive Officer

Delivering strong results
2023 has been another year of clear strategic delivery for Phoenix.

We're a highly cash generative business, as demonstrated by the delivery of £2.0 billion of total cash generation in 2023 (2022: £1.5 billion), exceeding our upgraded target of c.£1.8 billion target for the year. This was supported by the completion of one of the largest ever UK insurance Part VII transfers.

Executing against our strategic priorities enabled us to deliver another record year of new business long-term cash generation ('NB LTCG') of £1.5 billion (2022: £1.2 billion). This was supported by a c.70% increase in new business net fund flows in 2023 to £6.7 billion (2022: £3.9 billion). Performance in our Pensions and Savings business included the transfer of the Siemens workplace scheme, one of the largest workplace scheme transfers to have been tendered in the UK market in recent years. This clearly demonstrates the success we have had in re-establishing the Standard Life brand as a major workplace player. Growth in our Retirement Solutions business was also strong, driven by our Bulk Purchase Annuities ('BPA') business, which saw the Group write £6.2 billion of premiums during the year (FY22: £4.8 billion) at a reduced capital strain.

From a capital perspective, we saw a reduction in our Solvency II surplus to £3.9 billion (2022: £4.4 billion) and our Shareholder Capital Coverage Ratio ('SCCR') to 176% (2022: 189%) after allocating capital into growth opportunities. However, we continue to operate towards the upper-end of our 140–180% SCCR operating range.

In terms of our earnings, our IFRS adjusted operating profit increased by 13% to £617 million (2022: £544 million) supported by growth in our Pensions and Savings business. However, we reported an IFRS loss after tax of £(88) million, reflecting our investment into growth opportunities, as well as integration and transformation expenses in the period. However, this was significantly lower than the 2022 loss of £(2,657) million, benefiting from less accounting volatility from market movements.

As a result of this strong strategic and financial performance, the Board has recommended a 2.5% increase in the Final dividend of 26.65 pence per share, bringing the Total 2023 dividend to 52.65 pence per share, extending our strong track record of dividend growth.

A strategy supported by existing large and growing markets
Phoenix Group is the UK's largest long-term savings and retirement business, managing c.£283 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 and informs our single strategic focus, which is to help customers journey to and through retirement.

We have a diversified and balanced business mix, 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 is Pensions and Savings, which principally consists of capital-light fee-based products.

Standard Life
Part of Phoenix Group

Investing in the Standard Life brand

A key part of our growth strategy is leveraging the power of the Standard Life brand that we acquired in 2021. We now utilise the brand across our Retirement Solutions, Pensions and Savings and European businesses.

The Standard Life brand has a deep history and heritage, and is well known and trusted by advisers and customers. It has been a key factor in supporting our strong organic growth over the past few years and will support us in our future growth ambitions. As part of our drive to deliver our growth targets, we are committed to investing in the brand through initiatives like our Race for Life partnership and recent advertising campaigns.

Group Chief Executive Officer's report continued

176%
Shareholder Capital Coverage Ratio (2022: 189%) APM

£6.7bn
New business net fund flows (2022: £3.9bn) APM

£1.5bn
Incremental new business long-term cash generation (2022: £1.2bn) REM APM

The UK long-term savings and retirement market is already large, with c.£3 trillion of total stock, but it is also growing fast, with annual flows of c.£150–200 billion. The breadth of our product portfolio means we are able to take advantage of a number of growing market opportunities. See pages 18 to 19 for 'Our growth drivers'.

Embarking on the next stage of our journey

Back in 2020, we had a single core capability, which was executing M&A and integrating those businesses. However, over the past three years we have built a number of sustainably growing organic businesses too.

This has seen us acquire and invest into the trusted Standard Life brand, and re-establish it amongst customers, corporates and advisers.

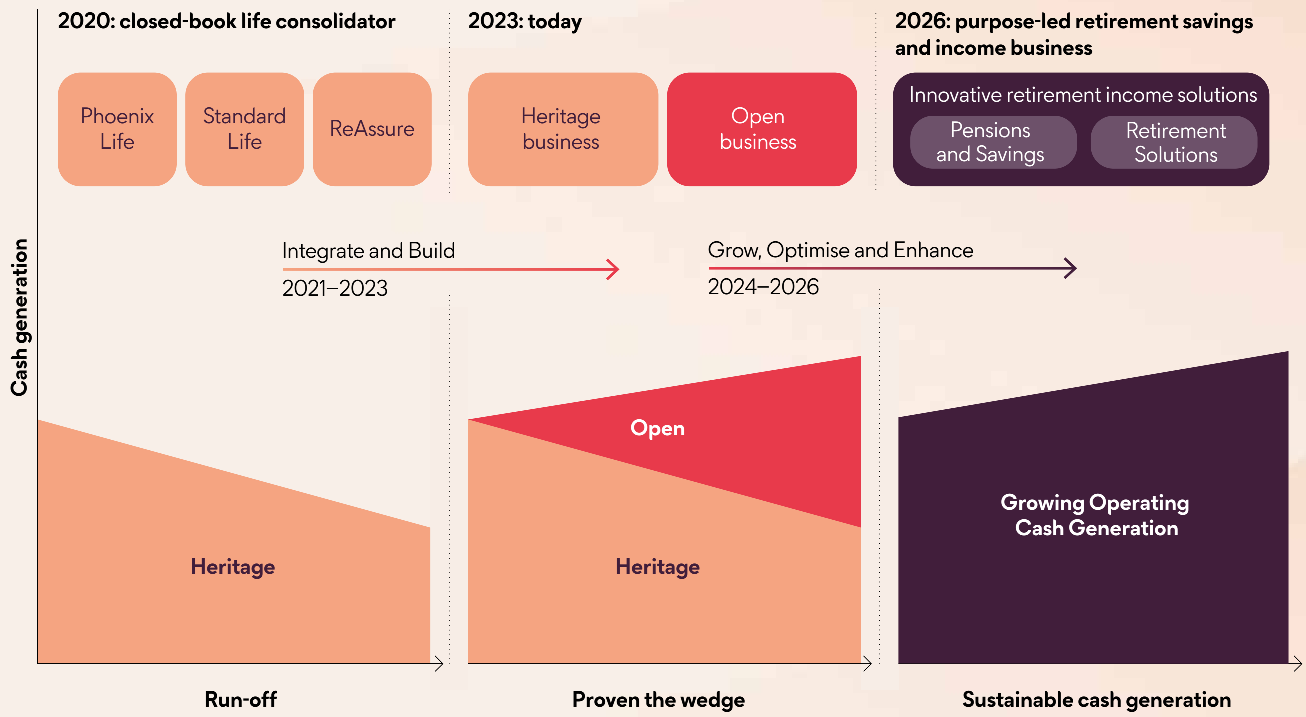
We have used that brand to help turbo-charge our growth as we built a competitive and capital efficient annuities business, followed by our now large and rapidly growing capital-light Workplace business. In addition, we have built a highly-skilled in-house asset management capability, enabling us to efficiently manage our third-party asset managers, and to create long-term value through optimising our c.£38 billion shareholder credit portfolio.

We have an ongoing programme of initiatives to review our products and services and over the past seven years, we have invested significantly in focusing on good customer treatments and outcomes across our businesses. During that time, we have set aside over £200m on reducing charges and we are making planned investment to migrate customers to more modern technology. We are actively working to ensure we are well positioned to comply fully with the upcoming Consumer Duty requirements which come into effect on 31 July 2024, for which we set aside £70 million of Solvency II capital.

Our successful execution has enabled us to prove "the wedge" hypothesis, with the new business cash from our Open businesses more than offsetting the Heritage run-off. That means we are today a sustainably growing business, and no longer reliant on M&A.

The next phase of our strategy is therefore about building on the strong foundations we have developed, and completing our full-service customer offering.

Phoenix Group is transitioning from a closed-book life consolidator to a purpose-led retirement savings and income business



We will do this by building an innovative range of retirement income solutions and a compelling set of retail propositions, supported by a digital customer interface with personalised data, guidance and advice. We are also now at the stage where we can further simplify our organisational structure, through integrating our Heritage and Open businesses onto a single Group-wide operating model. This will enable us to grow faster, by offering all of our customers, whether in an Open or Heritage product, a seamless journey across their savings life cycle. It will also further enhance our existing cost efficiency.

The successful execution of our strategy will enable us to win market share and grow our business sustainably over time as we journey towards our vision of becoming the UK's leading retirement savings and income business.

Balancing investment across our strategic priorities

To support us on our journey we have a clear set of strategic priorities to 1) Grow 2) Optimise and 3) Enhance, which are informed by – and in support – of our ESG themes of Planet and People and are underpinned by robust investment programmes within our new capital allocation framework. See pages 24 to 29 for more detail on our strategic priorities.

Firstly, we will Grow through building an innovative range of retirement income solutions, and a compelling set of Retail propositions, supported by a digital customer interface, with personalised data, guidance and advice. We will also further strengthen our Workplace proposition and optimise our annuities business. This will require c.£100 million of investment into our growth propositions, alongside c.£200 million of capital per annum into annuities, the outcome of which is to support mid-single digit growth in Operating Cash Generation over the long term.

Our second priority is to Optimise. As part of this we plan to continue our approach of repaying M&A-related debt with surplus cash. We expect to repay at least £500 million of debt by the end of 2026, on top of the c.£800 million we have repaid since 2020. This will support us in getting to a c.30% Solvency II leverage ratio by the end of 2026, which we believe is an appropriate steady-state level for our business, absent M&A.

We will also invest c.£100 million to enhance our asset and liability optimisation capabilities. This, alongside strong business growth, will support us in delivering increased recurring management actions of c.£400 million by 2026.

Our Enhance priority is designed to support us in transforming our operating model and culture, to create a leading, cost efficient and modern organisation.

We continue to invest to complete our remaining customer migrations onto TCS Diligenta. In addition, we intend to invest to improve the support we give our customers throughout their lives and to drive scale cost efficiencies by integrating our business onto a single Group-wide operating model. Together, these migration, transformation and cost efficiency programmes will require c.£500 million of investment.

Our focus on driving cost efficiency will enable us to deliver c.£250 million of annual cost savings by the end of 2026, which will enhance all of our key reporting metrics.

We also continue to strive to make Phoenix Group 'the best place any of us have ever worked'; through providing a great colleague experience. We passionately believe that by being diverse and inclusive we'll be a better organisation, we'll make better decisions, and we'll do a better job of representing our customers and communities.

Our new simplified, diverse and inclusive organisational structure will better empower our colleagues to make the right decisions for our customers.

Demonstrating the long-term sustainability of our business

Our strategy will support the delivery of sustainable, growing cash generation, a resilient capital position and improved earnings.

As part of our evolved financial framework we are introducing Operating Cash Generation ('OCG') as a new metric, to demonstrate the long-term sustainability of our business.

OCG is the sustainable level of surplus generation in our Life Companies, each and every year, that is also then remitted as cash to our Group Holding Company. See page 33 in our Business Review for more detail.

Executing against our strategic priorities will help us to grow OCG by c.25% over the next three years, from £1.1bn in 2023 to £1.4bn in 2026. After this time, we expect it to grow at a sustainable, mid-single digit growth rate over the long term.

Importantly, this OCG more than covers our recurring uses, and a growing dividend. Which generates excess cash that can support additional investment back into the business and/or additional shareholder returns.

M&A can add further scale to our business

Our existing scale and the success of our organic growth strategy mean that we are no longer reliant on M&A to grow our business and dividend, in the way we were when I joined.

We continue to believe that M&A can generate significant shareholder value, as demonstrated by our strong track record, and we see it as a potential lever to add further scale to our business.

However, we now have a range of organic growth opportunities available, in which to deploy our excess cash at very attractive returns, and so the bar for acquisitions is now higher than it has ever been.

Outlook

The economic backdrop in the UK means our societal purpose of helping people secure a life of possibilities has never been more important.

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 are investing to grow, optimise and enhance our business to deliver this vision, which will enable us to win market share and grow our business sustainably over time.

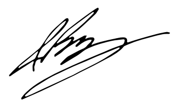
As a result, the Board believes it is now appropriate for us to move to a progressive and sustainable ordinary dividend policy, which is underpinned by the sustainable, growing OCG we expect to deliver over the long term.

We see this as a pivotal step in the evolution of Phoenix Group's investment case, and it is a reflection of the Board's confidence in our future strategy.

Thank you

The fantastic progress Phoenix Group has made this year could not have been achieved without our exceptional people. I would therefore like to thank my colleagues throughout the Group for their continued contribution and dedication.

I look forward to our team delivering another year of significant progress in 2024.



Andy Briggs
Group Chief Executive Officer

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 **24 to 29**

Customer access

With c.12 million customers, we have an unrivalled level of customer access. This gives us deep customer insights that underpin our developing propositions, enabling us to better meet their 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 significant cost efficiency advantage, which is enabled through our customer administration and IT partnership with TCS. We are looking to further improve our cost efficiency through the next stage of our journey as we roll out our cost efficiency 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 and progressive dividend

Capital

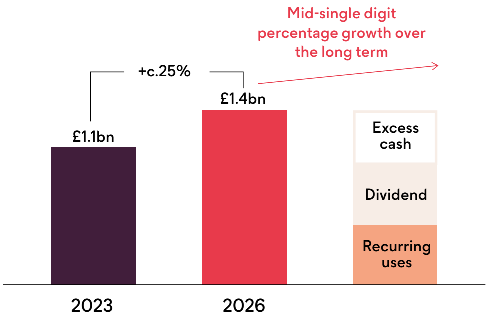
Resilient balance sheet that supports investment to grow, optimise and enhance our business

Earnings

Growing IFRS adjusted operating profit

For more information see the Business review on pages **30 to 39**

Operating Cash Generation



140–180%

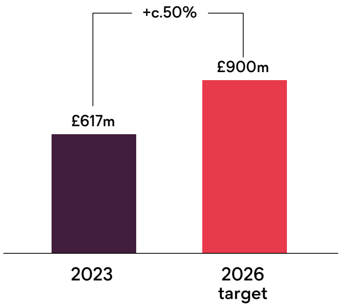
Shareholder Capital Coverage Ratio operating range

c.30%[1]

Solvency II leverage ratio target by the end of 2026

1 Assuming economic conditions in line with 31 December 2023.

IFRS adjusted operating profit



Supporting our new progressive dividend policy

Phoenix Group's dividend policy

The Group operates a progressive and sustainable ordinary dividend policy

The move to our new dividend policy is supported by our strategy to deliver sustainable, growing Operating Cash Generation over the long term, which more than covers our uses and generates excess cash.

52.65p

2023 Total dividend per share

26.65p

2023 Final dividend per share

+2.5%

Increase in 2023 Final dividend

c.4%

13-year CAGR

Our growth drivers

There is a huge societal need for what we do, as only c.10% of individuals take advice on their journey to and through retirement, and only 1-in-7 defined contribution ('DC') pension savers are on track for a retirement income that maintains their current living standards. Significant growth opportunities are available through the provision of retirement income and savings solutions.

Organic growth

We have clear structural growth opportunities in the market…

Workplace

The Workplace pension scheme market is growing rapidly, driven by auto-enrolment, an ageing population, the shift to Master Trust schemes, and the move from defined benefit pension schemes to defined contribution pension schemes.

c.£40–50bn
of annual flows

Retail

People are increasingly seeking advice and guidance on their journey to and through retirement, as responsibility for retirement planning has now shifted towards individuals away from corporates.

c.£80–100bn
of annual flows

…which are accelerated by the current economic environment

Salary inflation and full employment

Higher salary inflation and high levels of employment have 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.

Lower market flows

The Retail market has slowed down in this economic environment, with less switching of flows between providers. For Phoenix Group this is helpful, given our scale in-force book, as it helps us retain customers and extends their savings life cycle with us.

Opportunistic M&A

Bulk Purchase Annuities

Corporates are de-risking their defined benefit 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

Heritage M&A

Pressure on insurance companies to focus their strategies, free-up capital trapped in Heritage books, and to deal with cost inefficient legacy products and platforms, makes further consolidation in the UK market likely over time.

c.£435bn
market opportunity

Higher interest rates

Higher interest rates mean BPAs, both buy-ins and buy-outs, are more affordable for trustees, driving record levels of demand.

M&A can add further scale to our business

We can undertake M&A to:

- **Acquire new customers**
- **Acquire capabilities**

See our Strategic priorities section on pages **24 to 29** for more information

A growing and sustainable business

As the UK's largest long-term savings and retirement business, our focus is on offering the right retirement savings and income products that 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 their adult lives.

See pages **22 to 23** for our products and solutions

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

Our vision

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

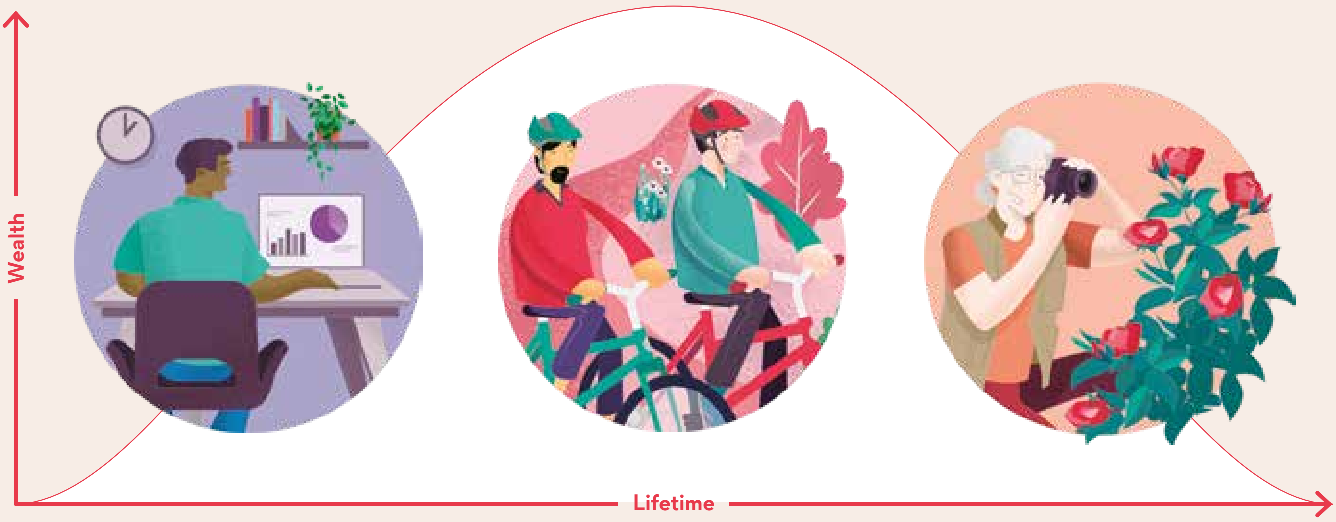
How we do it

We have made excellent progress in developing our capabilities to support organic growth. We are now investing to grow, optimise and enhance to build out our capabilities even further and increase efficiency.

See pages **24 to 29** for Our strategic priorities

Creating long-term value

Using our scale and ambition, we are committed to creating long-term value for all our stakeholders.



Saving for retirement

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

Transitioning to retirement

- Pension consolidation

Securing income in retirement

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

Key capabilities on the journey to our vision	2020	2023	2026
M&A execution and integration			
A trusted and well-known consumer brand in Standard Life			
Competitive and capital-efficient BPA business			
Established and growing capital-light Workplace business			
In-house asset management capability			
Innovative retirement income solutions			
Attractive Retail market propositions			
Digital customer interface with personalised data, guidance and advice			
Single and efficient Group-wide operating model			

Strong financial outcomes for our shareholders

- Sustainable, growing Operating Cash Generation that more than covers our recurring uses and progressive dividend
- Resilient balance sheet that supports investment, underpinned by our 140–180% Shareholder Capital Coverage Ratio operating range
- Growth in IFRS adjusted operating profit
- A progressive and sustainable ordinary dividend policy

See our Investment case on pages **16 to 17**

Additional positive outcomes for our other stakeholders

- Helping millions of people achieve a better longer life
- Managing the risks and opportunities presented by climate change to deliver good customer outcomes
- Inspiring colleagues and attracting and developing new top talent

See our **Sustainability Report**

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, with a number of innovative new products and services in development that will be launched shortly.

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 for their employees, and offer a leading digital interface for their employees to track and engage with their pension.

Customer engagement is at the heart of our proposition and its why we've invested heavily in our app which is consistently highlighted by clients as a strength. Similarly, our dedicated Vulnerable Customer team means we're set up to support the customers who need us most.

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 longstanding policies that are no longer sold in the wider market.

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. With Standard Life's pension transfer and consolidation expertise, customers can combine their pension plans into a single plan, making things easier to track and manage. Standard Life has plans to launch direct advisory capability in the near future and continues to develop close relationships with third party financial advisers.

We are delighted to have partnered with Standard Life, to provide long-term security and financial certainty for all members.

Brian McGowan, Chairman of Chubb Pension Plan and Chubb Security Pension Fund Trustee Boards

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 members for life through 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 company like Standard Life.

Securing income in retirement

Income drawdown and individual 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 individual annuity product offers pension savers secure guaranteed regular income certainty in retirement. Many customers have the need for a blend of both and Standard Life is working on a range of innovative products to address this.

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.

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**

Our strategic priorities and KPIs

Grow

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

2023 highlights

- £1.5bn of new business long-term cash generation in 2023, achieving our 2025 target two years early
- Won one of the largest UK workplace transfers in recent years
- Successful launch of new individual annuity product
- Reached over 4 million people with our awareness campaign on longer lives and under saving for retirement

+72%
2023 year-on-year increase in new business net fund flows (2022: £3.9bn) APM

113
New Workplace scheme wins (2022: 76)

£6.2bn
Bulk Purchase Annuity ('BPA') premiums written (2022: £4.8 billion) APM

2.7%
BPA capital strain (pre-Capital Management Policy basis) (2022: 3.2%) APM

Phoenix Group has significant growth opportunities available, both through meeting more of our existing customers' needs, on their journey to and through retirement, and by acquiring new customers as well. Given the significant market opportunities available to us (see our growth drivers on pages 18 and 19) we have consciously chosen to invest heavily in order to accelerate our organic growth.

We also continue to engage people in their financial futures, and to advocate for broader societal action to tackle under saving and encourage financial inclusion, which is a critical part of our commitment to our purpose.

Delivering strong growth in our capital-light fee-based businesses
Strong performance in Workplace has underpinned the growth in our capital-light fee-based business.

Workplace has a unique attractive characteristic whereby the growth is principally driven by high retention of existing customers. This enables us to benefit from the natural compounding effect of this business model, which comes from new joiners and salary inflation increases within existing schemes. Given this characteristic it is extremely encouraging that we have not seen any material scheme losses in 2023 and do not anticipate any in 2024 either.

In parallel our new scheme wins continue to accelerate, as we focus on the fast growing Master Trust segment of the market. Importantly we continue to win larger schemes, in addition to the smaller ones. For example, in 2023 our c.£2 billion of new Workplace scheme assets transferred included the transfer of the Siemens workplace scheme, one of largest scheme transfers to have been tendered in the UK market in recent years.

We also expect to see further new scheme assets transfer to Phoenix Group in 2024 and 2025 based on secured scheme wins, but this will grow as we win more schemes over the course of 2024, providing further momentum in both fund inflows and cash generation. We are confident of winning further schemes over time and are currently quoting on a significant pipeline of new workplace schemes.

Disciplined participation in a busy annuity market
Within our Retirement Solutions business, the majority of the growth came from BPA, supported by a busy annuity market. We have been an active participant, writing £6.2 billion of premiums (2022: £4.8 billion), but remain disciplined in our approach. We will continue to grow our annuities business, to take advantage of the strong demand from corporates and consumers in this market.

Supporting vulnerable customers

The needs of our customers are always changing and so it is important our services can adapt to meet these changing needs. Our vulnerability strategy provides support for those most at risk of harm, and aims to continually raise standards across our industry.

Our annual Vulnerable Customer Summits share best practice on how the industry can tackle the increasing issue of financial vulnerability in the UK. Our most recent one, in February 2024, was attended by over 80 institutions.

Read the **whitepaper** here

However, due to the success we have had in building our scale and driving capital efficiency, we can now invest less capital going forward, while broadly maintaining our current volumes. We therefore expect to invest c.£200 million of capital annually from 2024. This also reflects our strategy of driving balanced growth and reflects the confidence we have in our future capital-light Pensions and Savings growth.

We also successfully launched our Standard Life annuity product in September, for which initial feedback has been encouraging, demonstrating our ability to supplement our existing customer solutions.

Investing in new and innovative products
We have been investing to establish strong foundations and develop attractive propositions in the Retail market to become a leading consolidator for our customers.

Our Retail business remains in net fund outflow at present, but through better supporting the 1-in-5 UK adults who are already Phoenix Group customers, we will be able to make significant inroads into stemming the annual outflows from our legacy products. Our commitment to invest a further c.£100 million into our growth propositions across 2024–2026 will enable us to turn these outflows into inflows, as we leverage the changing market dynamics.

For instance, we are optimistic that the FCA's recent Advice Guidance Boundary Review represents a step forward in addressing the persistent advice and guidance gap.

The proposals outlined create the potential for financial services providers like us to offer a greater level of customer support and we will continue to engage with the regulator on this subject and review the services we are able to provide as a result of the ongoing consultation.

In March 2024 we started piloting the Standard Life Smoothed Return Pension Fund exclusively through the Fidelity Adviser Solutions platform, ahead of a full market launch later this year. We are also in the process of developing a number of new retirement income solutions which we hope to bring to market this year which will address customers' needs for a combination of income certainty and flexibility.

Engaging people in better financial futures
We set ourselves a 2023 target to deliver an awareness campaign reaching four million people on longer lives and under saving for retirement. We surpassed this target with our 'Let's Start Talking' campaign reaching over 4 million people.

Promoting financial wellness
Standard Life partnered with Moneyhub, to enhance our Money Mindset digital app and dashboard, providing access to over 1.5 million Workplace pension scheme members. By providing members with the relevant tools, content and information, Money Mindset allows customers to link, track and monitor their finances with the aim of improving their financial wellbeing.

Priorities for 2024

- Build a range of attractive Retail market propositions and innovative retirement income solutions
- Invest c.£200m p.a. into annuities
- Increase awareness of the pensions savings gap and motivate at least one million people to action through our brand campaign

Our strategic priorities and KPIs continued

Optimise

Optimise our in-force business

2023 highlights

- Continued to deliver value accretive recurring management actions through our in-house asset management capability and by optimising our in-force balance sheet
- Strong capability developed for liquid and illiquid credit portfolio optimisation
- Published and implementing our Net Zero Transition Plan

£303m
Recurring management actions (2022: £270m) APM

87%
Illiquid asset origination in sustainable and transition assets REM

176%
Solvency II Shareholder Capital Coverage Ratio ('SCCR') (2022: 189%) APM

£3.9bn
Solvency II surplus (estimated) (2022: £4.4bn)

Phoenix Group is a market leader in managing its in-force business for cash and ensuring a resilient capital position.

The Group's cash generation stems from the emergence of surplus from our in-force business, which we enhance through the delivery of value accretive management actions, underpinned by the diversification of our portfolio and increasingly supported by the investments we're making to enhance our asset management capabilities.

In parallel, 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. This brings resilience to our Solvency II capital position.

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 risk of and maximise the opportunities presented by climate change.

Delivering recurring management actions
In 2023 we delivered £663 million (2022: £739 million) of total management actions. Importantly though, £303 million of these were recurring management actions.

These are the day-to-day actions that we, and every other life insurance company take, to optimise our in-force balance sheets. They "add value" which means they increase cash, capital and earnings.

Over the last three years, we have invested in developing a highly-skilled in-house asset management team, whose day job is to optimise our assets and liabilities, and improve shareholder returns.

The continuous portfolio optimisation actions we undertake to optimise our assets, and the balance sheet efficiency actions to optimise our liabilities, mean that a significant, and growing proportion of our management actions, will be recurring over the long term.

This includes the optimisation of our £38 billion shareholder credit portfolio (2022: £31 billion), where we can capture pricing dislocations across geographies, ratings and sectors. This is a sustainable source of recurring management actions, due to the dynamic nature of markets which will always create opportunities for us to enhance our risk adjusted returns. For instance, in 2023, our asset management team completed c.$1 billion of bond rotations to and from sterling and dollar bonds, to enhance our risk adjusted returns and generate management actions.

Our annuity asset allocation approach is another key area and this includes the rapid

Taking action to reach net zero by 2050

In 2023 we published our first Net Zero Transition Plan. This recognises the impact we can have as the UK's largest long-term savings and retirement business and puts the needs of our customers at its centre. We are focused on managing the risks whilst maximising the opportunities of climate change for customers. One of the key actions that we can take towards net zero is to invest in climate solutions, but there are currently a number of barriers limiting both supply and demand of finance. That is why we partnered with campaign group Make My Money Matter to publish a report which outlined seven strategies for policymakers and regulators to unlock greater investment by the UK pensions industry.

See our **Unlocking Climate Solutions report**

deployment of new business BPA transition asset portfolios, that are received from corporates. Here we can reinvest these individual portfolios, which are typically cash and gilts, into higher yielding liquid credit, and deliver enhanced risk adjusted returns. We also have a significant medium-term opportunity for recurring actions as we trade-up to our long-term illiquid asset allocation. Over the long-term we will also be able to source a wider range of illiquid assets through both our expanding strategic partnerships and the in-house direct origination capability we have now built.

There is also a range of ongoing balance sheet efficiency actions available to us over time, including the regular ongoing capital model efficiencies we can deliver, as our risk profile changes and regulations evolve.

Looking forward, we are very confident that we can deliver a growing level of recurring management actions to c.£400million per annum by 2026. This is supported by the further c.£100 million investment we are making to enhance our asset and liability optimisation capabilities and the strong growth we expect across our business.

Using our scale to help create a better future

Our certification as a signatory to the UK Stewardship Code in 2023 is a clear statement of our intent to manage the Environmental, Social and Governance ('ESG') risks to which our business is exposed through active stewardship. We continue to be committed to integrating decarbonisation strategies into our portfolios.

We see this commitment as essential to managing the risk 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 have worked with leading index providers to design customised equity benchmarks which will apply a decarbonisation tilt to our policyholder listed equity portfolio, with implementation commencing in 2024 and continuing in 2025.

Building on the progress with decarbonising our policyholder assets, in 2023 we developed a decarbonisation strategy for our £12.5 billion shareholder corporate credit portfolio[1]. We intend to increase investments in net zero-aligned assets to 40–50% of this portfolio by 2025, and 50–70% by 2030.

Finally, we exceeded our 50–70% target with 87% of our illiquid asset origination in the shareholder portfolio that are sustainable or transition assets in 2023[2]

Maintaining a resilient balance sheet

The high levels of cash generated in our business not only gives us the ability and flexibility to invest but also to maintain a resilient balance sheet.

In line with recent years, we plan to continue our approach of repaying M&A-related debt with surplus cash, and intend to repay at least £500 million of debt by the end of 2026. This will support us in targeting a Solvency II leverage ratio of c.30%[3] by the end of 2026.

Priorities for 2024

- Enhance our asset and liability optimisation capabilities to support recurring management actions of c.£400m per annum by 2026
- Continued diversification of our asset portfolio and build-out of our directly sourced illiquid asset capability
- Begin deleveraging our balance sheet towards our c.30% Solvency II leverage ratio target by the end of 2026
- Ensuring that we remain on track to meet our 2025 and 2030 interim targets on our way to net zero by 2050

1 AUA as at year-end 2021.
2 For definition of sustainable and transition assets see: Sustainable Finance: Classification Framework for Private Markets.
3 Assuming economic conditions in line with 31 December 2023.

Our strategic priorities and KPIs continued

Enhance

Transforming our operating model and culture

2023 highlights

- Completion of one of the largest ever UK Insurance Part VII transfers, of Standard Life and Phoenix Life
- Continued customer migrations to TCS Diligenta's BaNCS platform
- Launched Phoenix Flex, our new approach to flexible working

c.700k
Customers migrated to TCS Diligenta in 2023

+32
Colleague engagement employee Net Promoter Score (2022: +30) REM

Enhancing our operating model and culture are key to our success.

We do this by completing our planned integrations and migrations, and through driving simplification to a single, Group-wide operating model that benefits both our customers and our colleagues. This supports us in delivering a seamless 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 integrations and migrations
M&A activity and any subsequent integrations have historically created the most significant opportunities to enhance our operating model, above and beyond the management actions we take on a recurring basis to optimise the business.

In November we reached a significant milestone by completing the Part VII transfer of Standard Life[1] and Phoenix Life Assurance Limited businesses into Phoenix Life Limited. This was one of the largest UK insurance Part VII transfers ever completed, bringing together the businesses of four legal entities, comprising c.8 million policies and c.£200 billion[2] of assets into a single entity.

We have a number of Part VII transfers in our plans as a result of other previous acquisitions, including ReAssure and Sun Life of Canada UK. However, we are not expecting a similar scale of benefit for those Part VII transfers, as the business mixes are relatively similar to Phoenix Life Limited.

During the year we successfully completed the migration of another c.700,000 Phoenix Life customers from Capita to TCS Diligenta's BaNCS platform. We're now well over half way through this project with a total of over 1.2 million policies moved to BaNCS from the nearly 2 million in scope.

We also delivered another significant milestone on our journey towards harmonised investment administration processes, as we migrated £12.3 billion of Phoenix Wealth Funds (c.700 funds) from our Investment Operations centre to HSBC Security Services. The objective was to harmonise our internal oversight model whilst ensuring the accurate and timely delivery of unit pricing, a key component in the end-to-end servicing of all our Pension and Savings unit linked products. This allows us to deliver better value to our customers and shareholders by simplifying complex processes and systems.

Creating a way of working that works for our colleagues

We know that people are generally looking for flexibility in the way they work as they navigate different stages of their life. We also recognise the importance of having a diverse intergenerational workforce.

Phoenix Flex, our new approach to flexible working, is a key enabler by encouraging and celebrating flexibility at work, embracing our differences and helping each of us to thrive. It can help those people raising families, those with caring responsibilities and those who are phasing up or down in their career.

Continued migrations and driving scale efficiencies

Looking forward, we will continue to progress our remaining migrations across Standard Life, ReAssure and Sun Life of Canada UK.

In addition, as we progress on our strategic journey we are very focused on being more effective and more efficient across our organisation, from both a customer and colleague perspective. This next phase is about building off the success of what we've had, taking the best from both 'Heritage' and 'Open' to create something new and improved.

We will therefore invest c.£500 million in our migration, transformation and cost efficiency programmes across 2024–2026, with around c.£300m having been guided to previously.

Importantly, these programmes will deliver cost efficiencies at scale as we bring together all of our businesses onto a single Group-wide operating model. Integral to this will be delivering further Group cost efficiency activities, such as a range of organisational and governance simplification actions, and product and supplier rationalisation.

Our focus on driving cost efficiencies will support c.£250 million of annual cost savings by the end of 2026. Importantly, these cost savings will flow through to all of our key metrics, across our financial framework of cash, capital and earnings.

Creating the best place any of us have ever worked

At Phoenix Group we want to be the best place any of us have ever worked, which means we need to provide a great colleague experience. To support this ambition we implemented Phoenix Flex earlier this year. This is our new approach to flexible working, empowering all of our colleagues to agree the flexible working arrangements that work for them and their teams.

We also want Phoenix Group to reflect the customers we serve and the communities we operate in, and so we are striving to make sure our workplace is diverse. Building a diverse workforce allows us to attract the best talent, broaden our skill sets and widen our thinking. We made strong progress against our end-of-2023 Diversity, Equity and Inclusion targets although we did fall short on our gender diversity in senior leaders target; see pages of 32 and 33 of our Sustainability report for more detail.

We report on our colleague engagement through an employee Net Promoter Score ('eNPS'), a broadly used and holistic metric that indicates how colleagues feel about working for Phoenix. We ended 2023 with an eNPS score of +32, our highest ever eNPS score and +2 higher than our end-of-year 2022 score.

Priorities for 2024

- Progress our ongoing migrations to Diligenta's BaNCS platform
- Deliver initial cost savings as we simplify our operating model

1 Standard Life refers to Standard Life Assurance Limited and Standard Life Pension Funds Limited.
2 Year end 2022 values.

Business review

Delivering sustainable cash generation

In 2023 we have once again delivered a year of strong performance, as we execute on our strategy and fulfil our purpose.

We have delivered another year of resilient cash generation, with £2.0 billion of total cash generated in 2023, exceeding our upgraded target of c.£1.8 billion. With £5.2 billion delivered across 2021 to 2023, we have also therefore over-delivered our three-year cash generation target of £4.4 billion, by c.£0.8 billion.

We saw a strong performance in our growth businesses, which increased our incremental new business long-term cash generation ('NB LTCG') by 23% year-on-year to £1,514 million, and therefore have achieved our 2025 target two years early. This was supported by new business net fund flows that grew 72% to £6.7 billion (2022: £3.9 billion).

Our Shareholder Capital Coverage Ratio ('SCCR') of 176% remains towards the upper-end of our operating range of 140–180%, but reduced given our investment into growth, as well as our integration and transformation expenses. Similarly, our Solvency II ('SII') surplus reduced to £3.9 billion, but remains resilient.

A strong performance in 2023

Key financial performance metrics:		2023	2022	YOY change
Cash	Total cash generation	£2,024m	£1,504m	+35%
New business	Incremental new business long-term cash generation	£1,514m	£1,233m	+23%
	Net fund flows	£6.7bn	£3.9bn	+72%
Dividends	Total dividend per share	52.65p	50.8p	+3.6%
	Final dividend per share	26.65p	26.0p	+2.5%
IFRS	Adjusted operating profit before tax[1,2]	£617m	£544m	+13%
	Loss after tax[1,2]	£(88)m	£(2,657)m	N/A
Solvency II capital	PGH Solvency II surplus	£3.9bn	£4.4bn	-11%
	PGH Shareholder Capital Coverage Ratio	176%	189%	-13%pts
Assets	Assets under administration	£283bn	£259bn	+9%
Leverage	Solvency II leverage ratio	36%	34%	+2%pts

1 2022 restated comparative to reflect adoption of IFRS 17
2 Incorporates changes to the Group's methodology for determining adjusted operating profit since Half Year 2023 (see Note B.1 to the consolidated financial statements for further details).

Our strong overall performance this year has therefore enabled the Board to recommend a dividend increase of 2.5% for the year.

In terms of our IFRS earnings, the Group's adjusted operating profit grew 13% to £617 million, supported by 27% growth in our Pensions and Savings business and an 8% increase in our Retirement Solutions business. While we reported an IFRS loss after tax of £88 million, this was a £2,569 million improvement on 2022. The loss in 2023 was primarily driven by £(781) million of non-operating items, as outlined on page 36.

The segmental information given reflects the Group's new operating segments, further information is provided in note B.1 on page 180.

Clear strategic progress

We have made significant strategic progress in delivering sustainable organic growth. In Pensions and Savings, our Workplace business continues to see an attractive retention rate with existing clients but is also now winning new larger schemes. Our Retail business remains in net outflow, but we have a clear strategy to address this over the coming years, by investing to deliver compelling customer propositions.

The progress we have made in executing our strategic priorities has enabled us to deliver a strong set of results in 2023, and supported the Board's decision to recommend a 2.5% increase in the Final 2023 dividend.

Rakesh Thakrar,
Group Chief Financial Officer

In Retirement Solutions, we continue to adopt a disciplined approach to Bulk Purchase Annuities ('BPA') and have been successful in reducing our capital strain. In September, we also launched a new individual annuity product, our first that is available in the open market.

From an M&A perspective, we successfully completed the acquisition of Sun Life of Canada UK ('SLOC') in April with the integration progressing well.

In summary, 2023 has been another year of clear strategic progress, that has supported the delivery of a strong set of results.

We continue to deliver sustainable and resilient cash generation, which underpins our new progressive and sustainable ordinary dividend policy. Our Solvency capital position also remains highly resilient, and can support the investment to grow, optimise and enhance our business going forward.

An evolved financial framework for the next phase of our journey

We are introducing our evolved financial framework that focuses on the three financial outcomes we deliver for our shareholders: cash, capital and earnings.

Phoenix has always managed its business for cash and capital, but our evolved key metrics provide clearer line of sight to the underlying business performance and more comparability with peers. We are also elevating the importance of IFRS earnings in our framework, following the transition to IFRS 17.

The key metrics we use can be seen here

Our key performance indicators

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. The IFRS results are discussed on pages 36 to 37 and the IFRS financial statements are set out from page 164 onwards.

Alternative performance measures

In prioritising the generation of sustainable cash flows from our operating companies, performance metrics are monitored where they support this strategic purpose, which includes ensuring that the Solvency II capital strength of the Group is maintained. We use a range of Alternative Performance Measures ('APMs') to evaluate our business, including the below. Please see the APM section on page 312 for further details.

Total cash generation

Cash generation represents the total cash remitted from the operating entities to the Group, supported by the Operating Cash Generation (see below) and the release of free surplus above capital requirements in the Life companies, which is generated through margins earned on life and pension products and the release of capital requirements, and Group tax relief. This cash generation is used by the Group to fund expenses, interest costs and shareholder dividends, with any surplus then available to reinvest into organic and inorganic growth opportunities.

Operating Cash Generation

Operating Cash Generation ('OCG') is a new reporting metric. It represents the sustainable level of cash generation in our life companies each and every year, that is remitted from our underlying business operations. It comprises 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 one strain for fee-based business), group tax relief and recurring management actions. In addition, it includes a small cash contribution from the release of the Capital Management Policy that we hold in our Life Companies. The measure provides the sources of recurring organic cash generated which can be used to support sustainable cash remittances from the Life Companies, which in turn supports the Group's dividend, group costs and debt interest as well as funding investment to generate sustainable growth.

Incremental new business long-term cash generation

Incremental new business long-term cash generation is a key metric for measuring growth. It represents the operating companies' cash generation that is expected to arise in future years as a result of new business transacted in the period.

New business net fund flows

Represents the aggregate net position of assets under administration inflows less outflows for new business.

Adjusted operating profit

The Group uses 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 (as illustrated on page 36) and non-recurring items than IFRS profit. A more detailed definition of adjusted operating profit is set out on page 312.

Solvency II

Solvency II is a key metric by which the Group makes business decisions and measures capital resilience. It is a regulatory measure that prescribes the measurement of value on a Solvency II basis and the calculation of the solvency capital requirement ('SCR'). The excess value above the SCR is reported as both a financial amount, 'Solvency II surplus', and as a ratio 'Solvency II Shareholder Capital Coverage Ratio ('SCCR')'.

Solvency II leverage

The Group seeks to manage the level of debt on its balance sheet by monitoring its financial leverage ratio. 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.

Cash

£2,024m
Total cash generation REM APM

£1,514m
Incremental new business long-term cash generation REM APM

Group cash flow analysis

£m	2023	2022
Cash and cash equivalents at 1 January	**503**	**963**
Total cash generation[1]	**2,024**	**1,504**
Uses of cash:		
Operating expenses	(97)	(78)
Pension scheme contributions	(16)	(16)
Debt interest	(229)	(244)
Non-operating cash outflows	(111)	(395)
Debt repayments	(350)	(450)
Debt issuance	346	–
Shareholder dividend	(520)	(496)
Total uses of cash	**(977)**	**(1,679)**
Support of BPA activity	(288)	(285)
Cost of Sun Life of Canada UK acquisition	(250)	–
Closing cash and cash equivalents at 31 December	**1,012**	**503**

1 Total cash receipts include £219 million received by the holding companies in respect of tax losses surrendered (2022: £55 million).

Total cash generation
Cash generation represents cash remitted by the Group's operating companies to the holding companies. Please see the APM section on page 312 for further details of this measure.

Cash generation is principally used to fund the Group's operating costs, debt interest and repayments, investment into growth and shareholder dividends. Excess cash is available for investment into the business and/or additional shareholder returns.

The cash flow analysis that follows reflects the cash paid by the operating companies to the Group's holding companies, as well as the uses of those cash receipts.

Cash receipts
Total cash generated by the operating companies during 2023 was £2,024 million (2022: £1,504 million). This exceeded the Group's upgraded target of c.£1.8 billion for the year, due to additional management actions being delivered.

Uses of cash
Operating expenses of £97 million (2022: £78 million) represent corporate office costs, net of income earned on holding company cash and investment balances. The increase compared to 2022 reflects the investment we have made in our Group capabilities to support our growth strategy,

Debt interest of £229 million (2022: £244 million) reflects interest paid in the period on the Group's debt instruments. The decrease year-on-year is due to the repayment of debt in July 2022.

Non-operating cash outflows were £111 million (2022: £395 million). This primarily comprises centrally funded projects and investments totalling £307 million. Of this, £129 million relates to Group project expenses for the transition activity in relation to legacy platform migrations, £18 million for other ongoing integration programmes including ReAssure and SLOC, £56 million of investment related to our growth propositions, and £12 million for our Finance Transformation. These costs were partially offset by a £196 million inflow in respect of net collateral cash and hedge close-outs.

Debt repayments and issuance in 2023 reflect the debt re-terming exercise we undertook in the fourth quarter.

The shareholder dividend of £520 million represents the payment of £260 million in May for the 2022 Final dividend and the payment of the 2023 Interim dividend of £260 million in September.

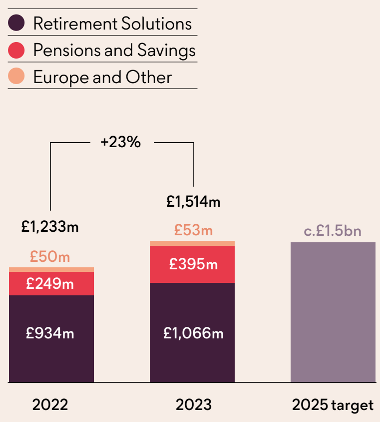
Funding of £288 million (2022: £285 million) has been provided to the Life companies to support another strong year in BPA with £6.2 billion of premiums written (2022: £4.8 billion). The Group's success in further optimising its capital efficiency is reflected in the reduction of the Group's capital strain on BPA to 2.7% (2022: 3.2%) on a pre-Capital Management Policy ('CMP') basis, including the benefit of the Solvency II reform risk margin reduction. This enabled the Group to write increased NB LTCG but with a similar level of capital invested.

Incremental new business long-term cash generation
NB LTCG reflects the impact on the Group's future cash generation arising as a result of new business transacted in the year. It is stated on an undiscounted basis.

In 2023 we delivered another record year of organic new business growth including NB LTCG of £1,514 million (2022: £1,233 million), enabling us to achieve our 2025 target two years early.

Strong growth in our capital-light fee-based business, Pensions and Savings, led to a contribution of £395 million (2022: £249 million). Our disciplined approach in a buoyant BPA market drove an increase in NB LTCG in our Retirement Solutions business to £1,066 million (2022: £934 million). Europe and Other contributed £53 million (2022: £50 million).

Strong incremental new business long-term cash generation



Introducing Operating Cash Generation

As part of our evolved financial framework we are introducing Operating Cash Generation ('OCG') as a new alternative performance metric to demonstrate the long-term sustainability of our cash generation.

OCG is the combination of the operating surplus emerging and recurring management actions. It represents the sustainable surplus generation remitted from our Life Companies to the Group Holding Company. OCG can be easily reconciled to operating surplus generation ('OSG'), with the bridge being the small release of the Capital Management Policy ('CMP') held in our Life companies.

OCG totalled £1.1 billion in 2023, comprising £0.8 billion of surplus emergence and £0.3 billion of recurring management actions.

Outlook

We will grow OCG sustainably over the long term through investing our surplus cash across our three strategic priorities of Grow, Optimise and Enhance.

We will Grow by investing c.£100 million into our growth propositions and by continuing to grow our annuities business with c.£200 million of capital invested annually. This will support strong growth across our Pensions and Savings and Retirement Solutions businesses.

As we Optimise, we will deliver recurring management actions of c.£400 million per annum by 2026, supported by c.£100 million investment in our asset and liability optimisation capabilities and as our business grows.

As we Enhance our business, we will continue to migrate customers and drive through cost efficiencies that will deliver c.£250 million of annual cost savings by the end of 2026.

Together these will increase OCG by c.25% from £1.1 billion in 2023 to £1.4 billion in 2026. After which we expect it to grow at a sustainable mid-single digit growth rate over the long term.

Future sources and uses of total cash generation

While OCG is our new primary metric, total cash generation remains very important, as we invest across our strategic priorities.

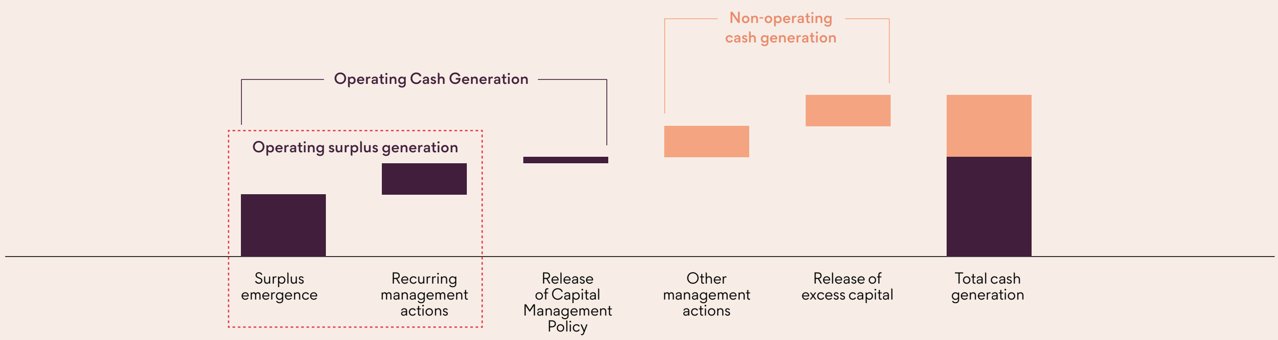
We have set a new total cash generation target of £4.4 billion across 2024–2026, that will enable us to cover our recurring uses, pay our growing dividend and invest in our business.

We expect to generate c.£3.7 billion of OCG over this period, which will more than cover our recurring uses and our planned investment of capital into annuities each year.

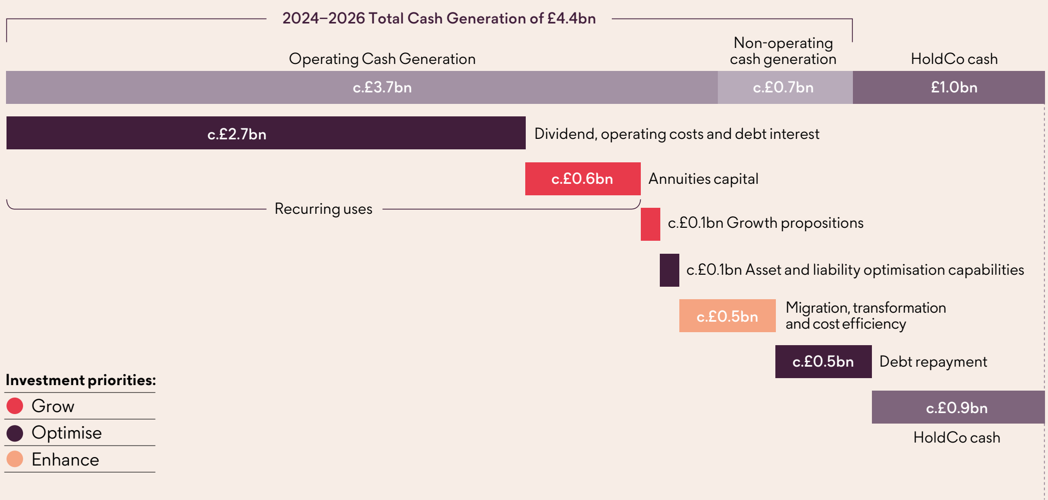
In addition we expect to generate a further c.£0.7 billion of non-operating cash generation across 2024–2026 comprising other management actions and the release of historic excess capital that has built up in our Life Companies. That provides us with a significant amount of surplus cash that we can invest across our strategic priorities.

Our HoldCo cash position is a healthy £1 billion today, which we expect to remain broadly consistent over 2024 to 2026.

We are introducing Operating Cash Generation as a new metric to demonstrate the long-term sustainability of our business model



Operating Cash Generation is expected to more than cover our recurring uses and generates surplus to invest into our business



Capital

£3.9bn

Group Solvency II surplus (estimated)

176%

Group Solvency II shareholder capital Coverage Ratio (estimated) APM

Capital management

A Solvency II capital assessment involves a valuation in line with Solvency II principles of the Group's Own Funds and a risk-based assessment of the Group's Solvency Capital Requirement ('SCR').

The Group's Own Funds differ materially from the Group's IFRS equity for a number of reasons, including the recognition of future shareholder transfers from the With-Profits funds and future management charges on investment contracts, the treatment of certain subordinated debt instruments as capital items, and a number of valuation differences, most notably in respect of insurance contract liabilities, taxation and intangible assets.

Group Solvency II capital position

Our Solvency II capital position remains strong and resilient, with a surplus of £3.9 billion (2022: £4.4 billion), after the accrual for the deduction of our 2023 Final dividend of £267 million. Our SCCR reduced marginally to 176% (2022: 189%) but remains towards the upper-end of our 140–180% operating range, providing the capacity to continue investing to grow, optimise and enhance our business.

Change in Group Solvency II surplus and SCCR

Operating surplus generation increased the SII surplus by £1.1 billion, contributing to an increase in the SCCR of 27%pts. This was comprised of our ongoing surplus emergence which increased the SII surplus by £0.8 billion during the year and recurring management actions of £0.3 billion.

Other management actions increased the SII surplus further by £0.4 billion and added 16%pts to the SCCR.

Operating costs, debt interest and dividend totalled £0.9 billion, reducing the SCCR by 19%pts.

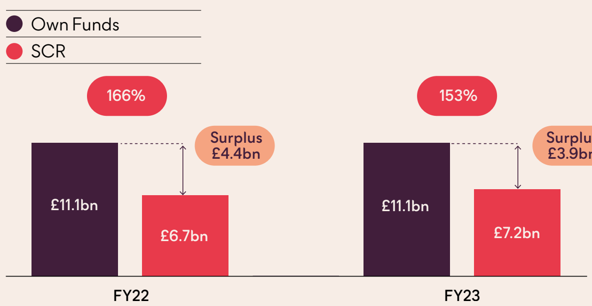
We have also chosen to invest £0.4 billion of surplus capital into growth. This includes £0.3 billion of capital investment to fund £6.2 billion of BPA premiums written in the year, reducing the SCCR by 10%pts, and £0.1bn of investment into our organic growth propositions, reducing the SCCR by a further 3%pts.

Our comprehensive hedging strategy is designed to protect our capital position. In 2023 this led to a small adverse impact from economic variances of £(0.3) billion on our Solvency II surplus. This included a £(0.1) billion adverse impact from unhedged gilt-swap spread movements, as well as adverse currency movements and some other smaller adverse impacts.

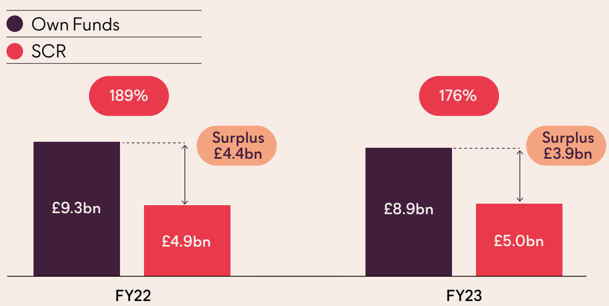
We are on track for the effective date for Consumer Duty on back-book products in July. Our ongoing focus on ensuring good outcomes for Heritage customers means we have identified only a small number of products that we believe need addressing in advance of the compliance date. We have set aside a prudent c.£70 million of Solvency II capital to reflect the impact of the possibility of introducing further charging caps on certain products, reducing the SCCR by 2%pts.

Other movements include the benefit of the Solvency II risk margin reform and favourable longevity assumption changes. These were offset by the strengthening of expense provisions associated with our transformation projects, in addition to a net adverse impact arising on the completion of the SLOC acquisition. Overall, these movements decreased Solvency II surplus by £0.3 billion and the SCCR by 13%.

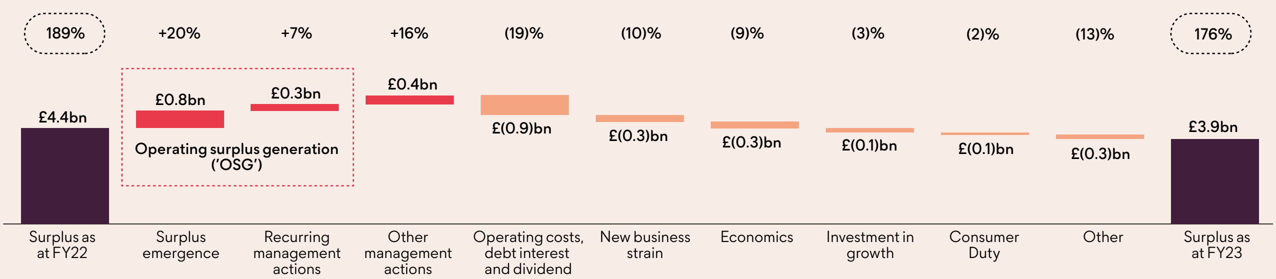
£3.9 billion Group Regulatory Solvency II surplus



£3.9 billion Group Shareholder Solvency II surplus



2023 change in Group Solvency II surplus



Sensitivity and scenario analysis

As part of the Group's internal risk management processes, the Own Funds and regulatory SCR are regularly tested against a number of financial scenarios. The table provides illustrative impacts of changing one assumption while keeping others unchanged and reflects the business mix at the balance sheet date. Extreme market movements outside of these sensitivities may not be linear. While there is no value captured in the Group stress scenarios for recovery management actions, the Group does proactively manage its risk exposure. Therefore in the event of a stress, we would expect to recover some of the loss reflected in the stress impacts shown.

Unrewarded market risk sensitivities

We have a low appetite to equity, interest rate, inflation and currency risks, which we see as unrewarded, i.e. the return on capital for retaining the risk is lower than for hedging it. In order to stabilise our Solvency II surplus, we regularly monitor risk exposures and use a range of hedging instruments to remain within a Board-approved target range. Equity risk primarily arises from our exposure to a variation in future management fees on policyholder assets exposed to equities, while our currency exposure primarily arises from our foreign currency denominated debt. Our interest rate exposure principally relates to our shareholder credit portfolio, while our inflation exposures arises from both cost inflation expectations and inflation-linked policies.

Rewarded market risk sensitivities

We do however retain the credit risk in our c.£38 billion shareholder credit portfolio, and property risk in equity release mortgages, where we see these risks as rewarded. The shareholder credit assets are primarily used to back the Group's annuity portfolio. Exposure to these risks is needed to back growth in the Group's annuity portfolio. Stress testing is used to inform the level of risk to accept and to monitor exposures against risk appetite. We actively manage our portfolio to ensure it remains high quality and diversified, and to maintain our sensitivities within risk appetite. Our portfolio is c.99% investment grade and we have suffered no defaults, testament to the proactive approach taken by our in-house asset management team.

We also remain conservative in our property exposure. We have c.£4.5 billion of our credit portfolio exposed to equity release mortgages, which are all UK-based with an average rating of AA and average loan-to-value ('LTV') of 33%, and c.£1.1 billion in commercial real estate which is high quality and all UK-based with an average LTV of 47%. The full sensitivity we focus on for credit is a full letter downgrade of 20% of our credit portfolio, which is £(0.3) billion and is therefore small relative to the Group's £3.9 billion Solvency II surplus.

Estimated impact on PGH Solvency II[1]	Surplus £bn	SCCR %
Solvency II base	3.9	176
Equities: 20% fall in markets	0.1	5
Long-term rates: 100bps rise in interest rates[2]	0.1	6
Long-term rates: 100bps fall in interest rates[2]	(0.1)	(5)
Long-term inflation: 50bps rise in inflation[3]	(0.1)	(1)
Property: 12% fall in values[4]	(0.2)	(5)
Credit spreads: 135bps widening with no allowance for downgrades[5]	(0.2)	(4)
Credit downgrade: immediate full letter downgrade on 20% of portfolio[6]	(0.3)	(9)
Lapse: 10% increase/decrease in rates[7]	(0.1)	(1)
Longevity: 6 months increase[8]	(0.4)	(8)

1 Illustrative impacts assume changing one assumption on 1 January 2024, 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 Assumes the impact of a dynamic recalculation of transitionals and an element of dynamic hedging which is performed on a continuous basis to minimise exposure to the interaction of rates with other correlated risks including longevity.
3 Rise in inflation: 15yr inflation +50bps.
4 Property stress represents an overall average fall in property values of 12%.
5 Credit stress varies by rating and term and is equivalent to an average 135bps spread widening. It assumes the impact of a dynamic recalculation of transitionals and makes no allowance for the cost of defaults/downgrades.
6 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.
7 Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups.
8 Only applied to the annuity portfolio.

Managing demographic risks

We have three key demographic risks – lapse risk from early surrenders, longevity risk on our annuity portfolio and mortality risk on our protection book. We manage lapse risk through our strong customer proposition. Our longevity risk principally arises from our annuity book, but this is managed through reinsurance. We retain around half of this risk across our current in-force book, and reinsure most of this risk on new business. Mortality risk arises from our protection business and we seek to manage this as part of a well-diversified portfolio.

Life Company Free Surplus

Life Company Free Surplus represents the Solvency II surplus for the Life Companies that is in excess of their Board-approved CMPs. It is this Free Surplus from which the Life Companies remit cash to Group. We retain a significant Life Company Free Surplus of £2.2 billion which provides resilience to the Group's long-term cash generation.

Solvency II capital outlook

We maintain a 140–180% SCCR operating range, which reflects our low sensitivity to economic volatility due to our comprehensive hedging.

We have been at the top-end of our range for the past three years, but will invest some of this surplus as we transform our business, with the investment more front-end weighted across 2024–2026. In addition, our intention to repay at least c.£500 million of debt by the end of 2026 will also reduce our SCCR over the coming years.

Leverage

We manage our leverage position by considering a range of factors including our cash interest cover, the interplay of our balance sheet hedging, and our capital tiering headroom. It also includes a number of output metrics that we monitor, such as the Fitch leverage ratio and Solvency II leverage ratio.

Our approach to leverage has always been to increase leverage to support M&A and then pay down that debt with surplus cash as it emerges. Since 2020 the Group has repaid c.£800 million of debt through this approach.

As at 31 December 2023, our Solvency II leverage ratio was 36% (2022: 34%). This increased in 2023, largely due to our investment in growth, integration and transformation. The Group's Fitch leverage ratio was 23% compared to full year 2022 on a restated basis of 23%, and is favourably below Fitch's stated range of 25–30% for an investment grade credit rating.

We plan to continue our approach of repaying M&A-related debt with surplus cash, and subject to regulatory approval, we intend to repay at least £500 million of debt by the end of 2026, including the £250 million Tier 2 bond that is callable in June 2024. This will support us in achieving a c.30%[1] Solvency II leverage ratio by the end of 2026. This is a steady-state level of leverage that we will believe is the appropriate for our business, absent M&A.

1 Assuming economic conditions in line with 31 December 2023.

Earnings

£617m
Adjusted operating profit before tax APM

£4.6bn
Adjusted shareholders' equity APM

IFRS profit and loss statement	2023	2022[1,2]
Pensions and Savings	£190m	£150m
Retirement Solutions	£378m	£349m
With-Profits	£10m	£54m
Europe and Other	£132m	£60m
Corporate Centre	£(93)m	£(69)m
Adjusted operating profit before tax	**£617m**	**£544m**
Investment return variances and economic assumption changes	£147m	£(3,309)m
Amortisation and impairment of intangibles	£(322)m	£(353)m
Other non-operating items	£(439)m	£(262)m
Finance costs	£(195)m	£(199)m
Profit before tax attributable to non-controlling interest	£28m	£67m
Loss before tax attributable to owners	**£(164)m**	**£(3,512)m**
Tax credit attributable to owners	£76m	£855m
Loss after tax attributable to owners	**£(88)m**	**£(2,657)m**

1 2022 restated comparative to reflect adoption of IFRS 17.
2 Incorporates changes to the Group's methodology for determining adjusted operating profit since Half Year 2023 (see note B1 to the consolidated financial statements for further details).

IFRS results

IFRS (loss)/profit is a GAAP measure of financial performance and is reported in our statutory financial statements on page 164 onwards. Adjusted operating profit before tax is a non-GAAP financial performance measure based on expected long-term investment returns. It is stated before amortisation and impairment of intangibles, other non-operating items, finance costs and tax. Please see the APM section on page 312 for further details of this measure. On 1 January 2023, the Group adopted the new accounting standard, IFRS 17: 'Insurance Contracts', with comparatives restated from 1 January 2022. IFRS 17 requires a company to recognise profits as it delivers insurance services (rather than when it receives premiums) and to provide information about insurance contract profits the company expects to recognise in the future. The impact of the transition to IFRS 17 is set out in note A2.1.

IFRS loss after tax attributable to owners

The Group generated an IFRS loss after tax attributable to owners of £88 million (2022: loss of £2,657 million). The improvement versus 2022, primarily reflects a £3,456 million improvement in economic variances due to a much lower level of market volatility in the period, particularly interest rates. This has been partially offset by an increase in non-operating items as a result of our investment into growth in the period and ongoing migrations and transformation.

Basis of adjusted operating profit

Adjusted operating profit is based on expected investment returns on financial investments backing business where asset returns accrue to the shareholder and surplus assets over the reporting period, with allowance for the corresponding expected movements in liabilities (being the interest cost of unwinding the discount on the liabilities). Adjusted operating profit includes the unwind of the Contractual Service Margin ('CSM') and risk adjustment attributable to the shareholder. The principal assumptions underlying the calculation of the long-term investment return are set out in note B 2.1 to the IFRS consolidated financial statements.

Adjusted operating profit includes the effect of variances in experience relating to the current period for non-economic items, such as mortality and expenses. It also incorporates the impacts of asset trading optimisation and portfolio rebalancing where not reflected in the discount rate used in calculating expected return. Any difference between expected and actual investment return, along with other economic variances described further in note B1.1 are shown outside of adjusted operating profit. Adjusted operating profit is net of policyholder finance charges and policyholder tax.

Adjusted operating profit

The Group increased adjusted operating profit by 13% to £617 million (2022: £544 million). This primarily reflects strong growth in our Pensions and Savings business, which delivered adjusted operating profit of £190 million, an increase of 27% year-on-year (2022: £150 million). This was largely driven by higher AUA resulting in increased charges, and an improved margin through operating leverage.

Our Retirement Solutions business delivered an adjusted operating profit of £378 million (2022: £349 million). The 8% increase year-on-year primarily reflects a higher expected investment margin as a result of higher risk-free rates. The positive impact of BPA new business on CSM amortisation has offset the run-off of the remaining annuity book despite the phasing of a significant proportion of new business in late 2023.

With-Profits adjusted operating profit declined to £10 million (2022: £54 million) principally as a result of the run-off of this business and the adverse impacts of modelling refinements in the period.

Europe and Other adjusted operating profit increased to £132 million (2022: £60 million). This segment includes the expected investment margin from surplus assets within shareholder funds, which has increased due to the significant increases in interest rates over 2022. This has been partially offset by a reduction in CSM amortisation following the strengthening of the mortality assumptions on our Protection business.

The Group's Corporate Centre includes net operating costs in the period of £93 million (2022: £69 million), which increased due to investment in central functions to support our growth ambitions in the first phase of our journey, partially offset by increased interest income on Holding Company cash.

Investment return variances and economic assumption changes

The net positive economic variances of £147 million (2022: £3,309 million loss) results from a more stable market environment compared with the significant volatility experienced during 2022. The impact of positive changes to discount rates, primarily on annuities and including the impact of methodology refinements, more than offsets the losses arising from the impact of positive equity market movements on the hedges the Group holds to protect the Solvency II position. As the full value of future profits impacted by equity markets is not held on the IFRS balance sheet, this results in an 'over-hedged' position on an IFRS basis.

Amortisation and impairment of intangibles

The previously acquired in-force business, relating to IFRS 9 accounted capital-light fee-based products, is being amortised in line with the expected run-off profile of the investment contract profits to which it relates. The amortisation and impairment of acquired in-force business during the period of £316 million (2022: £347 million) has decreased year-on-year reflecting the impact of the business run-off. Amortisation and impairment of other intangible assets totalled £6 million in the period (2022: £6 million).

Other non-operating items

Other non-operating items in the period totalled a £439 million loss (2022: £262 million loss), inclusive of a £66 million gain recognised on the Sun Life of Canada UK acquisition. This includes £169 million expenditure to support our growth strategy and £36 million impact from setting up a new European subsidiary that was required post-Brexit to continue serving some of our overseas Heritage customers.

Other items include £217 million of costs relating to finance transformation activities, £111 million in respect of ongoing integration, transition and transformation projects, £12 million of other corporate project costs, and net other one-off items totalling £74 million, including costs associated with the Part VII transfer of three of the Group's Life insurance entities.

Lastly, finance costs of £195 million reflect interest borne on the Group debt instruments and were broadly stable year-on-year (2022: £199 million).

Tax charge attributable to owners

The Group's approach to the management of its tax affairs is set out in its Tax Strategy document which is available in the corporate responsibility section of the Group's website. The Group tax credit for the period attributable to owners is £76 million (2022: £855 million tax credit) based on a loss (after policyholder tax) of £(164) million (2022: loss of £(3,512) million).

A reconciliation of the tax charge is set out in note C8 to the Group financial statements.

Contractual Service Margin ('CSM')

The CSM represents a stock of future profits that will unwind into the P&L in future years.

The Group had a CSM (gross of tax) of £2.9 billion as at 31 December 2023, which grew by 10% in 2023 (2022: £2.6 billion) primarily due to new BPA business written, the acquisition of the SLOC in 2023, interest accretion and assumption changes, which was partly offset by the CSM release into the income statement.

The CSM release in the period represents c.8% of the closing CSM (gross of tax) pre release of £3.1 billion. We expect the release of the CSM (gross of tax) to be c.5–7% over time, primarily driven by annuities.

Assets under administration

AUA provides an indication of the potential earnings capability of the Group arising from its insurance and investment business, whilst AUA flows provide a measure of the Group's success in achieving growth from new business.

Group AUA as at 31 December 2023 was £282.5 billion (2022: £259.0 billion), an increase of 9% year-on-year. This increase was primarily driven by an £18.7 billion benefit from positive market and other movements and £8.0 billion relating to the SLOC acquisition. Net inflows in Workplace, Retirement Solutions, Europe and Other were £4.7 billion, £3.3 billion and £0.3 billion respectively, but these were offset by £1.6 billion of outflows in Retail and £9.9 billion of legacy outflows.

Outlook

The investments we are making across our strategic priorities will support strong growth in our IFRS adjusted operating profit before tax over the next few years.

We are targeting £900 million of IFRS adjusted operating profit in 2026, up from £617 million in 2023, reflecting a c.50% increase. This includes the majority of the £250 million cost savings as well as the impact of our organic growth and management actions.

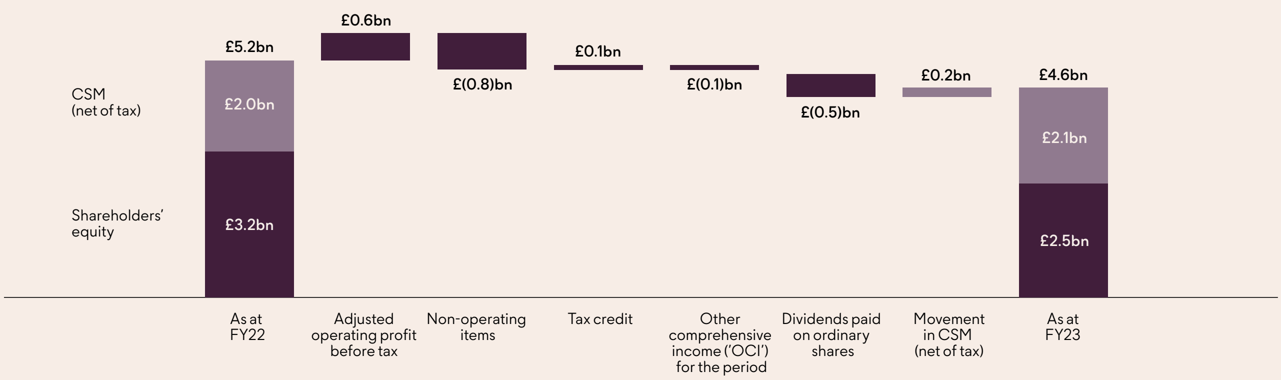
We have an elevated level of non-operating costs at present, but we expect these to normalise after we are through our three-year investment programme. We have also suffered significant headwinds to shareholders equity from adverse economics over the past two years, primarily related to the significant rise in long-term interest rates and rise in equities. While future economic impacts are hard to forecast, we would expect to see some unwind of this adverse impact if interest rates return to normalised levels. We would also earn higher revenue from higher asset values in our Pensions and Savings business.

The other below the line items are more predictable and while we expect our shareholders' equity to decline over the coming years, we expect it to remain positive over the long term.

Our adjusted shareholders' equity, inclusive of the CSM, will remain broadly stable near-term and then begin to grow. Supported by strong CSM growth from our annuities business and other management actions.

As a reminder, our Group consolidated shareholders' equity is not a constraint to the payment of our dividends. This is because our dividends are paid from the Phoenix Group Holding Company, which is not impacted by IFRS 17 and has c.£4.6 billion of distributable reserves.

Movement of IFRS adjusted shareholders' equity over 2023



Note: Numbers in the graph above do not sum due to rounding.

Capital allocation

52.65p
Total 2023 dividend per share

+2.5%
Final 2023 dividend increase

2023 dividend increase

Phoenix has demonstrated a strong dividend track record over the past 13 years, with a c.4% compound annual growth rate ('CAGR') since 2011. Our strong strategic and financial performance in 2023 has supported a 2.5% recommended increase in the Final 2023 dividend to 26.65p per share, taking the Total dividend to 52.65p per share.

New capital allocation framework for the next phase of our journey

As we embark on the next stage of our journey, we are outlining a new capital allocation framework.

There are two key underpins to our framework. The first is that we will operate a progressive and sustainable ordinary dividend policy. The second is that we will maintain our strong and resilient balance sheet, by operating within a 140–180% Shareholder Capital Coverage Ratio range.

We will seek to balance the investment of our 2024–2026 surplus capital across our strategic priorities of grow, optimise and enhance.

In our Grow strategic priority, we will invest c.£100 million into developing our growth propositions and c.£200 million of capital per annum to grow our annuities.

In our Optimise strategic priority, we will continue our approach of repaying M&A-related debt using surplus cash, with an intention to repay at least £500 million of debt by the end of 2026. This will support a Solvency II leverage ratio of c.30%[1] by the end of 2026.

We will also invest c.£100 million into our asset and liability optimisation capabilities to support recurring managements over the long term.

In our Enhance strategic priority, we will invest c.£500 million on migration, transformation and cost efficiency programmes bringing our businesses onto a single Group-wide operating model that will further enhance our cost efficiency.

Additional surplus capital, over and above these committed investments, will be allocated to the highest return opportunities. This could include additional investment into growth, further deleveraging, M&A, and/or additional capital return to shareholders.

New progressive dividend policy

The Board has evolved Phoenix's dividend policy to reflect the confidence it has in the Group's strategy. The Group will now operate a progressive and sustainable ordinary dividend policy.

The Board will continue to 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 will continue to prioritise the sustainability of our dividend over the very long term. Future dividends and annual increases will continue to be subject to the discretion of the Board, following assessment of longer-term affordability.

Capital allocation framework:

- Operate a progressive and sustainable ordinary dividend policy
- Strong and resilient balance sheet: 140–180% Shareholder Capital Coverage Ratio operating range

2024–2026 investment priorities:

Invest to grow	Invest to optimise	Invest to enhance
• c.£100m into growth propositions • c.£200m of capital per annum into annuities	• Debt repayment of at least £500m by the end of 2026 • c.£100m to enhance our asset and liability optimisation capabilities	• c.£500m of migration, transformation and cost efficiency investment

Surplus capital allocation approach:

Allocate surplus capital to the highest return opportunities

- Investment into growth
- Further deleveraging
- M&A
- Return capital to shareholders

1 Assuming economic conditions in line with 31 December 2023.

Outlook

Growing Operating Cash Generation that more than covers our recurring uses and supports our new progressive and sustainable ordinary dividend policy.

Looking ahead
Our purpose is to help people secure a life of possibilities. The continued execution against our three strategic priorities of Grow, Optimise and Enhance, will support us in delivering strong financial outcomes for our shareholders.

Clear financial outcomes for shareholders
We have a new set of ambitious 2026 targets, across our evolved financial framework of cash, capital and earnings.

Starting with cash, Phoenix has set three new cash generation targets. The first is that we expect Operating Cash Generation to grow to £1.4 billion in 2026, a c.25% increase from 2023. This growth underpins our Total cash generation target, with a one-year target for 2024 of £1.4–1.5 billion, and a three-year target of £4.4 billion across 2024–2026.

Our cash targets demonstrate our confidence in our ability to deliver sustainable, growing cash generation over time.

In terms of capital, we will continue to maintain a strong Solvency II balance sheet through our comprehensive hedging approach. This will see us continue to operate within our Solvency II SCCR operating range of 140–180% and continue to manage our key individual risk sensitivities on a Solvency II surplus basis.

Our intention to repay at least £500 million of debt by the end of 2026. This will support us on our path towards a c.30% Solvency II leverage ratio by the end of 2026, which is an appropriate steady-state level for our business absent M&A.

Turning to earnings, we are targeting IFRS adjusted operating profit to grow c.50% to £900 million in 2026, as we grow, optimise and enhance our business. This will include the majority of the c.£250 million of annual cost savings we aim to deliver by the end of 2026.

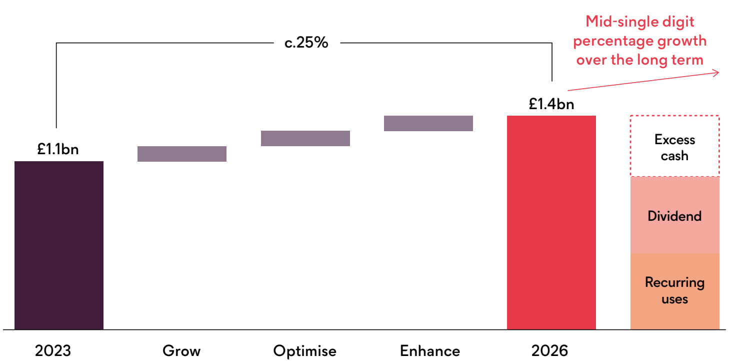
We expect the improving macroeconomic outlook, with interest rates and inflation normalising, to support our future growth ambitions and targets.

Delivering against the targets across our evolved financial framework of cash, capital and earnings, in turn supports our new progressive and sustainable ordinary dividend policy.

2024 will be another exciting year for Phoenix Group on our journey and as we continue to deliver on our purpose and our strategy.

Rakesh Thakrar
Group Chief Financial Officer

Growing Operating Cash Generation supports our new progressive dividend policy



Phoenix Group's new dividend policy
The Group operates a progressive and sustainable ordinary dividend policy

We have a clear set of supporting targets:

Cash

- £1.4 billion Operating Cash Generation in 2026
- £4.4 billion of Total cash generation across 2024–2026
- £1.4-to-£1.5 billion of Total cash generation in 2024

Capital

- 140–180% Shareholder Capital Coverage Ratio operating range
- Solvency II leverage ratio of c.30% by the end of 2026

Earnings

- Targeting £900 million of IFRS adjusted operating profit in 2026
- c.£250m of annual cost savings by 2026

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 and sustainability information as required by the regulations. Other related information can be found as follows:

For further details on our business model see pages **20 to 23**.

For further details on our climate-related financial disclosures see our TCFD statement on pages **44 to 45**.

For further details on our principal risks and how they are managed, see pages **46 to 57**.

	Environment	Colleagues
Our policies	Phoenix Group is committed to protecting the environment; the health and wellbeing of our colleagues and the customers and communities in which we operate. We aim to reduce the impact on the environment from our operations, and our Environmental Management System certified to ISO 14001 will help us achieve this. We aim to demonstrate leadership in minimising 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, undertaking effective stewardship of our assets, and investing in climate solutions. We are working with decision makers and peers to driver wider system change, and engaging customers and colleagues on climate action. Our environmental strategy focuses on four key areas: Our Net Zero Commitment – We are committed to addressing climate change and limiting global warming to 1.5°C. Our objective is for our operations to be net zero by 2025. Waste and Recycling – We will implement sustainable waste management practices including the removal of all single use plastics from our operations by 2030. Conservation – We are committed to supporting conservation in our communities. Employee Engagement – We will support colleague understanding of environmental issues and promote engagement in environmental action. We have a range of policies including our Group Environmental policy, Environment Risk policy, Our Approach to Integrating Environmental, Social and Governance Considerations and Sustainability Risk policy. In addition, an exercise is ongoing to update all Group risk policies to consider sustainability matters.	The Group's Human Resources ('HR') policy defines people risk, which, if unmanaged, could result in a reduction in earnings or value, through financial or reputational loss. 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. We create a sense of belonging, so colleagues feel connected to our purpose and values, empowered to make a difference, and motivated and proud to be part of our story. 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 2023[1]:

Board members[1]	Female	5	36%
	Male	9	64%
Senior managers[2]	Female	31	32%
	Male	66	68%
All employees[3]	Female	3,986	51%
	Male	3,771	49%
Senior managers and their direct reports[4]	Female	129	41%
	Male	161	59%

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 85.

	Environment	Colleagues
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. We work with our key suppliers to develop best practice carbon management, including science-based net zero targets.	Adherence to the HR policy is managed by Group HR via quarterly control assessments. Furthermore, during 2023, control testing was integrated as part of the Risk Management Framework and HR controls will now additionally be tested on a cyclical basis. 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	Read more about our net zero and climate-related reporting commitments and KPIs on pages 44 to 45 and our sustainability actions in our 2023 Sustainability Report and Climate Report. Our GHG emissions and energy consumption disclosure can be found in the ESG data appendix.	Other relevant colleague engagement, including Diversity, Equity and Inclusion data can be found on pages 32 to 33 as well as in the 'Supporting our colleagues' and 'Diversity, equity and inclusion' sections of our 2023 Sustainability Report.
For further information	• Our sustainability policies: www.thephoenixgroup.com/our-impact/responsible-business/reports-policies/	• 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	Human rights	Anti-bribery and corruption
Customers Phoenix Group's Customer Outcomes Risk policy covers the Customer Lifecycle which includes customer experience and vulnerable customer support, to ensure good outcomes are being achieved in line with regulatory requirements. The Group continually improves communications with customers to prevent any potential barriers during their interactions with us in relation to their policy, empowering them to make informed decisions should they wish to take any actions. Processes and controls are in place, facilitating ongoing customer monitoring and oversight, to support the delivery of good customer outcomes. **Suppliers** Our ESG Supply Chain Standards reinforce our commitment to embedding sustainable best practice into our supply chain operations, so that our partners are aligned with Phoenix Group's values and commitments. We are looking to all our partners and suppliers to implement requirements and targets which reflect our own standards as a minimum. 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 supply chain, 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 supporting 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 of their choosing 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.	At Phoenix Group, 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. During 2023 we published our Human Rights policy, which is Group-wide, and 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.	Phoenix Group has a zero-tolerance policy to bribery and corruption in all its forms. Phoenix Group is committed to countering bribery and corruption with suitable policies and procedures. This includes, for example: • a Group Financial Crime Prevention Policy that covers Anti-Bribery and Corruption risk; • a Code of Ethics for ethical behaviour and general standards; • a Group Stewardship policy which details our stewardship approach; and • mandatory training for our employees covering compliance with the Bribery Act. 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 Whistleblowing policy, prompting colleagues to disclose information where they believe wrongdoing, malpractice or risk exists across any of Phoenix Group's operations.
Our Data Protection Officer monitors compliance with the GDPR and DPA 2018 and owns the Group Privacy policy and 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. We manage a comprehensive programme of continuous improvement to our Information Security Framework collaborating with industry experts and the UK authorities to embed best practices throughout. The Group is well positioned to resist cyber-attacks with no significant cyber-related incidents in 2023, and there was no compromise to our data as a result of any cyber events within our supply chain. 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.	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. We continue to identify and assess the salient human rights issues that we intend to prioritise for further action across our operations and value chain as part of our due diligence processes. This two-year 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.	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.
Information on our customer satisfaction scores and initiatives can be found on page 25 in our 2023 Sustainability Report. Information on relevant supply chain metrics and communities metrics can be found in our 2023 Sustainability Report.	During 2023 the Group effectively resolved all colleague disputes and as a result has not been subject to any adverse employment tribunals judgements or awards. Reporting on our salient human right issues, actions, and progress to align with the UNGPs through our annual sustainability report.	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.
• Privacy policy: www.thephoenixgroup.com/site-services/privacy-hub/ • ESG Supply Chain Standards: www.thephoenixgroup.com/media/oynbf12x/esg-supply-chain-standard.pdf • Community Statement: www.thephoenixgroup.com/media/pfmo132f/community-statement/	• Phoenix Group 2023 Modern Slavery Statement: www.thephoenixgroup.com/media/bgdokpfp/phoenix_modern_slavery_statement_2023.pdf • Phoenix Group 2023 Human Rights policy: www.thephoenixgroup.com/media/x2hnlgkq/human_rights_policy_2023.pdf	• Governance: www.thephoenixgroup.com/investors/governance/ • Anti-bribery statement: www.thephoenixgroup.com/investors/governance/anti-bribery/

Streamlined Energy and Carbon Reporting ('SECR') statement

Greenhouse gas ('GHG') emissions and energy consumption disclosure

This is Phoenix Group's Streamlined Energy and Carbon Reporting ('SECR') statement on the Group's UK and global energy consumption and GHG emissions for the financial year 1 January 2023 to 31 December 2023, and the 2022 comparative year. Emissions disclosed here relate to energy consumption, facilities and activities where the Group has operational control[1].

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.

Reported data relates to occupied premises in UK, Ireland, Germany, Austria, and Bermuda, where the Group procures energy. Where energy consumption is sub-metered to tenants and in occupied assets that the Group does not directly own or operate (i.e., serviced offices), GHG emissions fall into Scope 3 reporting, whereas all other landlord-obtained consumption remains as Scope 1 or 2 emissions.

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.

This year, market-based emissions have shifted above location-based as the primary measure of GHG emissions to focus on the actual carbon impact of energy consumption. This recognises the organisation's actions to procure renewable electricity through robust contractual agreements.

An exclusion has been made under business travel for the Group's owned fleet, whereby no data was recorded in 2023 for two electric vans that were transferred out of the Group's control in August 2023. It is estimated that this would account for less than 0.1% of Scope 1 GHG emissions.

Energy consumption and greenhouse gas emissions[2]

Table 1: Absolute energy consumption in GWh

Consumption (GWh)[1] from:	2023	2022
Building Electricity	22.6	24.1
Building Natural Gas	16.2	18.7
Business Travel[3]	0.1	0.4
Homeworking Electricity	1.6	1.5
Homeworking Natural Gas	24.3	22.9
Total Consumption	**64.8**	**67.6**

1 Energy units: 1 GWh = 1,000,000 kWh.

1 EY has provided limited assurance over a selection of our 2023 ESG metrics, including operational Greenhouse gas emissions. For the full scope of assured ESG metrics please refer to our Sustainability Report on page 47 for EY's Assurance Statement.
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) does not include air, taxi or rail due to lack of applicable conversion factors for this data, however GHG 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:	2023		2022	
	(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	2,433	2,433	2,684	2,684
Scope 2 – Electricity purchased for landlord shared services and own use (purchase of heat, steam and cooling not applicable)	23	3,856	7	4,437
Scopes 1 + 2 – Mandatory carbon footprint disclosure	**2,456**	**6,289**	**2,692**	**7,121**
Scope 3 – Category 3: Fuel and Energy Related Activities (T&D)	310	310	356	356
Scope 3 – Category 6: Business Travel	2,746	2,746	1,149	1,149
Scope 3 – Category 7: Employee Commuting (incl. Homeworking Emissions)	5,083	4,884	4,847	4,631
Scope 3 – Category 8: Upstream Leased Assets	762	1,579	2,018	1,826
Scope 3 – Category 13: Downstream Leased Assets	0	242	0	313
Scopes 1 + 2 + 3 – Voluntary carbon footprint	**11,357**	**16,050**	**11,062**	**15,395**
Carbon Offsets Purchased[2]	**1,870**		**1,994**	

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 – 2023 factors will not be published until late 2024. Therefore all 2023 consumption data are converted using the factors actually arising in 2019 (except business travel which uses DEFRA factors as published in 2023).
2 Carbon Offsets Purchased relate to Phoenix Group's natural gas procured for and consumed within its directly managed sites, which is certified as 'carbon neutral' by the supplier.

Commentary on Phoenix Group's performance

Overall, in 2023 there was 38.9 GWh of Phoenix Group global energy consumption (building energy and business travel in employees or company owned vehicles) as shown in Table 1, 95% of which was from UK operations. This is a slight decrease on the 43.2 GWh of global energy consumption reported in 2022 and is primarily due to the impacts of ongoing energy efficiency actions being recognised. The de-occupation and closure of multiple sites in 2022 has also contributed to this decrease. Furthermore, 25.9 GWh of energy consumption from employee homeworking has been estimated in 2023, of which 92% occurred within the UK. This is a slight increase compared to 2022, which has been primarily driven by a small reduction in office attendance for Group employees in 2023.

The Group's GHG emissions (location-based Scope 1 and 2, per Table 2) have decreased 12% in 2023. In contrast, business travel has seen a significant increase of 139% over the same period, which is a result of the return to in-person activities, as business continues to return to normal following the COVID-19 pandemic and virtual ways of working. A refreshed travel carbon reduction plan is in progress to address this increase.

The Group continues to procure approximately 100% of its electricity from certified renewable sources, which is why market-based Scope 2 emissions are significantly less than the location-based emissions as shown in Table 2. To recognise the importance of addressing remaining carbon emissions which cannot yet be eliminated, the Group has continued to purchase gold standard certified carbon avoidance offsets for natural gas consumed in its owned and occupied assets. Whilst exact data is unavailable, this has been estimated as 1,870 tCO_2e in 2023.

Energy intensity metrics

The Group's chosen operational intensity metrics detail GHG emissions per occupied floor area (m^2) and per full-time employee ('FTE') in occupied premises (Table 3). The methodology to establish whether buildings should be included in the intensity metric only covers occupied 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 per occupied floor area and per 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.

The m^2 intensity has continued to decrease in 2023, which is the result of the Group's ongoing efforts to improve energy efficiency and reduce its impact on the environment through its operations, as described below in the Energy Efficiency Action section.

The FTE intensity metric has also continued to decrease, with a 13% reduction in the location-based intensity metric and a 15% decrease in the market-based intensity metric. As of 2023, market-based emissions are the Group's primary intensity metric, as this recognises the impact of renewable energy on the Company's transition to net zero.

In February 2023, approximately 1,222 colleagues in Standard Life House were TUPE transferred to TCS/Diligenta. To reflect this change more accurately, these staff have been retained within the FTE number as they are undertaking work exclusively for Phoenix Group, which is contractually obliged to provide them with space. Using the previous methodology, which does not include these additional FTEs, the Group's market and location-based FTE intensity metrics in 2023 were 0.35 tCO_2/FTE and 0.75 tCO_2/FTE, respectively. However, using the new methodology, the Group's market and location-based FTE intensity metric in 2023 is 0.29 tCO_2/FTE and 0.63 tCO_2/FTE, respectively. These figures represent a significant reduction compared to 2022, highlighting the progress made by the Group to improve its efficiency and reduce GHG emissions.

Table 3: Phoenix Group's chosen intensity measurement

Emissions (kilogrammes and tonnes) of CO_2e per chosen intensity metric:	2023		2022	
	(market-based)	(location-based)	(market-based)	(location-based)
Scope 1+2 emissions from occupied premises per floor area (kg CO_2e/m^2)	**24**	51	**26**	57
Scope 1+2 emissions from occupied premises per full-time equivalent employee (tCO_2e/FTE)	**0.29**	0.63	**0.34**	0.73

Energy efficiency action (climate change actions)

To maximise the environmental impact of capital expenditure, spending has been prioritised based on the potential carbon impact of projects across the operational estate. As in previous years, projects were often undertaken in offices that need to stay operational throughout the year; thus, the work has been phased over a number of years. This means that energy and carbon savings may fluctuate depending on the extent of works conducted in a particular year.

The following is a selection of key projects and actions undertaken by the Group in 2023:

- Completed the final stage of the Wythall PV integrated glass roof project, which is now generating at full capacity.
- Consolidated facilities management service providers, allowing for a more optimised and efficient workstream to target energy and carbon saving projects with dedicated contract energy professionals.
- Began the process for collecting more frequent energy data across the estate to measure, monitor and identify energy saving measures more accurately.
- Achieved ISO 14001 certification, providing an effective structure to allow for continual improvement in relation to our premises' environmental performance.

In line with the Group's Eliminate-Reduce-Substitute-Compensate carbon reduction model, applicable opportunities will continue to be reviewed. Additionally, further technological solutions are being investigated to continue to facilitate and improve remote collaborations between colleagues, enabling the Group to reduce business travel.

Building improvement works will continue as needed to include efficiency measures such as improved controls (to switch unnecessary equipment and lighting off), more efficient equipment, and improved building fabric where necessary.

Previous year actions:

- Continued to roll out higher efficiency LED lighting across applicable buildings, ensuring that any new installations are the most energy efficient available by default.
- Upgraded building control systems to allow for greater flexibility and operational efficiency.
- Upgraded fans and retrofitted inverter controls within ventilation systems.
- Replaced inefficient gas boilers in two buildings. This has resulted in gas consumption savings of 1,950 MWh per year over the applicable buildings.
- Feasibility studies and design work continue to assess options for heat pumps, electric boilers or hybrid combinations to replace gas boilers in two applicable properties.

Task Force on Climate-Related Financial Disclosures ('TCFD') – summary report

The Group fully supports the recommendations of the TCFD and has published a Climate Report – prepared in line with the recommended disclosures of the TCFD – to allow all stakeholders to better understand the impact of climate-related risks and opportunities on the Group and how these are measured and managed.

TCFD compliance summary

We continue to disclose in line with the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), in compliance with the Financial Conduct Authority ('FCA') Listing Rule 9.8.6R(8). The Group has obtained limited assurance on certain figures presented in the Climate Report – further information on page 63.

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 publish a standalone Climate Report which is available on our Group website.

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 or the Climate Report, where further information relating to our compliance with the each of the TCFD recommendations can be found.

In response to FCA guidance 9.8.6FG, we have also published a standalone Net Zero Transition Plan which sets out our approach to achieving net zero across our business by 2050.

For more information see our **Climate 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; the Board Sustainability Committee monitors performance against the Group's sustainability strategy, including climate; and the 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 and Group Board committees. • The Board met seven times and all meetings considered climate-related matters discussed at relevant committees.	Climate Report pages 21 – 22
b. describe management's role in assessing and managing climate-related risks and opportunities.	• Management have 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 ('SMF's) have been assigned responsibilities for climate-related financial risk under the Senior Managers and Certification Regime. • 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').	Climate Report pages 23 – 24

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 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 II; 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 indentified 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.	Climate Report pages 26 – 27
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 businesses 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 risk on Group assets; and shifts in consumer behaviours driven by environmental concerns.	Climate Report pages 26 – 34

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 2C 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 two quantitative scenarios are from the Network for Greening the Financial System ('NGFS') Phase III: an orderly transition to net zero by 2050 which starts immediately (1.5°C or below); and a delayed transition to net zero (2°C or below). 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 threats to the Group.	Climate Report pages 35 – 39

Risk management

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

Recommended disclosure	Summary of progress	Further information
a. describe the organisations 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 are 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 emerging risk processes.	Climate Report pages 41 – 43
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 supply chain; scenario analysis; and the monitoring and measurement of climate metrics.	Climate Report pages 26 – 34
c. describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisations 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 a top-down and bottom-up perspective 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.	Climate Report pages 41 – 43

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 industries; proportion of investee companies that have set science-based targets. • Physical risk metrics are being determined to understand which sectors and geographies are susceptible to physical risk. • 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 track the impact of efficiency initiatives undertaken within Group buildings. • Our Scope 3 (purchased goods and services and capital goods) have been indicatively modelled using spend data alongside average industry emissions factors and enhanced with supplier data.	Climate Report pages 45 – 57 SECR pages 42 – 43
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 2023 are as follows: • Investment portfolio (financed) emissions: 18.1 $MtCO_2e$^ (for assets footprinted at year-end 2023). • Operations emissions: 11,357 tCO_2e (Scopes 1, 2 and 3, voluntary carbon footprint, market-based). • Supply chain emissions: 124,943 tCO_2e (indicatively modelled emissions based on supplier spend data). • A phased approach has been taken to measuring the baseline of the Group's investment portfolio. The baseline will continue to be expanded to cover the assets in scope of our 2030 interim target.	Climate Report pages 45 – 57 SECR pages 42 – 43
c. describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• Ambitious targets have been set across the Group's investment portfolio, operations and supply chain to help navigate progress towards meeting the Group's net zero by 2050 ambition. • Targets include: net zero business by 2050; net zero investment portfolio and supply chain by 2050; net zero operations by 2025; a 25% reduction in investment portfolio emissions by 2025; and at least a 50% reduction by 2030. • Scenario analysis indicates that the Group is on track to achieve its 2025 targets under most scenarios, if the actions committed to are implemented. • Achieving set targets beyond 2025 is less certain as the Group will become increasingly dependent on decarbonisation in the wider economy and actions by others, in particular government, regulators and high transition risk sectors.	Climate Report pages 45 – 57 SECR pages 42 – 43

Our Risk Management Framework

The Group's Risk Management Framework ('RMF') seeks to ensure that all material risks are identified, assessed, controlled, monitored and managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities. The RMF is an enabler to delivering the Group's risk strategy; to take rewarded risks that are understood, managed effectively and consistent with its purpose and strategy.

The RMF is aligned to the principles of the International Organization for Standardizations' ('ISO') risk management guidelines, ISO 31000.

The nine components of the RMF are outlined in the diagram below, with further information in the sections below.

Risk Management Framework

Risk environment

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

Geopolitical risk remains most prominent. Tensions in the Middle East have escalated, and whilst the Group has low exposure to assets heavily influenced by the price of gas and oil, it is closely monitoring impacts to inflation or interest rates which may occur from disruption to Red Sea shipping. The Group's Stress and Scenario testing programme continues to consider a range of adverse circumstances to help the Group and its Life Companies determine any actions needed to respond to economic pressures.

The regulatory change agenda continues to have potentially significant implications for the Group achieving its strategic priorities. The Group is supportive of the Solvency II reforms and continues to engage in industry consultations as the draft regulations are refined. Progressing key tasks on the implementation plan for the Financial Conduct Authority's ('FCA') new Consumer Duty is another key area of focus, which is well aligned to the Group's purpose of helping customers achieve a life of possibilities. The Group supports the FCA's Sustainability Disclosure Requirements ('SDR') and investment labelling requirements and has mobilised a project to ensure its practices align with the new regulations. Additionally, work is underway to provide a response to the FCA following the Advice Guidance Boundary Review consultation paper. The Group recognises the importance of this review, which aligns well to the Group's purpose and strategy.

The Group monitors developments across the political environment and engages with political parties, regulators and industry bodies on reforms which could help people live better, longer lives. In order to support customers on their journey to and through retirement, the Group places significant focus on monitoring and managing sustainability risks, including climate change, to ensure ongoing resilience over the long term to such risks.

The Group remains alert to the risk of cyber-attacks which could impact the Group or its strategic partners directly, or indirectly via impact to customers and colleagues should state infrastructure be targeted.

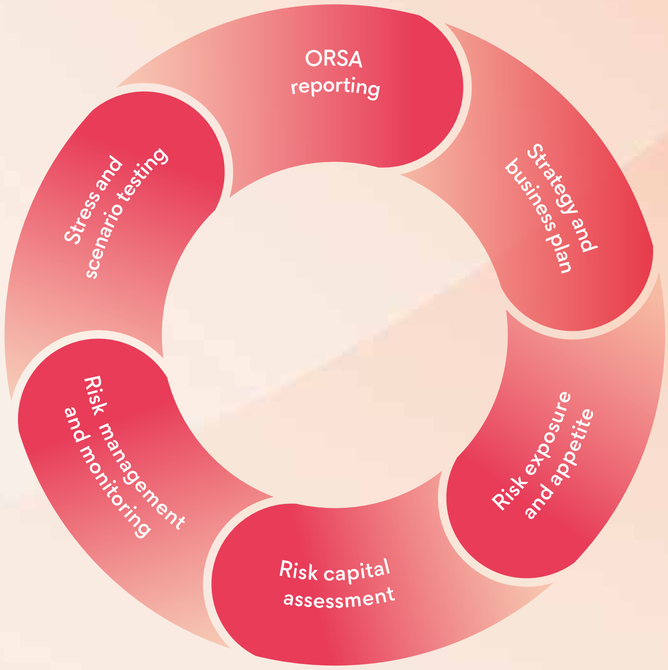
Own Risk and Solvency Assessment ('ORSA')

The ORSA plays an important role in supporting strategic decision-making and strategy development at the Group's Boards and Risk Committees. It provides:

- a linkage between strategy, risk, capital and stress testing, as well as the effectiveness of management actions required to meet strategic objectives;
- processes to identify, assess, control and monitor risks that the Group faces;
- an understanding of current and potential risks to the business, including financial and non-financial risks under base and stressed scenarios;
- the Group's agreed appetite to accept these risks and how it manages them; and
- a forward-looking internal assessment of the Group's solvency position in respect of its current risk profile and how it is likely to change with the proposed business plans, strategy, or changes in the external environment.

ORSA processes are run regularly throughout the year and operate within the Group's ORSA cycle outlined to the right. The Group's ORSA cycle brings together interlinked risk management, capital and strategic processes.

ORSA process cycle



Risk strategy and culture

Risk strategy

The Group's risk strategy is to take rewarded risks that are understood, managed effectively and consistent with its purpose and strategy.

The Group's risk strategy supports a more stable, well-managed business with improved customer, shareholder, colleague and societal outcomes in line with Phoenix Group' strategy.

The Group achieves its overall purpose and strategy goals not by avoiding risks, but through the identification and management of an acceptable level of risk (the Group's 'risk appetite') which ensures that it is appropriately rewarded for the risks that are taken. To help bring focus to the risks that it seeks to mitigate, the Group has categorised its Risk Universe into 'Fundamental', 'Consequential – Active' or 'Consequential – Passive'.

Risk culture

The Group defines its vision for risk culture as an environment that supports informed decision-making and controlled risk-taking. Through nurturing a good risk culture, the business can foster innovation, embrace change, and strategically differentiate itself from its competitors.

This vision is supported by the Group's Risk Culture Framework, which articulates an ambition to support colleagues to demonstrate attitudes and behaviours that are in line with this vision through comprehensive measurement and proactive management.

A Risk Culture Report is provided to Phoenix Group's Board Risk Committee twice a year, capturing qualitative observations from across the business and a dashboard of quantitative data to measure the Group's risk culture and identify areas for improvement.

Risk appetite

Risk appetite is used to define the amount of risk that the Group is willing to accept in the pursuit of enhancing customer and shareholder value and the attainment of strategic objectives.

The Group's risk appetite statements establish the amount and type of risk that the Group is willing to take in order to meet our strategic objectives, and are a key tool in balancing the interests of different stakeholders. The Group's Risk Appetite Framework operates using a three tiers approach to cascade the Board's risk appetites through to lower level risk policies. The Risk Appetite Framework is reviewed on an annual basis.

The following Board-approved risk appetite statements are adopted by the Group:

Capital – The Group and each Life Company will hold sufficient capital to meet business requirements, including those of key stakeholders in a number of Board-approved asset and liability stress scenarios.

Liquidity – The Group and each Life Company will seek to ensure that it has sufficient liquidity to meet its financial obligations under a range of Board-approved scenarios.

Shareholder Value – The Group only has appetite for risks that are rewarded, adequately understood and managed; and deliver added value. The Group will take action to deliver shareholder value in line with the Group's strategy and financial targets.

Control – The Group, including all legal entities, will protect the interests of our customers, employees, shareholders and other stakeholders by operating a robust control environment that meets the requirements of the approved controls objectives for all risks within the Group's Risk Universe.

Risk management continued

Conduct – The Group acts to deliver good outcomes for customers and maintains high conduct standards in line with regulatory, customer and market expectations. If good outcomes and/or high conduct standards are not being delivered, the Group will put it right in a fair and prompt manner. The standards all colleagues are expected to achieve are detailed in our Group Code of Conduct. The Group takes breaches of our code seriously and they may result in disciplinary action being taken. The Group has no tolerance for deliberate misconduct.

Sustainability – The Group seeks to be a leader in informing system change on the key sustainability issues linked to our purpose and strategy. We want to use our position in the market to drive positive change for customers and wider society over the long term. Our Sustainability Strategy is designed to take advantage of sustainability opportunities and manage sustainability risks in a way that is transparent, affordable, and aligned with good customer outcomes and regulatory requirements.

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 comprehensive set of 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, assessed, managed, monitored and reported through the Group's RMF processes. The Risk Universe presents the complete set of risks across the Group in increasing levels of granularity, i.e. Level 1 risks are the high level risk categories, Level 2 risks are the components of these categories and, in some instances, Level 3 risks are included, where considered necessary, as sub-components. The Group treats its Conduct Strategy and sustainability risk management as cross-cutting risks that impact all aspects of the Risk Universe.

Risk policies

The Group Risk Policy Framework 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 either Level 1 or Level 2 Risk Universe categories to ensure complete coverage of all material risks.

The Group Risk Policy Framework 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.

Quantitative and qualitative appetite limits are chosen which specify the acceptable likelihood for breaching the agreed risk appetite statements (for example, less than x% chance of a breach in regulatory capital) and assessment against appetite targets is undertaken through scenario testing.

Breaches of appetite are corrected through management actions where appropriate. The effective use of risk mitigation techniques, such as reinsurance, hedging and outsourcing, are key to ensuring the Group remains within risk appetite, and are described in the relevant Group risk policies.

A Group Conduct Strategy and Sustainability 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.

Governance and organisation

The RMF delivers a consistent three lines of defence model with clearly defined roles and responsibilities for all components. Risk accountability and ownership are embedded in the first line, with first line assurance 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 policies, risk appetite statements, risk profile and any relevant emerging risks.

Group Risk conducts an annual assessment of the effectiveness of each function in the business in adhering to the requirements of the RMF. This provides assurance to Management and the Boards that the RMF has been implemented consistently and is operating effectively across the Group. 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.

First line: Management

Management of risk is delegated from the Board to the Group Chief Executive Officer, the Executive Committee ('ExCo') members and through to business managers. The first line is responsible for implementation of the RMF, ensuring risks to the Group and its customers, shareholders, colleagues and society are identified, assessed, controlled, monitored, managed and reported.

Second line: Risk oversight

Independent oversight of risk management is provided by the Group Risk function through advice, guidance, review, challenge, opinion and assurance; its views are reported to the Board Risk Committee.

Group Risk's purpose and responsibilities are set out in the Risk Mission, Mandate and Plan, which is presented to the Board Risk Committee for approval annually.

Third line: Independent assurance

Independent verification of the adequacy and effectiveness of internal controls and risk management is provided by the Group Internal Audit function. Each annual audit plan includes focus on different components of the RMF, and each individual audit provides an opinion on the Control Environment and RMF Operation for the area in focus. Following each audit, ratings and output are reported to the Board Audit Committee.

The Governance framework in operation throughout the Group can be found in the chart overleaf.

Emerging risk

The Group defines an emerging risk (or opportunity) as an event that is perceived to be potentially material but is not yet fully understood. Emerging risks could either be novel or connected with existing risks but where the context, conditions and/or constraints are subject to material changes.

The distinction between a current risk and an emerging risk predominantly relates to the amount of available information, with fewer details available for emerging risks meaning that likelihood and severity impacts are more uncertain. Emerging risks or opportunities do typically take longer to crystallise, but in many cases immediate actions are needed so that risks can be pre-emptively mitigated, or opportunities can be fully maximised.

Regular conversations at Board level help to drive out potential new risks and opportunities, pulling on the collective expertise and experiences of senior individuals. It is a requirement under the Strategic Risk policy for business unit or function management Boards and ExCo to receive an emerging risks and opportunities dashboard at regular intervals and be asked to consider whether any item should be considered within existing strategic ambitions.

Strategic risk management

Strategic risks threaten the achievement of the Group's purpose and strategy. The Group recognises that core strategic activity brings with it exposure to strategic risk, however it seeks to proactively identify, manage and monitor these exposures. A Strategic Risk policy is maintained and reported against regularly, with a particular focus on risk management, stakeholder management and corporate activity and against the Life Companies' and Group's strategic ambitions.

Risk and capital models

The Group uses a partial Internal Model for calculation of its solvency capital requirement. A continuous process is followed for identification and assessment 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, 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 II requirements. The Internal Model output is used within the 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.

Risk control processes and reporting

Identification, assessment, measurement, management and reporting of risks, including learning lessons from incidents, is undertaken across the three lines of defence, and is reported through business and management governance to the relevant Boards and Committees.

The Group uses the Governance and Compliance Manager ('GCM') system, allowing colleagues across the three lines of defence to identify and report any potential emerging or material risks formally, enabling suitable owners to be assigned to manage these risks and facilitates tracking to closure.

Principal risks and uncertainties facing the Group

The Group's principal risks and uncertainties are detailed in this section, together with their potential impact, mitigating actions in place and any change in risk exposure since the Group's 2022 Annual Report and Accounts, published in March 2023.

A principal risk is a risk or combination of risks that can seriously affect the performance, future prospects or reputation of the Group, including risks that would threaten its business model, solvency or liquidity. The Board Risk Committee has carried out a robust assessment of principal risks and emerging risks. As a result of this review, the 13 risks noted in the Group's 2022 Annual Report and Accounts have been retained. The articulation of the principal risks related to transitioning acquired businesses and Environmental, Social and Governance ('ESG') has been refined to reflect the evolution of how these risks could impact the Group. The overall level of risk exposure for ESG risks is now reported as 'Heightened' for the first time since introduction in 2019, in recognition of the external headwinds which could impact the Group's ability to effectively manage sustainability risks.

Both strategic and operational risk categories contain multiple principal risks; risks in these categories are broadly ordered for their relevance to enabling the Group to achieve its strategic priorities.

Further details of the Group's exposure to financial and insurance risks and how these are managed are provided in note E6 and F11 to the IFRS consolidated financial statements.

Strategic priorities

Grow

Optimise

Enhance

Impact	Mitigation	Change from 2022 Annual Report and Accounts
Strategic risk **The Group fails to deliver long-term organic cash generation in line with its Annual Operating Plan**		
Confidence in the Group might be diminished if it fails to deliver organic cash generation in line with targets shared, particularly as the Group seeks to support people by offering a wide range of solutions to help customers journey to and through retirement.	The Group's business unit structure brings focus and accountability. The key areas of growth are Pensions and Savings and Retirement Solutions. Each business unit holds an annual strategy setting exercise to consider the needs of potential and existing customers, the interests of shareholders, the competitive landscape and the Group's overall purpose and objectives. The Group's Annual Operating Plan commits it to making significant investment in its growth businesses, including propositional enhancements driven by customer insight. The Group is established in the Bulk Purchase Annuity ('BPA') market and continues to invest in its operating model to further strengthen its capability to support its growth plans. For new BPA business, the Group continues to be selective and proportionate, focusing on value not volume, by applying its rigorous Capital Allocation Framework.	**Unchanged** The Group viewed this risk as 'Improving' in the 2022 Annual Report and Accounts, reflecting the demonstrated success of the strategy to pursue organic cash generation; this view of the level of risk exposure is unchanged. The Group has delivered strong organic growth in 2023, with new business net fund flows of c. £7bn, compared to £3.9bn in 2022. This is in line with the Group's strategy to deliver a balanced business mix through leveraging its scale in the capital-light fee-based businesses and maintaining a disciplined level of growth in annuities. As a result of this strong performance, the Group has delivered c. £1.5bn of total new business long-term cash generation in 2023, achieving its 2025 target two years early. During 2023, the Group completed BPA transactions with a combined premium of c. £6bn, compared to £4.8bn in 2022. This continues to demonstrate that the Group has the ability to compete and win in the BPA market. In September, the Group launched the Standard Life Pension Annuity to the open market in the UK, becoming the first new provider to enter the annuity market since the introduction of Pension Freedoms legislation in 2015. The Pensions and Savings business, operating under the Standard Life brand, has developed its operating model to centre around three trading channels: Workplace, Retail Intermediated and Retail direct. The Workplace business continues to attract good flows in, delivering net fund flows of c. £4.5bn in 2023, nearly double the £2.4bn delivered in 2022. This is supported by c. £2bn of new scheme assets transferred in 2023, including the Siemens workplace scheme, which represents one of the largest scheme transfers to have been tendered in the UK market in recent years, demonstrating the strength of the Group's proposition. The operating model and organisational design are being developed and implemented for the Retail businesses, with the aim of maximising opportunities for growth, both directly and through advisers, from new and existing customers. During 2023, £1.079bn of assets were internally transferred to Retail direct to enable existing customers to access modern pension offerings to support them to and through retirement. The Group is looking to expand the current offering of financial guidance and advice to support customers in better preparing for their retirement.

Impact | Mitigation | Change from 2022 Annual Report and Accounts

Strategic risk continued

The Group's strategic partnerships fail to deliver the expected benefits

Impact

Strategic partnerships are a core enabler for delivery of the Group's strategy; they allow it to meet the needs of its customers and clients and deliver value for its shareholders. The Group's end state operating model will leverage the strengths of its strategic partners whilst retaining in-house key skills which differentiate it from the market.

However, there is a risk that the Group's strategic partnerships do not deliver the expected benefits leading to adverse impacts to customer outcomes, strategic objectives, regulatory obligations and the Group's reputation and brand.

Some of the Group's key strategic partnerships include:

abrdn plc: Provides investment management services to the Group including the development of investment solutions for customers. abrdn plc manages c. £154bn of the Group's assets under administration, at December 2023.

HSBC plc: Provides custody and fund accounting services to the Group to manage c. £165bn of its unit linked operations.

TCS Diligenta: The Group's partnership covers a range of services including customer administration and digital and technology capabilities to support customer outcomes.

Mitigation

The Group has in place established engagement processes and a rigorous governance structure to manage relationships with its strategic partners, in line with the Group's Supplier Management Model.

The Group takes steps to monitor its supplier concentration risks and has business continuity plans to deploy should there be a significant failure of a strategic partner.

Change from 2022 Annual Report and Accounts

Unchanged

The Group assessed this risk as 'Heightened' in the 2019 Annual Report and Accounts due to the increased dependency it placed on its strategic partnerships, and then 'Improved' in 2020 due to strengthening controls around the operation of those partnerships. Whilst the Group has further strengthened and simplified its strategic partnerships since that time, its assessment of the level of risk exposure is unchanged from the 2020 position, reflecting the Group's ongoing reliance on its strategic partners to deliver the volume of change needed to advance the Group's strategic objectives.

The Group continues to develop its partnership with TCS Diligenta to support its strategic deliverables. The successful migration of another 700,000 Phoenix Life customer policies to TCS Diligenta's BaNCS platform was completed in November 2023. Planning for further migrations in 2024 and beyond is underway.

During 2023 the Group successfully transferred the custody and fund accounting services for £12.3bn of assets to HSBC plc. This is a key milestone in the Group's journey towards implementing harmonised investment administration processes, and boosts its strategic partnership with HSBC plc.

Strategic risk continued

The Group fails to effectively transition acquired businesses

Impact

The Group is exposed to the risk of failing to transform, simplify and better integrate the component parts of our acquired businesses to deliver leading customer experiences and realise scale efficiencies successfully and efficiently.

The transition of acquired businesses into the Group, including customer migrations, could introduce structural or operational challenges that, without sufficient controls, could result in the Group failing to deliver the expected outcomes for customers or achieve the efficiencies of its target operating model.

Mitigation

Integration plans are developed and resourced with appropriately skilled staff to ensure target operating models are delivered in line with expectations. The Group's priority at all times is on delivering for its customers. Customer migrations are planned thoroughly with robust execution controls in place. Lessons learned from previous migrations are applied to future activity to continuously strengthen the Group's processes.

The Group views future M&A activity as an optional strategy accelerant and will assess new inorganic growth opportunities against a clear set of criteria and seeks to execute those opportunities which score positively against these criteria.

The Group's acquisition strategy is supported by the Group's financial strength and flexibility, strong regulatory relationships and its track record of generating shareholder value and delivering good customer outcomes.

The financial and operational risks of target businesses are assessed in the acquisition phase and potential mitigants are identified which may include temporary capital or liquidity buffers.

Change from 2022 Annual Report and Accounts

Unchanged

This risk was assessed as 'Heightened' in the Group's 2018 Annual Report and Accounts due to the transformational nature of the Standard Life acquisition. The assessment of the level of exposure to this risk is unchanged from the 2018 position due to the volume of ongoing transition and integration activity.

The Group has worked to transform from a financial engineering business to a purpose-led, organically growing business. Focus is now on pivoting to transform and simplify the business in the next phase of our journey.

The Group continues to develop its partnership with TCS Diligenta to support its target operating model. Further customer migrations to TCS Diligenta's BaNCS platform are planned in upcoming years, which will support delivery of the Group's target operating model and enable all Phoenix policies to benefit from a more advanced administration platform. The key risk in respect of migration activity is that the time, and associated cost, to deliver these whilst protecting customer outcomes is greater than expected and the Group regularly assesses its reserving basis as a result.

In April 2023 the Group completed the acquisition of Sun Life of Canada UK, a closed book UK life insurance company, from Sun Life Assurance Company of Canada. The integration is progressing well, with the majority of functions due to complete activity in April 2024.

The Group has now delivered c. 20% of the targeted c. £500m incremental long-term cash generation target from this acquisition, with the remainder due to emerge in 2025 and 2026.

Risk management continued

Impact	Mitigation	Change from 2022 Annual Report and Accounts

Strategic risk continued

The Group does not have sufficient capacity and capability to fully deliver its significant change agenda which is required to execute the Group's strategic objectives

The Group's ability to deliver change on time and within budget could be adversely impacted by insufficient resource and capabilities as well as inefficient prioritisation, scheduling and oversight of projects. The risk could materialise within both the Group and its strategic partners.

This could result in the benefits of change not being realised by the Group in the time frame assumed in its business plans and may result in the Group being unable to deliver its strategic objectives. Poor change delivery could affect the Group's ability to operate its core processes in a controlled and timely manner.

The Group's Change Management Framework defines a clear set of prioritisation criteria and scheduling principles for new projects. This is to support the safe and controlled mobilisation of change in line with capacity and risk appetite and to strengthen business readiness processes to deliver change safely into the operational environment. These prioritisation principles are a core part of the Annual Operating Plan process, alongside a significant focus on the deliverability of the change portfolio in 2024.

Information setting out the current and forecast levels of resource supply and demand continues to be provided to accountable Senior Management to enable informed decision-making. This aims to ensure that all material risks to project delivery are appropriately identified, assessed, managed, monitored and reported.

Unchanged

Whilst significant progress has been made on developing the change capability and capacity, there has been no change to the assessment of exposure to this risk since its introduction in the 2020 Annual Report and Accounts, which reflects the potential impact of failing to deliver the Group's significant strategic and regulatory change agenda.

The Group has continued to strengthen its Change Management Framework during 2023 and expects to see an improving trend in this risk as those enhancements are seen in project delivery, noting that the Group has a number of multi-year change programmes so benefits will emerge in 2024 and beyond. The Group's Chief Operating Officer is driving further enhancements to evolve and mature the Group's change operating model. In 2023 this included significant effort being put into the recruitment of senior change professionals, alongside the assessment and further development of all internal change resources.

Strategic risk continued

The Group fails to appropriately prepare for and manage the effects of climate change and wider ESG risks

The Group is exposed to the risk of failing to respond adequately to ESG risks and delivering on its purpose; for example, failing to meet and make its sustainability commitments.

A failure to manage ESG risk could result in adverse customer outcomes, reduced colleague engagement, reduced proposition attractiveness, reputational risks and litigation.

The Group is exposed to risks arising from the transition to a lower-carbon economy, which could result in a loss in the value of policyholder and shareholder assets.

In addition, physical risk can give rise to financial implications, such as direct damage to assets, operational impacts either direct or due to supply chain disruption, and impacts on policyholder health and wellbeing, impacting demographic experience.

The Group has a clear sustainability strategy in place which is updated annually to reflect the Group's latest plans and risk exposures, with key metrics on progress monitored throughout the year.

Sustainability risk and climate risk are both embedded into the Group's RMF.

Sustainability risk 'cross-cuts' the Group's Risk Universe. This means the consideration of material sustainability-related risks is embedded in the Group's risk policies, with regular reporting undertaken to ensure ongoing visibility of its exposure to these risks. Several sustainability-related risk policies are also in place to cover the main sources of sustainability risk.

The Group is making good progress on integrating the management of climate change and wider ESG risks across the business, including in investment portfolios, with further work underway to embed its consideration fully across the business.

The Group continues to engage with suppliers and asset managers on their progress and approach to managing climate change and wider ESG risks.

The Group undertakes annual climate-related stress and scenario testing and continues to build its climate scenario modelling capabilities.

The Group undertakes deep dives on emerging ESG risk areas (such as greenwashing and ESG litigation risk) to increase understanding and awareness for Boards and Management, and facilitate control improvements where required.

Heightened

This risk is considered 'Heightened' for the first time since its introduction as a principal risk in the 2019 Annual Report and Accounts.

The key driver for this change is the rapidly evolving external ESG environment. In particular, the increasing politicalisation and weakening of government policies in relation to ESG risk (such as that of the UK Government) as this could delay the necessary actions to transition to a low carbon economy, making the potential future crystallisation of physical climate events increasingly likely.

Anti-climate change and ESG sentiment, particularly in high carbon-emitting countries, could have far-reaching consequences for the pace and effectiveness of climate action and continue to slow down policy changes. This could limit future ESG-aligned investment opportunities and make it more difficult for the Group to manage ESG risk and meet its climate commitments.

Recent reports from bodies such as the Intergovernmental Panel on Climate Change and the United Nations Environment Programme highlight the slow progress and significant scale of the challenge in restricting global warming below 1.5°C. Real world events are occurring at a high rate, with 2023 setting the record for the hottest year ever on record.

The Group is cognisant of this changing environment and undertakes thought leadership and wide engagement with policymakers and market participants to actively raise the debate around key sustainability themes.

Analysis indicates the Group is on track to achieve its 2025 targets if planned actions are implemented. However, further internal actions will likely be needed to achieve the 2030 targets, which are also increasingly dependent on external factors such as the decarbonisation of the wider economy and actions by others – in particular government, regulators, and the high transition risk sector.

Impact	Mitigation	Change from 2022 Annual Report and Accounts
Customer risk **The Group fails to deliver good outcomes for its customers or fails to deliver propositions that continue to meet the evolving needs of customers**		
The Group is exposed to the risk that it fails to deliver good outcomes for its customers, leading to adverse customer experience and potential customer harm. This could also lead to reputational damage for the Group and/or financial losses. In addition, a failure to deliver propositions that meet the evolving needs of customers may result in the Group's failure to deliver its purpose of helping people secure a life of possibilities.	The Group's Conduct Risk Appetite sets the boundaries within which the Group expects customer outcomes to be managed. The Group's Conduct Strategy, which overarches the Risk Universe and all risk policies, is designed to detect where customers are at risk of poor outcomes, minimise conduct risks, and respond with timely and appropriate mitigating actions. The Group has a suite of customer policies that set out key customer risks and the Control Objectives that determine the Key Controls required to mitigate them. The Group maintains a strong and open relationship with the FCA and other regulators, particularly on matters involving customer outcomes. The Group's Proposition Development Process ensures consideration of customer needs and conduct risk when developing propositions.	**Unchanged** There has been no change to the overall level of exposure to this risk since it was introduced in the 2018 Annual Report and Accounts. The FCA's Consumer Duty represents a step change in approach for the industry, re-enforcing a shift away from a rules-based regime to principles-based regulation. The Duty introduces an overarching requirement that firms, and their employees, must act to deliver good outcomes for retail customers. In response, the Group mobilised a programme of work to implement the changes required to achieve its interpretation of compliance in line with the key regulatory deadlines of end-April 2023, end-July 2023 and end-July 2024. Despite having met the first two deadlines, the Group's view is that the risk exposure around the Duty is elevated whilst the supervisory approach matures, and closed products are reviewed against the Duty's principles, most notably fair value, ahead of the end-July 2024 deadline. The Group has built on its strong foundations, enhancing existing and creating new Group frameworks, processes and strategies to meet Duty requirements. This includes a Fair Value Framework designed to assess value in its broadest definition and refreshing the Conduct Strategy to embed and maintain the culture of the Group, informed by monitoring behaviours and customer outcomes. The FCA is raising the bar in terms of expectations on firms to ensure and evidence good outcomes are being achieved for their customers. The FCA continues to provide guidance to the industry to support firms' plans to embed the Duty within their businesses. It also recognises that its own understanding and development of guidance and its supervisory approach will continue to evolve. The Group continues to monitor the impacts of the cost-of-living crisis on its customers. Proactive action to support customers, including those most vulnerable, is a priority. The Group is using customer behaviour research and analysis to provide customers with the support and help that they need. This has included improving all brand websites to provide general cost-of-living support, encouraging customers to get in touch for help and including links to external support websites.
Operational risk **The Group or its outsource partners are not sufficiently operationally resilient**		
The Group is exposed to the risk of causing intolerable levels of disruption to its customers and stakeholders if it cannot maintain the provision of important business services when faced with a major operational disruption. This could occur either in-house or within the Group's primary and downstream outsource partners, and be triggered by a range of environmental and climatic factors such as the cost-of-living crisis and adverse weather phenomena. The Group regularly conducts customer migrations as part of transition activities in delivering against its strategic objectives. In doing so, it faces the risk of interruption to its customer services, which may result in the failure to deliver expected customer outcomes. Regulatory requirements for operational resilience, and a timetable to achieve full compliance, were published in March 2021. Whilst the specific requirement to work within set impact tolerances takes effect in March 2025, the Group is already exposed to regulatory censure in the event of operational disruption should the regulator determine that the cause was a breach of existing regulation.	The Group's Operational Resilience Framework enhances the protection of customers and stakeholders. It is designed to prevent intolerable harm and supports compliance with the regulations. The Group continues to work closely with its outsource partners to ensure that the level of resilience delivered is aligned to the Group's impact tolerances. The Group has already taken some action, through previous strategic transformation activity, to reduce exposure to technological redundancy and key person dependency risk, increasing the resilience of its customer service. It continues to do so where further exposure is identified. The Group regularly reviews important business service MI to ensure appropriate action is taken to rectify and prevent customer harm. The Group is working to further strengthen and enhance the overall resilience of the Group and its outsource partners by March 2025 through its Operational Resilience Remediation Project. The Group and its outsource partners have well-established business continuity management and disaster recovery frameworks that are annually refreshed and regularly tested. Disruption events are used to assess lessons learned to identify any continual improvements to be made.	**Unchanged** This strategic risk has been assessed as 'Heightened' in the Group's Annual Report and Accounts since 2020. Key drivers of this assessment are the increasing threat of cyber-attacks and the Group's dependency on its outsource partners to have appropriate resilience to operational disruption. The Group has a significant change and customer migration agenda over the next three to five years, effective completion of which is required to deliver planned strengthening of its operational resilience both internally and with some material outsourced service providers. This exposes the Group to increased risk. However, this is mitigated through strengthened Operational Resilience and Change Management Frameworks, where the risk of late delivery is actively managed by both the relevant change programme and separate operational resilience remediation governance and reporting. The quantum of strategic customer transformation activity requires subject matter expertise to execute successfully. The Group's operational resilience, internally and with material third parties, would be impacted by a large-scale loss of colleagues, for example due to illness or incapacity such as influenza, in the UK or globally. Such impacts are difficult to mitigate in the short-term; however, the Group and material suppliers made substantial investments in remote working capability to manage the impacts of COVID-19, which would be expected to help mitigate the impacts of a further pandemic to service continuity.

Risk management continued

Impact	Mitigation	Change from 2022 Annual Report and Accounts
Operational risk continued **The Group is impacted by significant changes in the regulatory, legislative or political environment**		
Changes in regulation could lead to non-compliance with new requirements that could impact the quality of customer outcomes, lead to regulatory sanction, impact financial performance or cause reputational damage. These could require changes to working practices and have an adverse impact on resources and financial performance. Political uncertainty or changes in the government could see changes in policy that could impact the industry in which the Group operates.	The Group undertakes proactive horizon scanning to understand potential changes to the regulatory and legislative landscape. This allows the Group to understand the potential impact of these changes to amend working practices to meet the new requirements by the deadline. The Group engages with many political parties and industry bodies to foster collaboration and inspire change which supports the Group's purpose of helping customers secure a life of possibilities.	**Unchanged** This risk was assessed as 'Heightened' in the Group's 2021 Annual Report and Accounts due to the uncertainty around Solvency II reforms and the FCA's proposed Consumer Duty. These, and the significant undertaking to achieve compliance with IFRS 17 in 2023, were the key drivers of the assessment of risk as further 'Heightened' in the 2022 Annual Report and Accounts and the current assessment is unchanged from that position. The volatile political environment remains 'Heightened' ahead of worldwide elections in 2024, including an expected UK General Election. The current administration continues to face economic headwinds, management of which has implications for the Group's customer base, including the cost-of-living crisis, increased borrowing costs and the potential increase in vulnerability. In June 2023, HMT published draft legislation related to the Solvency II reforms, indicating the reform implementation would be staged with some reforms coming into force on 31 December 2023 and the remainder on 30 June 2024. The Prudential Regulation Authority ('PRA') has since issued two of three anticipated consultations on the rules to implement those reforms in H2 2023, and its near final policy to go live at year-end 2024, relating to Internal Models, Transitional measures on Technical Provisions and Group supervision. Internal teams are reviewing the detail to assess what actions are needed to ensure the Group is compliant with the new rules. The Group supports the PRA and HMT's objectives to reform the regulations to better suit the UK market whilst maintaining appropriate safeguards for policyholders. The financial impact of the reforms will depend on the exact detail of the final legislation. The relatively short time period between the PRA's final Policy Statement and the implementation date of the new rules contributes to the status of this risk. The Group will therefore remain actively involved in industry lobbying on Solvency II and is preparing as much as possible ahead of time to ensure compliance with new rules at the point of implementation. The Group views the FCA's Consumer Duty as well aligned to its strategic priority of helping people secure a life of possibilities and, from 31 July 2023, the Group is materially compliant with the Duty for its open products. Focus remains on reviewing customer journeys and fair value assessments for closed products to achieve compliance with the Duty's principles for these products ahead of the 31 July 2024 deadline. In November 2023 the FCA issued Sustainability Disclosure Requirements and investment labelling requirements which aim to inform and protect consumers and improve trust in the market for sustainable investments. The Group supports the FCA's aims noting that terminology used and a lack of consistency between providers makes it difficult for consumers to navigate. The Group has mobilised a project to ensure its practices align with the new regulation. In December 2023, the FCA issued the Advice Guidance Boundary Review consultation paper. The consultation could lead to a significant change in the way that people who cannot access advice are supported in the industry and the Group is actively engaging with the FCA on this topic. IFRS 17 aims to standardise insurance accounting across the industry and achieving compliance has been a significant undertaking. The Group will continue its finance transformation programme in 2024 to further streamline and automate IFRS 17 processes to support efficient financial reporting in the future.

Impact	Mitigation	Change from 2022 Annual Report and Accounts
Operational risk continued **The Group or its supply chain are not sufficiently cyber resilient**		
Phoenix Group is the UK's largest long-term savings and retirement business, with a significant profile, which leads to greater interest from cyber criminals. The world continues to become increasingly digitally connected and cyber-attacks remain a major threat to the Group. Over the past five years the Group has grown from 5m to 12m customers, while the number of colleagues in the Group has grown from 900 to over 7,500, not including contractors. In addition, the Group's footprint includes engagement with c. 1,800 suppliers which increases the attack surface significantly. This continual growth poses a greater risk of cyber-attack which could have a significant impact on customer outcomes, strategic objectives, regulatory obligations and the Group's reputation and brand. Based on external events and trends, the threat posed by a cyber security breach remains high and the complexity of the Group's increasingly interconnected digital ecosystem exposes it to multiple attack vectors. These include phishing and business email compromise, hacking, data breach and supply chain compromise. Increased use of online functionality to meet customer preferences and flexible ways of working, including remote access to business systems, adds additional challenges to cyber resilience and could impact service provision and customer security. The pace of change is accelerating due to the rapid rise of artificial intelligence ('AI'), which in turn is compounding the threats and as a result, the cyber world is a more dangerous place than ever before. AI also has the potential to improve cyber security by dramatically increasing the timeliness and accuracy of threat detection and response. Cyber security is an essential pre-condition for the safety of AI systems and is required to ensure resilience, privacy, fairness, reliability and predictability.	The Group is continually strengthening its cyber security controls, attack detection and response processes, identifying weaknesses through ongoing assessment and review. The Enterprise Information Security Strategy includes a continuous Information Security and Cyber Improvement Programme, which is driven by input from the Annual Cyber Risk Assessment and Annual Cyber Threat Assessment that utilises internal and external threat intelligence sources. The Group continues to consolidate its cyber security tools and capabilities and the Enterprise Information Security Strategy 2023–2025 includes delivery of a Group Identity Platform and Zero Trust model, Supplier Assurance Platform, Secure Cloud Adoption and proactive Data Loss Prevention. The specialist second line Information Security and Cyber Risk team provides independent oversight and challenge of information security controls, identifying trends, internal and external threats and advising on appropriate mitigation solutions. The Group continues to enhance and strengthen its outsourced service provider and third-party oversight and assurance processes. Regular Board, Executive, Risk and Audit Committee engagement occurs within the Group. The Group holds ISO 27001 Information Security Management Certification for its Workplace Pension and Benefits schemes, which provides confidence to both clients and internal stakeholders that it is committed to managing security.	**Unchanged** This risk was assessed as 'Heightened' in the Group's 2022 Annual Report and Accounts and this remains unchanged. The UK cyber threat level remains elevated, due to the sustained Russia/Ukraine war, China/Taiwan tensions, and the addition of the Israel/Palestine armed conflict. Cyber threat levels remain high with increased likelihood of a cyber-attack from a State actor; however it is highly unlikely that a Nation State actor would directly target the Group and any impact would be as a result of indirect cyber-attacks against the UK's critical national infrastructure, IT or information security service providers or global financial services companies. Cyber criminals continue to be the Group's most likely threat, primarily due to the type of data held by financial sector organisations being attractive to criminal actors. On 19 April 2023, the UK's National Cyber Security Centre issued an alert warning of a heightened risk from attacks by state-aligned Russian hacktivists, urging all organisations in the country to apply recommended security measures. The Group's cyber controls are designed and maintained to repel the full range of cyber-attack scenarios; whilst the Group's main threat is considered to be cyber crime, from individuals or organised crime groups, the same controls are utilised to defend against a Nation State-level cyber-attack. The single consolidated Group Supplier Information Security Framework, which is improving the Security Oversight and Assurance of the Group's large portfolio of Outsourced Service Providers ('OSP'), third- and fourth-party suppliers, continues to mature. Further embedding and maturing over the next 12 months will help mitigate the risks associated with supply chain cyber security, which is considered the Group's top cyber security threat. Vulnerability management continued to mature throughout 2023 with the Enterprise Cyber Exposure Score ('CES') remaining steady. The Group received formal approval from the FCA and PRA in July 2023 for closure of the Cybersecurity Best Practice Evaluation and Testing ('CBEST') remediation programme.
Operational risk continued **The Group fails to retain or attract a diverse and engaged workforce with the skills needed to deliver its strategy**		
Delivery of the Group's strategy is dependent on a talented, diverse and engaged workforce. This risk is inherent in the Group's business model given the nature of acquisition activity and specialist skill sets. Potential areas of uncertainty include the ongoing transition of ReAssure businesses into the Group, the expanded strategic partnership with TCS Diligenta and the introduction of the flexible working model. Potential periods of uncertainty could result in a loss of critical corporate knowledge, unplanned departures of key individuals, or the failure to attract and retain individuals with the appropriate skills to help deliver the Group's strategy. This could ultimately impact the Group's operational capability, its customer relationships and financial performance.	The Group aims to attract and retain colleagues from all backgrounds by creating a shared sense of purpose and commitment to our strategy, supported by offering competitive terms and conditions, benefits, and flexibility. Monthly colleague surveys promote continuous listening, allow rapid identification of concerns and actions that help improve engagement. The Group looks to respond proactively to external social, economic and marketplace events that impact colleagues. The increased scale and presence of the Group, and success in multi-site and remote working, gives greater access to a larger talent pool to attract and retain in the future. In addition, the Group's graduate and early career programmes helps to support the talent pipeline.	**Unchanged** There has been no change to the overall level of exposure to this risk since it was introduced in the 2018 Annual Report and Accounts. This is driven by acknowledgement of the significant amount of integration activity within the Group and uncertainty regarding the longer-term social and marketplace impacts of the pandemic and cost-of-living crisis on colleague attrition, sickness, motivation and engagement. Skills essential to the Group continue to be in high-demand in the wider marketplace. The Group monitors this closely and continues to remain confident in the attractiveness of its colleague proposition. The Group launched Midlife MOT assessments to help colleagues take stock in the key areas of wealth, work and wellbeing. The Group continues to leverage apprenticeships to support workforce diversity and to fill key skills, creating bespoke graduate and early careers programmes for specialist technical areas. The Group continues to successfully operate a flexible working model, with strategic investments in technology and other resources maximising its effectiveness. The Group introduced Phoenix Flex as a core part of its employee offering in 2023, to help support colleagues in balancing their personal and professional lives, by encouraging and celebrating flexibility at work, embracing differences, and helping colleagues to thrive.

Risk management continued

Impact	Mitigation	Change from 2022 Annual Report and Accounts

Market risk

Adverse investment market movements or broader economic forces can impact the Group's ability to meet its cash flow targets, along with the potential to negatively impact customer investments or sentiment

Impact	Mitigation	Change from 2022 Annual Report and Accounts
The Group and its customers are exposed to the implications of adverse market movements. This can impact the Group's capital, solvency, profitability and liquidity position, fees earned on assets held, the certainty and timing of future cash flows and long-term investment performance for shareholders and customers. There are a number of drivers for market movements including government and central bank policies, geopolitical events, market sentiment, sector-specific sentiment, global pandemics and financial risks of climate change, including risks from the transition to a low carbon economy.	The Group undertakes regular monitoring activities in relation to market risk exposure, including limits in each asset class, cash flow forecasting and stress and scenario testing. In particular, the Group's increase in exposure to residential property and private investments, as a result of its BPA investment strategy, is actively monitored. The Group continues to implement de-risking strategies and control enhancements to mitigate unwanted customer and shareholder outcomes from certain market movements, such as equities, interest rates, inflation and foreign currencies. The Group maintains cash buffers in its holding companies and has access to a credit facility to reduce reliance on emerging cash flows. The Group closely monitors and manages its excess capital position and it regularly discusses market outlook with its asset managers.	**Unchanged** This risk was assessed as 'Heightened' in the Group's 2019 Annual Report and Accounts, and then again in 2020 due to ongoing economic uncertainty, geopolitical tensions, the impacts of COVID-19 and uncertainty around interest rates. Whilst some of these have lessened, they remain the key drivers for the current assessment of exposure to this risk. The global macro-economic environment remains highly uncertain; although prices continue to rise, the rate of inflation is lower. The UK Consumer Price Index is down to 4.0% in January 2024 from a peak of 11.1% in October 2022. There is an increased expectation that the Bank of England will achieve its target of 2% by the end of 2025. The Bank of England base rate has increased from 0.1% in December 2021 to 5.25% in August 2023, and remains at this level, with the outlook for this to remain stable until summer 2024 before reductions can be expected. Higher interest rates, coupled with cost-of-living rises, have suppressed residential property prices. These are expected to bottom out in summer 2024 and see a return to growth after interest rates start to come down. UK gilt yields remain high, rivalling the levels seen during the 2022 mini-budget market event. The Group continues to monitor and manage its market risk exposures, including to interest rates and inflation, and to markets affected by the increasing number of geopolitical conflicts and concerns. For example, continued attacks on shipping in the Red Sea pose a risk of worsening inflationary pressures and the downstream effects on interest rates. The Group's strategy continues to involve hedging the major market risks and, in 2023, the Group's Stress and Scenario testing programme continued to demonstrate the resilience of its balance sheet to market stresses. Contingency actions remain available to help manage the Group's capital and liquidity position in the event of unanticipated market movements.

Insurance risk

The Group may be exposed to adverse demographic experience which is out of line with expectations

Impact	Mitigation	Change from 2022 Annual Report and Accounts
The Group has guaranteed liabilities, annuities and other policies that are sensitive to future longevity, persistency and mortality rates. For example, if annuity policyholders live for longer than expected, then the Group will need to pay their benefits for longer. The amount of additional capital required to meet additional liabilities could have a material adverse impact on the Group's ability to meet its cash flow targets.	The Group undertakes regular reviews of demographic experience and monitors exposure relative to quantitative risk appetite limits. Monitoring includes identifying any trends or variances in experience, in order to appropriately reflect these in assumptions. The Group continues to manage its longevity risk exposures, which includes the use of longevity swaps and reinsurance contracts to maintain this risk within appetite. Where required, the Group continues to take capital management actions to mitigate adverse demographic experience.	**Unchanged** This risk was assessed as 'Heightened' in the 2020 Annual Report and remains 'Heightened'. The assessment is driven by continued uncertainty around future demographic experience driven primarily by the long-term effects of COVID-19 on life expectancy; potential health risks from rising NHS waiting times; the rise in long-term sickness rates observed across the UK workforce; and health and customer behaviour implications from the cost-of-living crisis. Demographic experience and the latest assessment of future trends continue to be considered in regular assumption reviews, including making appropriate allowance for the impacts of COVID-19 on both longevity and mortality as part of the 2023 assumption reviews. The Group continues to monitor customer behaviour as a result of the cost-of-living crisis to ensure its impact on demographic assumptions is appropriately reflected in regular assumption reviews. Proactive action is being taken to ensure support is provided to customers as the impacts from the cost-of-living crisis continue to materialise. The Group completed BPA transactions with a combined premium of c. £6bn in 2023. Furthermore, the launch of the new Standard Life Pension Annuity ('SLPA') product in the second half of 2023 is a significant milestone for the Group. Consistent with previous transactions, the Group continues to reinsure the vast majority of the longevity risk using longevity swaps and reinsurance contracts that are reviewed regularly.

Impact	Mitigation	Change from 2022 Annual Report and Accounts
Credit risk **The Group is exposed to the risk of downgrade or failure of a significant counterparty**		
The Group seeks rewarded credit risk in order to drive value for shareholders and invests in a wide range of credit risky assets in accordance with its strategic asset allocation. The Group is exposed to the risk of downgrades and deterioration in the creditworthiness or default of investments, derivatives or banking counterparties. This could cause immediate financial loss or a reduction in future profits. The Group is also exposed to trading counterparties, such as reinsurers or service providers, failing to meet all or part of their obligations. This would negatively impact the Group's operations that may in turn have adverse effects on customer relationships and may lead to financial loss.	The Group seeks to take credit risk by maintaining a high quality and diversified credit investment portfolio and ensuring relationships are with highly rated counterparties. The Credit Risk Policy and Counterparty Limit Framework sets out a system of controls to manage this risk within appetite with early warning indicators to manage the most material exposures within acceptable tolerances. This includes the management of risks linked to climate change, including the impact on assets from transitioning to a low carbon economy. The Group regularly monitors its counterparty exposures and has specific limits in place relating to individual counterparties (with sub-limits for each credit risk exposure), sector concentration, geographies and asset class. Limits also restrict exposure to BBB+ and below rated assets. The Group undertakes regular stress and scenario testing of the credit portfolio. Where possible, exposures are diversified using a range of counterparty providers. All material reinsurance and derivative positions are appropriately collateralised. The Group regularly discusses market outlook with its asset managers in addition to the second line Risk oversight provided. For mitigation of risks associated with stock-lending, additional protection is provided through collateral and indemnity insurance.	**Unchanged** In the Group's 2020 Annual Report and Accounts, this risk was assessed as 'Heightened' as a result of the market volatility and wider economic and social impacts arising from COVID-19. While the residual risks from COVID-19 have receded, the current assessment of the level of exposure to this risk is unchanged from the 2020 position, driven by the ongoing geopolitical tensions, economic uncertainty and persistent high inflation. Over 2023 the Group continued to undertake actions to increase the overall credit quality of its portfolio and mitigate the impact on risk capital of future downgrades. This positive progress is balanced by risks arising from geopolitical conflicts such as those in Ukraine and the Middle East, and supply chain disruptions arising from the risk of deterioration in the relationship between the USA and China. Uncertainties over the global economic outlook, persistent high inflation and higher for longer interest rates present an increased risk of defaults and downgrades. However, a UK sovereign downgrade is less probable than at the end of 2022, following both Moody's and S&P's revision of the UK credit rating's outlook from 'negative' to 'stable' during 2023. This has a positive impact on UK-related assets including Gilts, Housing Associations and Local Authority Loans. Despite the failure of a number of US regional banks and a regulator-facilitated merger of Credit Suisse with UBS in early 2023, the Group's view is that a full-blown banking crisis will not follow. In addition, the Group has limited exposure to banks with idiosyncratic risks. The Group has no direct shareholder credit exposure to Russia or Ukraine and no exposure to sanctioned entities. The Group continues to increase investment in illiquid credit assets as a result of BPA transactions. This is within appetite and in line with the Group's strategic asset allocation plans. The growth in illiquid assets will be met by growth in the overall Group credit portfolio.

Emerging risks and opportunities

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. Two examples of key risks and opportunities discussed by Senior Management and the Board during 2023 are:

Description	Risk Universe category
Quantum computing	
Quantum computing has the potential to deliver improved actuarial analysis, portfolio optimisation, risk modelling and management, forecasting and enhanced fraud prevention. It has the ability to arrive at feasible solutions for optimisation problems, or find better accuracies for machine learning problems, or run simulations exponentially faster. However, there are significant risks to consider, such as the potential for quantum computing to be used with malicious intent against the Group. The Group will seek to get 'quantum-safe' as soon as possible, to minimise the magnitude of emerging threats, including the potential of breaking current encryption systems, which would leave personal data of the Group's customers vulnerable to hackers. Switching from one encryption regime to another will take years to implement with the payoff timeline for incorporating quantum resources currently perceived as being in excess of three years. It is crucial for the Group to develop quantum-resistant encryption algorithms and implement robust security measures to protect sensitive information. There is a potential opportunity to maximise capital preservation and commercial differentiation, by leveraging the exponential growth in data available to the market.	Operational
Pensions innovation	
Changing customer expectations around simplicity of products, personalisation and increasing technology-based interaction presents greater risk from market disruptions. Customers are increasingly looking for frictionless services, which will heighten competition in offering a complete experience and solutions to customer needs. Aside from these risks, this does represent a significant opportunity for the Group to meet ever-evolving customer needs to become a trusted partner to and through retirement. The Group continues to partner with innovative start-ups, providing user experience and technical delivery support for priority proposition initiatives. Digital and Workplace successfully launched Phoenix Group's Innovation Forum, inviting new partners from TCS COIN and FinTech Scotland networks to apply to work with the Group on defined challenges. The Group tracks industry change including on the use of analytics; ensuring compliance with cookies regulation; simplifying the process to gather permissions to market; and changes via Consumer Duty. The Group has an opportunity around future ways of working and innovation, leading to improved and enhanced customer experiences whilst ensuring that regulatory work fully supports good customer outcomes within the next one to three years.	Customer

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 Phoenix Group, the Board has defined 'viability' as maintaining the capability to satisfy mandatory liabilities and meet external targets for cash generation.

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 2026 is an appropriate period for the assessment which aligns to the period covered by the Group's latest Board-approved Annual Operating Plan ("AOP"), and to the period for which the Group establishes its internal and 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 AOP, approved by the Board in February 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 process which provides a forward-looking assessment of the Group's risk and capital profile as a result of its business strategy, AOP 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 AOP 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 AOP is reviewed monthly by the Board. The Board reviewed the results of stress testing to assess viability under severe but plausible scenarios, including three 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 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; and
3. Longevity stress –longevity and yield stress broadly equivalent to a 1 in 10-year event, which implies a 1.27 year increase in life expectancy for a 65 year old male and 1.3 year increase for a 65 year old female, alongside a fall in yields.

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 contingent 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 without any breach to regulatory capital requirements, whilst continuing to track towards meeting external targets.

Additional stress testing

In addition, through the ORSA and wider financial resilience processes, 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 so doing, 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.

During 2023, the Stress and Scenario Testing Programme included separate consideration of the impact of a severe market stress and a severe longevity and yields stress. The market stress was designed to replicate a severe recession (downgrade across 21% of the total shareholder liquid/illiquid credit asset portfolio, House Prices falling 15%, Equities c.30% and GBP depreciating c.10% vs USD), while the longevity stress combined a significant longevity risk event emerging over 3 years (e.g. medical advancement) with a 100bps fall in yields. The analysis concluded that the severity of these stresses was not sufficient to reduce Phoenix Group's capital coverage to close to SCR.

A severe scenario testing a combination of all risks within the internal model was also considered and showed the severity of stress required to reduce the Group's capital coverage to the Recovery Zone and also the severity of event needed to reduce capital coverage to close to SCR. This informed the Group Recovery Plan which also included an extreme liquidity event and a range of contingency actions that could be used to recover. These scenarios are deemed extreme and the Recovery Plan demonstrated the ability to restore coverage above risk appetites.

Over 2023, we have continued to embed climate scenario analysis within the Group's stress and scenario testing programme and carried out a range of quantitative and qualitative scenario analysis. The results show that although how and when climate risk could crystallise continues to be highly uncertain, it could have a significant impact on the value of our assets, the assets of our customers, our reputation and our operations. Phoenix is actively managing this risk using a range of actions, including gradual decarbonisation of the investment portfolio and engagement with key emitters within the portfolio, key suppliers, customers and policymakers.

Risk Assessment

The Board reviewed the Group's principal risks and uncertainties as set out on pages 50 to 57 of the 2023 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.

2023 Financial Results

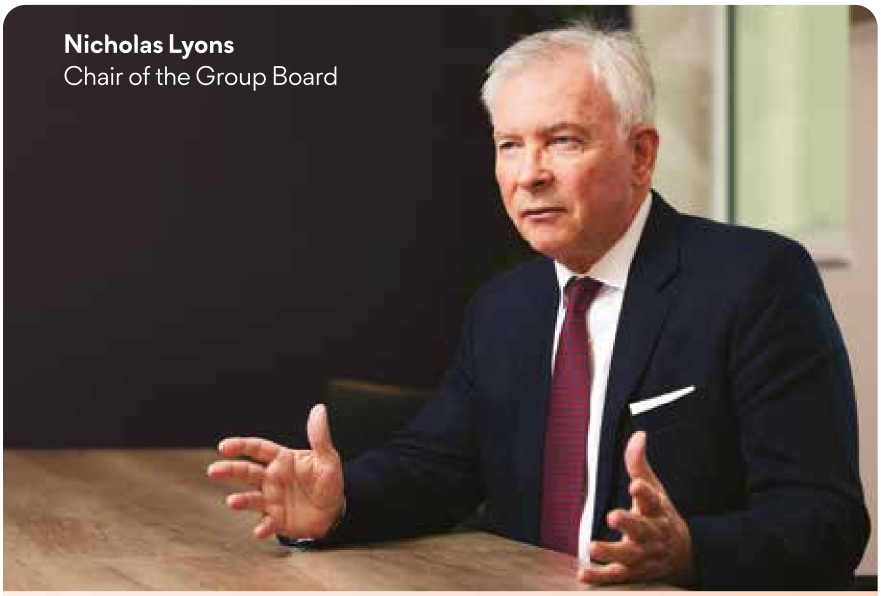
The latest financial results for the Group as included within the 2023 Annual Report and Accounts have been considered as part of the assessment. Key factors included:

- The Group's strong capital position with a Solvency II surplus of £3.9 billion and a Shareholder Capital Coverage Ratio of 176%, 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 35, which is reflective of the Group's hedging approach;
- Holding company cash of £1.012 million at the end of 2023, as well as access to the Group's undrawn £1.25 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 this was not considered to represent a material threat to the Group's viability.

Statement of 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 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.

Chair of the Group Board's introduction to governance



Nicholas Lyons
Chair of the Group Board

Our values of passion, responsibility, growth, courage and difference are demonstrated daily by our colleagues, and importantly through the leadership of the Board.

Board highlights 2023

Board induction
Mark Gregory and Eleanor Bucks share their experience of the Phoenix Group Board induction programme.

Read more on pages **90 and 91**

Board review
The 2023 Board review was carried out by an external Board Reviewer. Following discussion, the Board has agreed a few areas of enhancement.

Read more on pages **78 and 79**

Board education sessions
These provided both insight and outcomes that the Board implemented.

Read more on pages **80 and 81**

Board engagement with the wider workforce
The Board as a whole was able to meet Phoenix Group colleagues in two focused sessions in May and November 2023. In May, the Board met members of the Phoenix Group graduate programme and in November it met with female colleagues in their 50s, with a focus on the working environment. These groups provided insight into their specific roles at Phoenix Group.

Read more on pages **108 to 110**

I am delighted to return as Chair of the Group Board ('Chair') on 1 December 2023. During my sabbatical as Lord Mayor of the City of London, Alastair Barbour fulfilled the role of Chair with effect from 1 September 2022 until 30 November 2023. Following ten years on the Board, Alastair stepped down from the position as Chair of the Group Board and Chair of the Nomination Committee with effect from 30 November 2023, and remained on the Board until 31 December 2023 to ensure a comprehensive handover. I would like to thank Alastair for his commitment as Chair during my sabbatical, as well as for his enormous contribution and support to Phoenix Group throughout his tenure. He will be missed as a colleague and trusted adviser. His historical knowledge was invaluable to the Group Board and the wider organisation during my sabbatical, hence his tenure beyond the usual nine-year period.

Board activities during 2023

Our strategy is set to ensure we continually progress towards the achievement of our purpose and aim to provide customers with the best possible outcomes. The Board is responsible for establishing the strategy for the Group, ensuring that this is aligned with not only our purpose but also with the values and culture of the business. As a result of a strong performance, the Board has recommended a Final dividend of 26.65 pence per share, bringing the total 2023 dividend to 52.65 pence per share.

There were a number of focus areas for the Board again this year, such as the integration and completion of SLF of Canada UK Limited ('Sun Life of Canada UK') from Sun Life Financial Inc. acquired in 2022. The Phoenix Life Companies Board has worked hard to integrate this new acquisition into its

Before reviewing and approving strategic items, the Board must always come back to Phoenix Group's core purpose and values.

governance framework and current board schedule during the year, which has been monitored by the Phoenix Group Board. The IFRS 17 accounting change has been a key focus for Management and in turn the Board, in particular its Audit Committee and I must thank both the Audit Committee Chair and its members for the robust challenge.

The relationship with our regulators, not just in the UK, but also in Ireland and Bermuda, is of importance to the Board and we receive regular updates from our Regulatory Relationships Director to understand their views and the impact this can have on strategy, a focus at our Strategy Day in June. Our Chief Risk Officer plays an important part in the delivery of our strategy and the Board receives regular updates from him. Both Line 1 and 2 opinions are provided on all strategic initiatives.

In addition, Phoenix Group published its Net Zero Transition Plan on 24 May 2023. The Board wants the execution of our strategy to have a positive impact upon our Net Zero Transition Plan and climate change as a whole. This is just one way we can help to provide our customers with the best possible outcomes. You can find our Net Zero Transition Plan at www.thephoenixgroup.com.

Phoenix Group Holdings plc's compliance with the UK Corporate Governance Code 2018 (the '2018 Code') can be found on page 68.

Purpose, values and culture

Phoenix Group's purpose is to help people secure a life of possibilities. As the pensions landscape and societal needs evolve, Phoenix Group has an important role to play in society through its long-term savings and retirement business. Robust and purpose-led decision-making from the Board and throughout the Group drives responsible and sustainable investment, a strong sustainability strategy and enables long-lasting impact for our customers. The Board monitors that purpose and the Company's values regularly throughout the execution of its strategy. A proportion of the agenda is always dedicated to strategy and before reviewing and approving such strategic items, the Board must always come back to Phoenix Group's core purpose and values.

The Board's role is to set the cultural tone from the top and act as the guardian of our values and culture, which together supports our strategy and drives our purpose. We as a Board must reinforce our culture and values through our conduct, decision-making process and the outcomes upon us as a Board and the Group's strategy, which the Executive Committee ('ExCo') implements. The Sustainability Committee monitors culture on behalf of the Board and this is discussed further on page 107.

Board review

This year, the Board effectiveness review was undertaken externally by Bvalco Ltd (the 'Board Reviewer'). It conducted a number of independent interviews with Board members and key stakeholders. This review found the Board to be capable, reflective and supportive of Phoenix Group's culture. The culture of the Board was found to be constructive, challenging and respectful. Further information on the outcomes of the review can be found on pages 78 and 79.

2024 priorities

During 2024, the Board intends to focus on:

- Risk management items.
- Relationship with the regulators.
- Financial framework.

Chair of the Group Board's introduction to governance continued

Wider workforce
The Board has particularly enjoyed the colleague engagement sessions that have taken place during 2023. Meeting both members of our graduate programme and female colleagues in their 50s, with a focus on the working environment, has been insightful, especially for our new Board members. This is discussed further by Maggie Semple, our Designated Non-Executive Director ('NED') for Workforce Engagement on pages 108 to 110. Choosing two diverse groups of colleagues has helped us to understand the opportunities and challenges the wider workforce faces at Phoenix Group. Through Maggie's work as Designated NED for Workforce Engagement, the Board has been able to implement some outcomes which we hope will enhance the working environment for our colleagues and reach Phoenix Group's strategic ambition to be the "best place any of us have ever worked". The process of feedback between Maggie Semple and the Board following sessions with the Phoenix Colleague Representation Forum ('PCRF') has also been enhanced to ensure outcomes are discussed at Board level and appropriate actions are taken.

Our colleagues are not our only stakeholders and the Board is mindful of all our stakeholders when making decisions. This is further explained on pages 74 to 77 by demonstrating any impact on Board decisions as a result of engagement of our stakeholders. You will see that, as a regulated business, our customer outcomes and Consumer Duty have received greater focus during 2023.

Board changes
During the year, there were a number of changes to the Board. Mark Gregory joined the Phoenix Group Board on 1 April 2023. He possesses a wealth of experience in the insurance, financial services and retail sectors, having worked as Group CFO at Legal & General Group plc and through non-executive roles, including at Direct Line Insurance Group plc. He has made a strong contribution to date, not only as a member of the Risk Committee, but also an attendee and now member of the Audit Committee with effect from 1 January 2024. David Scott was nominated as the shareholder representative of abrdn plc ('abrdn') on 11 May 2023 in accordance with the terms of the relationship agreement between Phoenix Group and abrdn. The previous Shareholder Nominated Director representing abrdn was Stephanie Bruce whose contribution to the Board since joining on 1 July 2022 was excellent and also helped to enhance diversity on the Board. Finally, Eleanor Bucks joined the Phoenix Group Board on 1 December 2023. Eleanor is an actuary with strong asset management and financial services experience and brings a fresh skillset and capability to the Board as well as broader diversity. You can find the Board's skills matrix on page 89 and Directors' biographies on pages 64 to 67.

Kory Sorenson reached her nine-year tenure on the Phoenix Group Board on 30 June 2023. She had been Chair of the Remuneration Committee for the past five years and was succeeded in that appointment by Nicholas Shott on 4 May 2023 following the 2023 Annual General Meeting ('AGM'). Nicholas has been a member of the Remuneration Committee since 2016. Kory provided a diligent handover to Nicholas and the Board is grateful for her robust challenge, knowledge and tenacity over the years, in particular during challenging times such as COVID-19.

Diversity and inclusion
The Phoenix Group Board had 36% female Board representation, three ethnic minority Board members and a female Senior Independent Director at 31 December 2023. The Nomination Committee report explains further the reason for these results and its aim to comply with the Listing Rules. As ever, there is always more to do and we are mindful of diversity when succession planning for those appointments we can control. Succession planning remains a focus for some of our longer serving Board members, but also for our Executive Directors and ExCo members. The Talent and Succession Plan was reviewed during 2023 for Executive Directors and the ExCo members and will continue to be a key matter for 2024.

Board schedule
I work closely with our Group Company Secretary to plan the Board schedule well in advance of the year. Each meeting is balanced with governance, strategy including Environmental, Social and Governance ('ESG'), financial performance and emerging matters as regular items. The Board as a whole places great importance on promoting the success of the Company. Each member must have sufficient time to devote to the Board in order to contribute fully to meetings and the operation of its Committees as discussed further on page 87. During the year, additional meeting time may be needed and I am pleased that each Director endeavours to be available as and when required. Alastair Barbour was particularly grateful to those Directors who found additional meeting time for the implementation of the IFRS 17 standard and related education sessions.

Keeping the Board abreast of key areas of focus for the Company is important and the Board as a whole takes comfort from the education sessions Phoenix Group provides.

Each member must have sufficient time to devote to the Board in order to contribute fully to meetings.

Education sessions are a significant part of our Board calendar and are often facilitated by external providers or Management outside of the Board meeting schedule to ensure the required focus and attention is given to the sessions. During 2023, education sessions were held on topics such as the Annual Operating Plan ('AOP') 2023, key projects, IFRS 17, the customer view (of particular importance for Phoenix Group with the implementation of Consumer Duty by the Financial Conduct Authority ('FCA')) and the Net Zero Transition Plan that was published in May 2023. The Remuneration Committee introduced its first focused education session facilitated by its external adviser, PwC, and supported by the Executive Reward Director which was well received by all members. Please see pages 80 and 81 for education sessions delivered in 2023 and any outcomes.

Annual General Meeting
In 2023, Phoenix Group was pleased to return to an 'in person' AGM. This allowed the Board to meet and greet our shareholders face-to-face and to answer any questions. During 2023, the Board and Committee Chairs met with our largest shareholders, representing approximately 43% of our share register. In his capacity as Chair of the Group Board, Alastair Barbour met with nine shareholders, representing approximately 41% of our share register in January 2023 to discuss the 2023 annual institutional roadshow. The Chair of the Remuneration Committee engaged with a broader group of shareholders representing approximately 70% of our share register to discuss the 2023 Remuneration policy that was then approved with a 98% vote in favour by our shareholders at the AGM on 4 May 2023.

As Chair of the Group Board, I undertook the Group's annual institutional roadshow during February 2024, which is intended to reinforce the dialogue with our major shareholders, particularly concerning corporate governance issues. I met with 12 of Phoenix Group's largest shareholders who in aggregate own approximately 45% of the Company's issued share capital. The meetings covered a range of topics, including the strategic progress and outlook of the Company, the Board's effectiveness review and the recent share price performance.

The Board was pleased with the support from Phoenix Group's shareholders throughout 2023 and we hope to receive similar support in 2024. As ever, the Board is here to engage and respond to any questions our shareholders or stakeholders may have.

Nicholas Lyons
Chair of the Group Board

AGM votes in favour of all resolutions May 2023
97%
97% in 2022

Board ethnic minority Director representation[1]
23%
25% as at 10 March 2023

Independent Board Directors[1]
62%

Board female Director representation[1]
38%
50% as at 10 March 2023

UK Corporate Governance Code
Fully compliant, but areas of enhancement
Fully compliant in 2022

Board ethnic minority Director representation for those appointments controlled by Phoenix Group[1]
18%

FTSE Women Leaders ranking (February 2024)
12th
12th in 2023

Board female Director representation for those appointments controlled by Phoenix Group[1]
45%

See page **68** for a summary of how the Company complied with the 2018 Code during 2023

Committee Chairs

Male (Two)	50%
Female (Two)	50%

1 As at 21 March 2024.

Board leadership and Company purpose
Our Board of Directors

Leading from the top to drive robust governance and a clear social purpose.

At 21 March 2024, the Board comprises the Chair of the Group Board, Group Chief Executive Officer, the Group Chief Financial Officer, one abrdn plc Nominated Director, one MS&AD Insurance Group Holdings, Inc. ('MS&AD') Nominated Director and eight Independent Non-Executive Directors.

2023 Board changes
- Mark Gregory was appointed to the Board on 1 April 2023
- Stephanie Bruce retired from the Board on 11 May 2023
- David Scott was appointed to the Board on 11 May 2023
- Kory Sorenson retired from the Board on 30 June 2023
- Nicholas Lyons was re-appointed to the Board on 1 December 2023
- Eleanor Bucks was appointed to the Board on 1 December 2023
- Alastair Barbour retired from the Board on 31 December 2023

Committee membership key

A Audit
N Nomination
Re Remuneration
Ri Risk
S Sustainability

Nicholas Lyons
Chair of the Group Board

Appointed: 1 September 2018 to 1 September 2022, re-appointed 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 in banking at Morgan Guaranty Trust Company of New York UK (later JP Morgan LLP), where he held various roles including Assistant Vice President of Equity Capital Markets, he later moved to Lehman Brothers International Limited where he was Global Co-Head of Recruitment, Training and Career Development and Managing Director of the Financial Institutions Group. 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.

Having taken a sabbatical to complete a year long term as Lord Mayor of the City of London, Nicholas returned to his role as Group Chair of the Board on 1 December 2023.

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 Miller Insurance Services LLP and 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 of the Association of British Insurers ('ABI'). Andy is a Fellow of the Institute of Actuaries and also acts as the UK Government's Business Champion for Older Workers.

Key skills and competencies
- Sound executive leadership and a considered approach to strategy, demonstrated through continued delivery of Phoenix Group's operating model, delivering strategic growth through the acquisition of SLF of Canada UK Limited. 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
Board member of the ABI and the UK Government's Business Champion for Older Workers.

Rakesh Thakrar
Group Chief Financial Officer ('CFO')

Appointed: 15 May 2020

Career and experience
Rakesh joined Phoenix Group in 2001 and has been Group CFO since 2020. He held several finance and strategy-related roles and was Deputy Group CFO for six years prior to being appointed as Group CFO. Rakesh is a Non-Executive Director ('NED'), Chair of the Audit Committee and member of the Risk Committee of Bupa Insurance Limited. He is an Associate of the Chartered Institute of Management Accountants and the Association of Corporate Treasurers.

Key skills and competencies
- 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.
- Experienced in directing and delivering significant corporate projects and major transactions which drives delivery of Phoenix Group's strategy.
- Focused on people development to support culture, capabilities for future growth and a diverse pipeline of talent as sponsor of social mobility within the organisation.

Current external appointments
NED, Chair of the Audit Committee and member of the Risk Committee of Bupa Insurance Limited and the service company Bupa Insurance Services Limited.

Karen Green
Senior Independent Director ('SID')

Appointed: 1 July 2017

Committee: N Re S
Chair of the Sustainability Committee

Career and experience
Karen has significant 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), Principal of MMC Capital Ltd (now Stonepoint Capital LLC) and Director of Corporate Development of GE Capital Europe Ltd. Karen has significant NED experience, including as Chair of the Audit Committee at Admiral Insurance Group plc, a former Council member and Chair of the Investment Committee at Lloyd's of London, NED at Great Portland Estates plc and Risk and Audit Committee Chairs at Miller Insurance Services LLP.

Key skills and competencies
- Deep knowledge of 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 complements the development of Phoenix Group's growth strategy and facilitates informed oversight and constructive challenge.
- Engagement in ESG which supports her role as Chair of the Sustainability Committee.
- Significant leadership experience and understanding of Phoenix Group allowing the provision of support to the Chair of the Group Board and the Board as a whole as SID.

Current external appointments
NED and Chair of the Audit Committee at Admiral Group plc, Supervisory Board member and Chair of the Audit Committee of TMF Group BV, NED and Chair of the Audit and Risk Committees at Miller Insurance Services LLP, NED and Chair of the Risk Committee at Asta Managing Agency Limited, NED at Great Portland Estates plc, Adviser at Cytora Limited and Trustee of Wellbeing of Women.

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 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 on the suite of Lloyd's Investment Platform funds and has held executive directorships as Chair of Legal & General Investment Management 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 appointment
Chief Investment Officer of Lloyd's of London.

Mark Gregory
Independent Non-Executive Director ('NED')

Appointed: 1 April 2023

Committee: A Ri

Career and experience
Mark has 25 years of experience in the financial services industry. Most recently, Mark was CEO of Merian Global Investors Limited ('Merian'). Preceding this, he held roles at Legal & General Group plc including: Group CFO, 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.

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 a member of the Risk and Audit Committees.
- 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.

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.

Board leadership and Company purpose continued
Our Board of Directors

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 35 years of experience and is currently Senior General Manager for the International Business Planning Department at MS&AD. His previous roles include 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. Hiroyuki's NED experience includes roles as NED of ReAssure Group plc, Mitsui Sumitomo Insurance (London Management) Limited 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 competences
- 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, listed on the Australian Stock Exchange.

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 competences
- Vast financial services experience meaning 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 of climate reporting across the financial services sector.

Current external appointment
Group Chief Financial Officer of NatWest Group plc.

John Pollock
Independent Non-Executive Director ('NED')

Appointed: 1 September 2016

Committee: A N Ri
Chair of the Risk Committee

Career and experience
John has vast financial services experience from a career of over 35 years at Legal & General Group plc ('L&G'), most recently as CEO of Legal & General Assurance Society. John's previous positions at L&G include CEO of Protection & Annuities, Group Executive Director of Product & Corporate and Director of UK Operations. His NED experience includes roles as Chair of Cofunds Limited and Suffolk Life Limited and NED of Cala Group (Holdings) Limited. John has also acted as Deputy Chair of the Financial Conduct Authority ('FCA') Practitioner Panel, Life Insurance Member of the Financial Ombudsmen Service Industry Panel and has been a member of the Life Insurance Committee of the Association of British Insurers. John is a Fellow of the Royal Geographical Society.

Key skills and competences
- Extensive UK and European insurance and financial services experience which enhances Board understanding of related issues and trends applicable to Phoenix Group's operations and strategy.
- Proven track record of establishing and delivering strategy whilst managing risk appetite and compliance within a regulated marketplace, which contributes to his ability to effectively chair the Risk Committee.
- Previous business leader with expert understanding of the wider organisational responsibilities to employees and society allowing him to provide robust challenge on executive decision-making.

Current external appointments
None.

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 NED and Chair of the Audit Committee of Avast plc and William Morrison Supermarkets plc, SID of Grainger plc and NED of Aviva Life & Pensions UK Limited and Friends Life Group Limited.

Key skills and competences
- 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 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 Audit Committee at Schroder Japan Trust plc, SID and Chair of the Sustainability and Governance Committee of Olam Food Ingredients.

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, abrdn plc ('abrdn'). He has over 35 years of financial services experience and is currently Chief Enterprise Technology Officer at abrdn. His previous roles include Chief Security and Resilience Officer and Group Digital & IT Strategy Director at abrdn, 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 Phoenix Group's objectives.

Current external appointment
Chief Enterprise Technology Officer of abrdn plc.

Maggie Semple, OBE
Independent Non-Executive Director ('NED')

Appointed: 1 June 2022

Committee: Re Ri 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 Limited 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 Black British 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 in 2021 from Lazard & Co Limited, 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 appointment
Special Adviser to the Chair and Board of the Daily Mail General Trust.

Our business, led by the Executive Committee ('ExCo').

The Executive Management of the Group is led by the Group CEO, who is supported by the ExCo. During 2023, 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 ExCo can be found on the Company's website.

Andy Briggs
Group Chief Executive Officer

Rakesh Thakrar
Group Chief Financial Officer

Andy Curran
Chief Executive, Savings and Retirement, UK and Europe

Mike Eakins
Group Chief Investment Officer

Anna Franekova
Corporate Development Director

Claire Hawkins
Corporate Affairs and Investor Relations Director

Brid Meaney
Chief Executive, Heritage Division

Jackie Noakes
Chief Operating Officer

Jonathan Pears
Group Chief Risk Officer

Sara Thompson
Group HR Director

Quentin Zentner
General Counsel

Kulbinder Dosanjh
Group Company Secretary (Secretary to ExCo)

Board leadership and Company purpose continued

Compliance during 2023 with the UK Corporate Governance Code 2018 (the '2018 Code').

The Board continues to robustly assess its compliance with the 2018 Code. The Group Company Secretary has supported a full review of compliance since her appointment in 2022 and has identified areas for enhancement against the provisions.

Areas for enhancement

Provision or principle	Action currently undertaken	Enhancement for 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 formal evaluation was included as part of the 2023 effectiveness review, but this was less formal in previous years.	Individual evaluation will continue to form part of the formal internal effectiveness reviews from 2024 onwards.
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 on how executive remuneration aligns with the wider workforce pay policy following the approval of the 2023 Directors' Remuneration policy at the AGM on 4 May 2023. It outlined the changes to the policy and how Directors' remuneration as a whole aligned with the wider workforce.	Following a Board education session on 2 October 2023, it was decided that Maggie Semple would become a member of the Remuneration Committee on 1 January 2024. This would allow her to discuss the alignment of Directors' pay with the wider workforce and when appropriate get input from the wider workforce on any changes to the Directors' Remuneration policy or remuneration outcomes in her role as Designated NED for Workforce Engagement and her work with the PCRF.

The 2018 Code continues to be upheld through the work of the Board and its Committees, which includes application of the 2018 Code's principles. The below table confirms where disclosures to evidence this approach are located:

Board leadership and Company purpose

Our Board of Directors Principle A	**pages 64 to 67**
Our governance framework Principle C Provision 1 (see also Audit Committee report on pages 92 to 99 and Risk Committee report on pages 100 to 103)	**page 71**
Conflicts of interest Provision 7	**page 70**
Monitoring our culture Principle B Provision 2 (see also Directors' Remuneration report on pages 113 to 114)	**page 107**
Stakeholder engagement Principle D and E Provision 3 see Section 172 Statement on page 74. Provision 5 see Section 172 Statement on page 74 (see also Sustainability Committee report on page 104 and Workforce engagement on pages 108 to 110)	**pages 74 to 77**
Whistleblowing arrangements Provision 6 (see also Board Activities on page 73 and Audit Committee report on pages 92 to 99)	**page 97**

Division of responsibilities

Division of responsibilities on the Board Principles F and G and Provisions 9, 10, 12 and 14 (see also Our Board of Directors on pages 64 to 67) Provision 11 (see also Board diversity on page 85)	**page 69**
2023 Board and Committee meeting attendance Principle H Provision 13	**page 72**
Board support Principle I; Provisions 8 and 16	**page 71**
Board member appointment terms Provision 15 (see also Directors' report on page 142)	**page 87**

Composition, succession and evaluation

Nomination Committee report Principles J, K and L Provisions 17, 18, 19, 20 to 23 (see also Non-financial information statement on page 40 of the Strategic report for information on gender balance of those in Senior Management and their direct reports)	**pages 82 to 87**

Audit, risk and internal control

Audit Committee report Principles M and N Provisions 24, 25, 26 and 29 Provisions 27 and 30 (see also Directors' report on pages 141 to 146 and Statement of Directors' responsibilities on page 147) Provision 31 (see also Directors' report on pages 141 to 146 and the Group's Viability statement on pages 58 to 59 of the Strategic report)	**pages 92 to 99**
Risk Committee report Principle O Provisions 28 and 29 (see also Principal risks and uncertainties faced by the Group on pages 50 to 57 of the Strategic report)	**pages 100 to 103**

Remuneration

Directors' Remuneration report Provisions 34 to 39 and Principles P, Q and R Provisions 32, 33, 40 and 41 (see also Remuneration Committee Chair's letter on pages 113 and 114 and Remuneration Committee governance and activities on pages 111 and 112)	**pages 111 to 140**

Division of responsibilities

Division of responsibilities on the Board

Clear roles and responsibilities to drive forward our purpose and strategy

The Directors understand their role 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.

The Board ensures that there is no existence of unfettered power nor 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.

Chair of the Group Board

Nicholas Lyons is the Chair of the Group Board ('Chair').

The Chair is responsible for:

- the leadership and effective operation of the Board;
- chairing, and overseeing the performance of the role of the governing body of the firm;
- leading the development of and monitoring the effective implementation of policies and procedures for the induction, training and professional development of all members of the firm's governing body;
- leading the development of the firm's culture by the governing body; and
- ensuring an orderly succession process for the Group CEO and the Board as a whole.

The Chair's external commitments are set out on page 87 within this report.

Group Chief Executive Officer

Andy Briggs is the Group Chief Executive Officer ('CEO').

The CEO is responsible for:

- overall management and operation of the Group within the limits delegated by the Board; and
- operational matters relating to:
  - business strategy and management;
  - investment and financing;
  - risk management and controls;
  - regulation;
  - communication; and
  - HR policies.

The CEO's external commitments are set out on page 87 within this report.

Senior Independent Director

Karen Green is the Senior Independent Director ('SID') of the Board.

The SID is responsible for:

- being available to shareholders whose concerns are not resolved through the normal channels or when such channels are inappropriate;
- leading the annual appraisal of the Chair's performance by the NEDs;
- acting as the sounding board for the Chair;
- serving as an intermediary between the Chair and the other Directors as necessary; and
- ensuring an orderly succession process for the Chair.

The SID's external commitments are set out on page 87 within this report.

Independent Non-Executive Directors

The Board considers the following NEDs to be independent:

- Eleanor Bucks
- Karen Green
- Mark Gregory
- Katie Murray
- John Pollock
- Belinda Richards
- Maggie Semple
- Nicholas Shott

As at 21 March 2024, 62% of the Board are considered to be independent. The Board uses the independence criteria as set out in the 2018 Code to assess and confirm independence.

Designated Non-Executive Director for Workforce Engagement

Maggie Semple is the Designated NED for Workforce Engagement.

The Designated NED for Workforce Engagement is responsible for:

- acting as the primary Board contact in facilitating and developing communication between colleagues across the Group and the Board;
- providing the Employee Voice to the Board by raising relevant matters, or issues of concern, highlighted by engagement with the workforce; and
- challenging the Executive Directors, as needed, as to the way in which workforce engagement is undertaken and steps taken to address workforce concerns.

Shareholder Nominated Directors

Hiroyuki Iioka and David Scott are Shareholder Nominated Directors. Hiroyuki Iioka is appointed to the Board on behalf of MS&AD and David Scott is appointed to the Board on behalf of abrdn.

In accordance with the Phoenix Group acquisition of ReAssure from Swiss Re in July 2020, MS&AD was entitled to appoint a representative NED to the Phoenix Group Board. A relationship agreement between Phoenix Group and abrdn includes the right for abrdn to appoint a representative NED, provided abrdn continues to hold 10% or more of Phoenix Group's shares.

Full descriptions of the roles and responsibilities of the Chair, CEO, SID and Designated NED for Workforce Engagement are available on the Company's website.

Division of responsibilities continued

Division of responsibilities on the Board

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.

The independence criteria set out in the 2018 Code was taken into account as part of the selection process for Mark Gregory and Eleanor Bucks who joined Phoenix Group during 2023, both of whom were considered to be independent.

During 2023, the Committee determined that all NEDs were free from any relationship or circumstances that could affect, or appear to affect, their independent judgement. In line with the 2018 Code, over half of our Board members, excluding the Chair, are independent NEDs. The Shareholder Nominated Directors, Hiroyuki Iioka and David Scott, do not meet the independence criteria under the 2018 Code. The Chair of the Group Board, Nicholas Lyons, is not considered to be independent on his re-appointment, having previously held the role from 2018 to 2022 before his sabbatical but was independent on his original appointment.

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. In addition, each Director certifies on an annual basis 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.

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 success of the Company in the long-term. Additionally, the Board may determine that certain limits or conditions must be imposed when giving authorisation. At 31 December 2023, 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 least on an annual basis. Due care and process is, of course, applied in respect of the two Shareholder Nominated Directors for abrdn and MS&AD and when the Group CEO and Group CFO declare any conflict relating to their appointments on subsidiary boards of the Phoenix Group.

Outside directorships

Executive Directors are encouraged to serve as NEDs of external companies, dependent upon time commitment in accordance with the 2018 Code. Andy Briggs is a board member of the Association of British Insurers and is the UK Government's Business Champion for Older Workers. Rakesh Thakrar is a NED, Chair of the Audit Committee and member of the Risk Committee of Bupa Insurance Services Limited and Bupa Insurance Limited.

Re-appointment of Directors

In accordance with the 2018 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 Directors 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 142.

Andy Briggs is a board member of the Association of British Insurers and is the UK Government's Business Champion for Older Workers.

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. Our governance framework ensures that the Board is effective in both making decisions and maintaining oversight of those Committees it delegates to. Each Committee reports into the Board at the end of each Board meeting cycle.

Board oversight and delegation to Committees and Management

Committees and Management accountability and performance measuring

Phoenix Group Holdings plc Board

Chair of the Group Board, 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.

Matters Reserved for the Board can be found at: www.thephoenixgroup.com

Nomination Committee

Chair, Nicholas Lyons

- Board and senior executive appointments
- Diversity and inclusion
- Board and senior executive succession planning

See pages 82 to 87

Audit Committee

Chair, Katie Murray

- Financial reporting
- Internal Controls
- External Audit
- Internal Audit
- Whistleblowing

See pages 92 to 99

Risk Committee

Chair, John Pollock

- Risk appetite and high-level risk matters
- The Group's Risk Management Framework

See pages 100 to 103

Sustainability Committee

Chair, Karen Green

- Sustainability strategy
- ESG reporting
- Culture monitoring

See pages 104 to 107

Remuneration Committee

Chair, Nicholas Shott

- Group remuneration framework
- Executive Director remuneration
- Employee share schemes
- Wider workforce remuneration

See pages 111 to 114

Terms of Reference for all Committees can be found at: www.thephoenixgroup.com

Phoenix Group Holdings plc ExCo

Chair, Andy Briggs

- Formulation of objectives and strategy
- Embedding of culture
- Management development and succession
- Business division objectives and budgets
- Business performance
- Recommendation of major capital expenditure proposals
- Operational capacity, resourcing and priorities monitoring
- ESG is monitored at Management Committee level before the Audit/ Risk/Sustainability Committees and finally the Board

Market Disclosure Committee ('MDC')

(Management Committee that reports into the Group CEO)

- Oversight of the Group's compliance with its disclosure obligations
- Considering the materiality, accuracy, reliability and timelines of information to be disclosed to the market.

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 2023.

Division of responsibilities continued
2023 Board and Committee meeting attendance

The Board met formally seven times during 2023, including a two-day strategy setting meeting. The Board met additionally for regular briefing meetings to continue to monitor the volatile macro-economic environment and oversight of the Group's strategic objectives. The Board continued with the briefing calls that were set up during the pandemic as they serve as a valuable bridge outside of formal Board meetings and often facilitate education sessions. Additional meetings have also been held in respect of M&A activity. The NEDs met with the Chair of the Group Board on at least seven occasions without Executive Directors present, which normally take place at each Board meeting.

The following Board and Board Committee attendance table below details all formal Board and Board Committee meetings held during 2023.

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[1]	Risk Committee	Remuneration Committee	Nomination Committee	Sustainability Committee
	Actual/Max	Actual/Max	Actual/Max	Actual/Max	Actual/Max	Actual/Max
Chair						
Nicholas Lyons[2]	–	–	–	–	–	–
Alastair Barbour[3]	7/7	–	–	–	7/7	–
Executive Directors						
Andy Briggs (Group CEO)	7/7	–	–	–	–	–
Rakesh Thakrar (Group CFO)	7/7	–	–	–	–	–
Non-Executive Directors						
Karen Green[4]	7/7	8/9	–	5/5	7/7	6/6
Stephanie Bruce[5]	3/3	–	–	–	–	–
Eleanor Bucks[6]	–	–	–	–	–	–
Mark Gregory[7]	5/5	–	6/6	–	–	–
Hiroyuki Iioka	7/7	–	–	–	–	–
Katie Murray[8]	7/7	9/9	–	–	4/4	–
John Pollock	7/7	9/9	8/8	–	7/7	–
Belinda Richards[9]	7/7	–	7/8	5/5	–	–
David Scott[10]	4/4	–	–	–	–	–
Maggie Semple	7/7	–	8/8	–	–	6/6
Nicholas Shott[11]	7/7	9/9	–	5/5	7/7	6/6
Kory Sorenson[12]	4/4	–	5/5	3/3	4/4	3/3

1 Additional Audit Committee meetings were held due to the introduction of the new accounting standard IFRS 17.
2 Nicholas Lyons stepped down from the Board on 1 September 2022 and commenced his sabbatical. He returned as Chair of the Group Board on 1 December 2023.
3 Alastair Barbour became Chair of the Group Board on 1 September 2022 and stepped down from the position of Chair of the Group Board and the Nomination Committee on 30 November 2023. Alastair Barbour then retired from the Board on 31 December 2023.
4 Karen Green was unable to attend a joint Audit and Risk Committee meeting due to attending a funeral.
5 Stephanie Bruce retired from the Board on 11 May 2023.
6 Eleanor Bucks was appointed as a Director on 1 December 2023.
7 Mark Gregory was appointed as a Director and became a member of the Risk Committee on 1 April 2023.
8 Katie Murray became a member of the Nomination Committee on 29 June 2023.
9 Belinda Richards was unable to attend a joint Audit and Risk Committee meeting due to attending a funeral.
10 David Scott was appointed as a Director on 11 May 2023.
11 Nicholas Shott became Chair of the Remuneration Committee on 4 May 2023.
12 Kory Sorenson retired from the Board on 30 June 2023.

Board activities

Purpose, values and strategy

Approval of Annual Operating Plan 2023.

Approval of new and reviewed policies:

- Board Diversity policy;
- Voting policy and strategy;
- Market Abuse Disclosure policy; and
- Share Dealing Code.

Meeting the Sun Life of Canada UK team to discuss its strategy.

Two-day strategy meeting in June 2023.

Oversight of the transformation agenda.

Oversight of Phoenix Asset Management.

Monitoring of internal perception of culture and alignment with the Phoenix Group's purpose and values.

Update on Mansion House Compact.

Update from Phoenix Re, Bermuda.

Workforce policies and culture oversight

Approval of the Group's Human Rights policy.

Whistleblowing oversight.

Oversight of insights from colleague engagement surveys and culture dashboards.

Monitoring of colleague engagement initiatives.

Regular updates from the Designated NED for Workforce Engagement.

Risk management and assurance

Climate change stress and scenario testing.

Monitoring of the Group's risk culture.

Approval of Phoenix Group's risk appetite and assessment of the approach to identifying and managing emerging risks.

Approval of Principal Risks and Uncertainties disclosures.

Monitoring performance against Phoenix Group's operational Risk Management Framework.

Receiving and considering regular updates from the Board Audit and Risk Committees.

Sustainability

Approval of Phoenix Group's 2023 sustainability strategy.

Monitoring progress against Phoenix Group's sustainability agenda and strategy.

Approval of Phoenix Group's 2023 Modern Slavery Statement.

Approval of the Net Zero Transition Plan published on 24 May 2023.

Oversight of Phoenix Group's progress against the Stewardship Code.

Receiving and considering regular updates from the Board Sustainability Committee.

Stakeholder engagement

Monitoring of customer service, operational resilience and colleague wellbeing.

Monitoring of investor engagement activities, and oversight of the year end investor presentation.

Consideration of investor and media reaction to Full Year 2022 and Half Year 2023 results, including IFRS 17 results.

Consideration of investor feedback and analyst reports, including investor sentiment and deep dive session with the corporate brokers.

Participating in open and honest dialogue with all applicable regulators.

Interaction with colleagues, through the PCRF and Designated NED for Workforce Engagement (see pages 108 to 110 for more detail) and the Colleague Interaction Session between the Board and colleagues at various stages of their career.

Consultation with major shareholders on the Directors' Remuneration policy.

Financial management and performance

Monitoring of Phoenix Group's solvency and liquidity positions.

Monitoring of capital resilience, financial performance and growth of Phoenix Group.

Approval of Phoenix Group's dividend policy.

Recommendation of the 2022 Final dividend and 2023 Interim dividend.

Approval of Phoenix Group's funding and capital strategy.

Approval of the Group's tax strategy.

People strategy, diversity, equity & inclusion ('DE&I') and succession planning

Monitoring of data collation through the 'Who We Are' application from which a 2024 DE&I action plan was produced spanning: inclusive leadership, diversity data and reports, social mobility, race and ethnicity and disability and neurodiversity.

Oversight of people capability requirements and management actions to enhance capabilities.

Monitoring of diversity in ExCo -1 (Business Leadership) and ExCo -2 (Senior Leadership) role hires and challenge to the hiring process.

Approval of Board and Executive Succession Plans.

Approval of appointment of Group and material subsidiary Board changes.

Reviewing changes to the Executive Management and succession planning.

Corporate governance and reporting

Simplification of governance continued.

Monitoring compliance with the 2018 Code.

Review of corporate governance reforms.

External Board effectiveness review.

Subsidiary governance oversight.

External reporting including the Annual Report and the Sustainability and Climate Reports and the Solvency and Financial Condition Report ('SFCR').

2023 Annual General Meeting.

Stakeholder engagement

Stakeholder engagement from the top

Section 172 of the Companies Act 2006 (the 'Act') requires each director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole.

Setting our culture, values and strategy
The Board sets the strategic direction, culture and values for Phoenix Group; these are key to how we do business and how we achieve our purpose.

Diverse set of skills, knowledge and experience
The Phoenix Group Directors collectively have a diverse set of skills, knowledge, experience and stakeholder expertise which assists the Board in making decisions. This contributes to their ability to make well-informed decisions which, in turn, promotes long-term, sustainable success for all stakeholders. As part of their induction when joining the Group, all Directors receive a detailed briefing on their duties as a Director.

Board information
At each Board meeting, detailed papers from Management are submitted. These provide information on the likely long-term impacts of decisions on stakeholders and how they have been considered during the discussion process, including any engagement with relevant groups. See pages 74 to 77 for further information. The Board also has an annual schedule of 'Board education' topics where the Board, in collaboration with Senior Management, establish key activities that will be undertaken during the coming year and arrange for Heads of Functions to deliver education sessions which feed into the decision-making process.

Board discussion and decision-making
During their discussions, the Board provides rigorous risk management, assessment and challenges Senior Management to ensure a decision promotes long-term, sustainable success for the Group and that all relevant stakeholders have been appropriately considered. See page 77 for examples.

Monitoring
The Board receives regular updates on key actions taken from outcomes. This is done through regular reports from Senior Management at each Board meeting, and if necessary, verbal updates are also provided.

S.172 Key to decision criteria

- **A.** Likely consequences of any decisions in the long-term.
- **B.** Interests of the Company's employees.
- **C.** Need to foster the Company's business relationships with suppliers, customers, and others.
- **D.** Impact of the Company's operations on the community and the environment.
- **E.** Desirability of the Company maintaining a reputation for high standards of business conduct.
- **F.** Need to act fairly between members of the Company.

The Directors have applied Section 172 of the Act in a manner consistent with the Group's purpose, values and strategic priorities, having due regard to the Group's ongoing regulatory responsibilities as a financial services operation. To support the fulfilment of the Directors' duties outlined above, each paper prepared for consideration by the Board contains an analysis of the potential impact of proposals to be considered by the Board considering the factors contained in Section 172.

Page 77 contains examples of key decisions of the Board, their alignment to the Group's strategy, how the Board reached its decision (including consideration of matters set out in Section 172; the interests of stakeholders; related risks and opportunities; and challenges it faced) and the outcome of those considerations. The examples shown are provided to demonstrate how the Directors of the Company have carried out their duties under Section 172 of the Act.

Key stakeholder groups

Customers

A, C, D, E, F

Understanding our customers and their requirements is core to our purpose and strategic priorities. By listening to their needs and what matters most, the Group can improve our services. The Group continually strives to develop and refresh the product offering to assist customers in making the most of their retirement.

The Board acknowledges its responsibility and duty to ensure the success of the business for all customers.

Suppliers

A, C, D, E

Suppliers are important to Phoenix Group's success as they provide operational support, working in partnership with us, so that we can achieve our strategic priorities including the delivery of services to our customers.

Developing and maintaining quality relationships with our suppliers, strategic or otherwise, is core to Phoenix Group fulfilling our ultimate purpose of helping people secure a life of possibilities.

Colleagues

A, B, D, E, F

Phoenix Group takes great pride in being a people business and engagement with our stakeholders is through its people. Our colleagues are, therefore, vital for the Group and to the achievement of our strategic priorities and long-term success. Their dedication, commitment and capabilities are integral to the Group's success.

Oversight of our culture, purpose, values and colleague initiatives is a core focus for the Board. The Board considers colleagues in the widest sense, including the Group's relationships with its pension schemes and members who are former colleagues as well as members of the Group's workforce who are not employed directly by the Group.

Link to strategic priorities

How the Board has engaged with and had oversight of stakeholder views during the year

Customers

- Received formal training regarding their responsibilities regarding the implementation of the new Consumer Duty regulations implemented in July 2023 for open book products and July 2024 for closed books. See page 77 for more details.
- Received regular updates from Management on the potential impact any ongoing project may have on customer service, with detailed oversight of customer service being undertaken by the subsidiary board for the Phoenix Life Companies and its committees.
- Spent time during their annual strategy session discussing customer needs and customer desire for sustainably driven products.

Suppliers

- 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. Such monitoring included discussions with regulators to ensure clarity of Phoenix Group's focus on positive customer outcomes.
- The Board Risk Committee received updates from the Group Chief Risk Officer ('CRO') on service levels provided by suppliers and considered fulfilment of Service Level Agreement terms in the year, with detailed oversight of customer service being undertaken by the subsidiary board for the Life Companies and its committees.

Colleagues

- Members held regular colleague engagement sessions and met with a range of colleagues, listening to their views, ideas and experiences. This input was then used to assist the Board decision-making process.
- Received updates on colleague wellbeing and engagement levels from the regular employee surveys completed by colleagues throughout the year.
- Monitored the impact of projects and the Group's change agenda on colleagues, including potential areas of stretch on resource.
- Together with the Board Sustainability Committee received updates from the Designated NED for Workforce Engagement following engagement sessions with colleagues, including meetings with the PCRF.
- Additional information on colleague engagement can be found on pages 108 to 110.

The Board's role in promoting positive stakeholder relationships

Customers

The Board held Management to account throughout the year, ensuring due care and attention was given to customer outcomes and needs, especially in the context of implementing the new regulations required for Consumer Duty.

The reward of the Executive Directors include customer metrics which they measure against as part of the Annual Incentive Plan ('AIP').Please see page 120 of the Directors' Remuneration report.

Suppliers

The Board, via regular reports from the Board Risk Committee, scrutinises the performance of key suppliers to ensure Phoenix Group can provide the best customer outcomes to deliver its operational and financial targets. Ensuring that relationships with suppliers are mutually beneficial and progressive is essential to the success of both Phoenix Group and our suppliers.

Colleagues

The Board strongly believes in leading by example and sets the cultural tone from the top, engaging with colleagues (both directly and indirectly) which is key to ensuring positive relationships. Two-way engagement, via the Designated NED for Workforce Engagement and the PCRF, gives colleagues a direct link to the Group Board to keep them informed on how the Board is driving Group strategy while enabling the Board to stay connected to what's important to colleagues and how the decisions it makes impact their working lives.

The Board takes its responsibilities seriously in promoting positive stakeholder relationships and has included People metrics in the reward framework for Executive Directors; further details on the outcomes against these metrics can be found in the Directors' Remuneration report on page 111 to 140.

Strategic priorities key

Grow Optimise Enhance

Stakeholder engagement continued
Key stakeholder groups

Community and the environment

A, C, D, E, F

We are working collaboratively to drive a stable investment policy that enables us to invest at scale in productive assets to support economic growth, levelling up and the climate change agenda. This benefits customers and their communities in the short and longer term.

Building trust and inspiring confidence through community engagement and partnerships is important to the Board for the continued good reputation of the Group. To achieve this, we are expanding our work on nature, by setting out priority areas of focus to drive on nature investment opportunities.

Investors

A, C, D, E, F

Our investors continue to be crucial to the growth and achievements of the Group. Phoenix Group is dedicated to delivering long-term value to our shareholders and intends to provide a dividend that is sustainable and grows over time.

The Board is cognisant of the value our investors add to safeguarding the Group's governance through monitoring of performance and engagement with the Board throughout the year.

Government, trade bodies and regulators

A, C, D, E, F

Phoenix Group is the UK's largest long-term savings and retirement business and is subject to both financial services regulations and to listed entity regulation. The way we operate and interact with our regulators provides the trust and reassurance needed by stakeholders to enable Phoenix Group to deliver its purpose.

The Board recognises the importance of maintaining positive relationships with the UK Government, trade bodies and regulators to enable the Group to communicate the views and concerns of our customers and society generally, while providing reassurance to customers that Phoenix Group is transparent and compliant with all its transactions.

Link to strategic priorities

How the Board has engaged with and had oversight of stakeholder views during the year

Community and the environment

- Together with the Board Sustainability Committee received updates on progress against KPIs and targets aligned with the Group's community engagement strategy, with relevant highlights reported to the Board.
- Together with the Board Audit Committee, the Board attended a training session on TCFD and climate change in relation to the financial statements.
- Received training on the proposed plans for net zero transition in advance of the Board being asked to approve the plan.
- The Group HR Director provided regular updates on colleague engagement activities, initiatives, and progress on community-related KPIs which can be found in the Sustainability Report at: www.thephoenixgroup.com.

Investors

- Received feedback from the Chair of the Group Board on investor relations roadshow meetings.
- Received regular updates from the Group CEO on investor relations activities and feedback/questions received from investors.
- Received investor feedback from the Group's results announcements and investor roadshows.
- Considered key concerns relating to investor messaging and various investor communication approaches.
- Considered and provided feedback on the contents of the year end investor presentation.
- Members, including the Chair of the Group Board and Non-Executive Directors acting in the capacity of Committee Chairs, were available to investors for engagement, including to answer questions on significant matters related to their areas of responsibility. Prior to, and at, the Company's AGM, investors were able to submit questions to be answered by each of the above.

Government, trade bodies and regulators

- Received updates at every Board meeting on Management's progress with regulators' requests for information and any feedback received.
- Formally met with the FCA and Prudential Regulation Authority ('PRA') during the year on a range of issues relating to the impact of each regulators' strategic objectives and routine regulatory matters.
- Both the FCA and PRA requested more formal meetings with certain Board Directors and Senior Managers as part of their respective supervisory strategies.
- Continually challenged Management on ensuring that Phoenix Group maintains open and honest dialogue with the FCA, PRA, Central Bank of Ireland, The Pensions Regulator and other jurisdictional regulators.

The Board's role in promoting positive stakeholder relationships

Community and the environment

The Board, through the Board Sustainability Committee, has monitored Management's engagement activities with our communities and the environment, ensuring that the Group is able to fulfil its purpose and colleagues have the opportunity to participate in charitable giving and volunteering both within their communities and also with environmental projects. It is the Board's role to hold Management to account in maintaining sufficient resources needed to support our communities.

Reaching our Net Zero Transition Plan ambitions features highly on the Board's agenda through the Sustainability Committee and metrics are included in the reward framework. For further details see page 117 of the Directors' Remuneration report.

Investors

The Board monitors investor sentiment and feedback throughout the year to ensure the Group can respond to investor concerns, which is key to the success of the Group.

The Board also ensures that the Group's strategy and purpose are set to ensure the long-term success of the business and generation of value for shareholders.

Government, trade bodies and regulators

As the Group's custodian, ensuring robust governance, controls and risk management, the Board is responsible for holding Management to account for the day-to-day compliance with regulation and legislation; ensuring transparent communication of such compliance to maintain trust in Phoenix Group. The SID is also available to meet shareholders as she did in 2023.

Strategic priorities key

Grow **Optimise** **Enhance**

How the Board considered stakeholders during the year

Consumer Duty

How the Board reached its decision

Consideration of Section 172 matters

During the year, the Board considered the steps necessary for the implementation of the new Consumer Duty regulations, which came/will come into force in July 2023 for open book products and July 2024 for closed book ones.

The Board identified customers, colleagues, investors, regulators and community as key stakeholders in the decision-making process. Discussions of the potential risks and opportunities for each category of stakeholders were considered throughout the process.

The Consumer Duty programme had been established within the Life Companies, with the Life Companies Board acting as the key decision-making forum for material decisions, as well as overseeing progress to the regulatory deadline in July 2024. As a result, the Life Companies Board and Group Board Risk Committee received regular updates on progress, with Rosie Harris, NED on the Life Companies Board, appointed as the Group's NED sponsor for this work. Consumer Duty, however, is a significant programme of work for the Group and the changes introduced by the programme had the potential to have a material impact on the Group, and as a flagship initiative by the FCA to enhance standards across the industry and increase levels of consumer protection, it was therefore important that the Group Board was appropriately engaged in the programme.

While the Life Companies, as the regulated entities, are accountable for the successful delivery of the Consumer Duty programme, there are a number of sections where it is appropriate for the Group Board to have oversight to ensure the best outcome for all stakeholders.

These sections are that the Group Board:
- approves the overall strategy in pursuit of good customer outcomes, and should be kept informed of key developments;
- is provided with regular updates to ensure it is satisfied that the Life Companies Board have reviewed and fulfilled their Directors' duties and are meeting the compliance requirements of Consumer Duty;
- is made aware of, and provided with all relevant information regarding any matters relating to the Consumer Duty programme which trigger the Matters Reserved for the Board; and
- as Consumer Duty is a material programme for the Group, the Group Board should have oversight of the overall progress of the work and assurance that the Group is adhering to the spirit of the rules.

To ensure that it was fully aware of its responsibilities to the Group regarding the Consumer Duty programme, the Group Board undertook a formal training sessions arranged by the Group Company Secretary and delivered by the Chief Risk Officer for the Life Companies.

Outcome

Following due consideration of all the matters set out in Section 172 of the Act, the Group Board agreed that it would receive regular updates via the Group CEO report, and regular training sessions would be scheduled on material matters as they arose.

IFRS 17 implementation

How the Board reached its decision

Consideration of Section 172 matters

During the year, the Board was required to monitor the implementation of the new accounting standard IFRS 17 for insurance contracts issued by the International Accounting Standards Boards ('IASB'). This supports efficient risk management and allows stakeholders to gain important insights into the entity's business model, exposures, and performance. As this was a new accounting standard, the Board dedicated significant time to the matter to ensure that regulatory deadlines were met for the successful announcement of the Half Year 2023 results, which would have a positive outcome for customers, investors, regulators and colleagues.

This required the following steps to be taken at meetings held during 2023:
- Consideration of the impact of work required for this project on others within the Group, due to the significant internal resources required to ensure delivery. The Board was required to consider other projects in the pipeline and the impact on colleagues to ensure a balanced and manageable workload for all.
- Successful execution of the plan would be based on careful management of a number of key operational risks. The risks relating to judgements or technical assumptions were considered and Management regularly reported the results of testing through the Transition Balance Sheet and Comparatives process.
- Regular updates were received from both the Board Audit Committee and the Board Risk Committee to ensure that all steps and risks were being carefully monitored and progress was appropriately reported to the Group Board to enable its decision-making process.
- Updates were provided at every meeting throughout the year from Management.

To ensure that it was fully aware of its responsibilities to the Group regarding the implementation of the IFRS 17 standard, the Group Board undertook several formal training sessions delivered by the Group CFO and Heritage CEO.

Outcome

Following due consideration of all the matters set out in Section 172 of the Act, the Board announced the Half Year 2023 results in September 2023. In addition, significant time was spent during Board meetings discussing the project's progress, receiving frank reports from Management. As a result, consideration was given to customers, investors, colleagues, government bodies and regulators, together with the wider market, to ensure that suitable triggers were in place to take action based on investor sentiment.

Composition, succession and evaluation

Board review

Following internal Board effectiveness reviews in 2021 and 2022, an external Board effectiveness review was facilitated by the Board Reviewer in 2023. The Board confirms the external Board Reviewer has no other connection with Phoenix Group or individual Directors. Its work is guided by a Code of Practice published by the Board Effectiveness Guild of which it is a member.

External Board review process:

1. The format and scope of the review were discussed by the Board Reviewer, the Chair of the Group Board and the Group Company Secretary, the Senior Independent Director and the Committee Chairs.
2. The Board Reviewer sent a questionnaire, firstly reviewed and approved by the Chair of the Group Board and Group Company Secretary, to every member of the ExCo, Board and the Group Company Secretary.
3. Each member of the ExCo, the NEDs, the Chair of the Group Board and the Group Company Secretary had a confidential interview with the Board Reviewer to thoroughly discuss their answers to the questionnaire and any other topics individuals felt were pertinent.
4. The external Board Reviewer observed the meetings held on 2 and 3 October 2023, which included reviewing the Board and Committee papers for those meetings.
5. Draft reports were circulated to the Chair of the Group Board and each Committee Chair, noting that the October Remuneration Committee meeting was an education session. These were then individually discussed with each Chair.
6. Observations were presented at the November Board and Committee meetings by the Board Reviewer. Results and potential actions were discussed at each Committee meeting.
7. The Group Company Secretary, or her designate, worked with each individual Chair of the Committees to finalise actions and any potential 2024 education sessions. These were then added to the 2024 education session calendar. Actions were approved at the early February 2024 meeting and will be monitored by the Board and Committees throughout the year.

Board review

The 2023 Board effectiveness review concluded that the Board is capable, hard-working with a large workload, is reflective and has strong 360-degree challenge between both Non-Executive Directors and Management. It scored itself as effective, whilst acknowledging there was always room for improvement to maintain high performance. The 2023 review by the Board Reviewer concluded that the Board and its Committees operated and were chaired effectively. However, the Board Reviewer did identify a few areas for enhancement for the Board and these are highlighted below:

Action 1

Management to continue to consult with the NED's in preparation of the annual strategy session to ensure that extensive experience of strategy development on the Board is leveraged appropriately.

Action 2

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.

Action 3

The Chair of the Group Board to continue to provide regular individual performance feedback to each Director as appropriate and at least annually.

Action 4

Continued Board focus on key material and relevant issues with support from the Chair of the Group Board. To enhance the timeliness and succinctness of papers.

Committees' effectiveness

The Committees' effectiveness review was undertaken as part of the Board review process and concluded that they operate effectively and Chairs performed strongly. All duties set out in the Committees' Terms of References were addressed during the year. The areas of enhancement for Committees for 2024 are set out in each committee report in a similar format to the previous page for ease.

Individual effectiveness

Executive Directors are evaluated annually to ensure they have performed against their strategic targets (see page 114 of the Directors' Remuneration report). The Group Company Secretary was appointed on 1 April 2022 to ensure Phoenix Group's governance is in line with its FTSE 100 peers. It has become apparent that compliance with Principle L of the 2018 Code could be enhanced. Therefore, NEDs will be subject to a formal and rigorous individual evaluation as part of both internal and external evaluations going forward. As part of this process, the Board Reviewer appraised each Director's performance, this was reviewed by the Chair and then discussed with each Director. The Board Reviewer found the Board to be effective and individuals specifically provided strong support, belief and optimism in the Phoenix Group strategy.

Assessment of the Chair's performance

Feedback was provided by the Board, ExCo and Group Company Secretary on the effectiveness of the Chair, who was found to be thorough, competent and unhindered by the interim nature of his role. He was found to be capable of both challenging Management whilst also being a critical friend when required. Alastair Barbour made a seamless transition from Non-Executive Director to Chair of the Group Board during 2023 and back again to provide Nicholas Lyons with a diligent handover, providing the Board with much confidence. The Board has valued Alastair's challenge, leadership, inclusivity and support for all Directors, and of course, his historical knowledge.

The 2022 Board review

The 2022 Board review was internally facilitated by the then Chair of the Group Board, Alastair Barbour, who was supported by the Group Company Secretary. The following progress against actions identified during that review has taken place during 2023:

Action identified	Action taken
Strategic Topics – further deep dives into the Open Business, including the existing European business strategy.	This was an agenda item at the Strategy Day in June.
Education/Training – determination of the topics to be included in 2023 and ensure compliance/regulatory required matters are covered in the most efficient manner.	An annual education/training plan was agreed on regular training sessions for the Board during 2023 and included the Annual Operating Plan 2023, various projects, IFRS 17, the customer view, Internal Model, Net Zero Transition Plan, as well as mandatory training.
Colleague Engagement – to enhance colleague engagement for Directors working with the Designated NED for Workforce Engagement.	The Board met colleagues in May and November 2023. The first session was with graduates and the second was with female colleagues over 50. See pages 108 to 110 for more details.
Talent and Succession Planning – closer focus as the Group continues to build its capabilities and strengthens the succession pipeline.	A review of talent and succession planning was undertaken twice in 2023. A talent grid has been developed for consideration.
Board Information – ongoing improvement in the quality and content of information to the Board, building on the progress made in 2022.	The paper template was further enhanced, and the Company Secretariat Team provided education sessions to colleagues on how to draft good quality papers.

Composition, succession and evaluation continued

Board 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/deep dive sessions. The following education/deep dive sessions were provided to the Board during 2023. Board Committees may have specific educational or deep dive sessions relevant to the work of each Committee.

Q1

Annual Operating Plan ('AOP') 23 and expenses

Deep dive focusing on:

1. planned investment over the next three years and expected benefits;
2. Management's view on the prioritisation of projects and planned spend; and
3. balance sheet focus.

IFRS 17

Review of timeline to announce IFRS 17 and Half Year 2023 results to the market. Providing an update on the progression of Full Year 2022, Half Year 2022, Half Year 2023 IFRS 17 results and any challenges faced by Management. A planning update was also provided.

Sun Life of Canada

Update on business and governance integration post-acquisition including a 2023 timeline.

Outcome: Day one vision to be provided to the Board.

Committee deep dives and education sessions

Joint Audit Committee and Risk Committee

IFRS 17

Review of governance path, status update and identification of the requirement for any further education sessions. Review of the Transition (opening) Balance Sheet, IFRS 17 liabilities, key judgements, controls and validations required, plus an update from the External Auditor, EY LLP ('EY'), on progress and where challenge may be needed.

Sustainability Committee

Stewardship Code

Overview of Phoenix Group's approach to the Stewardship Code.

Human rights

Teach-in by the business for Social Responsibility.

Remuneration Committee

Benchmarking

External adviser PwC provided a benchmarking session on CEO and CFO pay for the financial services sector.

Q2

IFRS 17 programme update

Programme update and deep dive into current end-to-end controls for the production of IFRS 17 results.

Net Zero Transition Plan

In advance of its May 2023 publication, a deep dive focusing on the balance between ESG ambition and any false sense of progress. The risks of greenwashing and greenhushing were also highlighted to the Board.

Brand engagement

Focus on digital and the impact of Artificial Intelligence ('AI') on future engagement with our customers.

Customer trends

Strategy session on customer views, what is driving customers' behaviours and how these can be embedded within Phoenix Group's strategy.

Committee deep dives and education sessions

Sustainability Committee

Phoenix Insights

Update on how the 'Think Tank' was focusing on consumers, the undersavings crisis, female re-skilling opportunities in the workplace and broadening methods of financial education.

Digital inclusion

Overview of the development and delivery of Phoenix Group's digital inclusion strategy which formed part of the wider customer sustainability strategy and ambitions.

'Let's Start Talking' Campaign

Work undertaken by colleagues to ensure that the Company continued to be a purpose-led organisation.

Outcome: To find a more accurate method of tracking engagement with the website.

Q3

Group CEO and Group CFO update
Review of current bank loans and facilities, cash generation, controls and potential M&A. In addition, a reflection of inadvertent consumer exclusion, except for financial crime.

IFRS 17
Two further sessions on the programme update for IFRS 17 and market disclosure considerations.

Consumer Duty
Deep dive focused on the implementation of Consumer Duty at the Life Companies Board ready for regulatory implementation in June 2024.

Outcome: More regular updates to the Phoenix Group Board from the Life Companies Board on its role and actions relating to Consumer Duty. There had been particular focus on the With-Profits Committee as this was a complex area.

Committee deep dives and education sessions

Sustainability Committee
Climate litigation
Insight into current trends and how climate change litigation was expected to develop over time. Particular focus on human rights protection and derivative actions.

Nature and The Taskforce on Nature-related Financial Disclosures
Overview of the science-based foundation for understanding nature, and how this was incorporated into the TNFD framework's components.

Money Mindset
Deep dive into the workplace pension platform for Standard Life customers.

Financial inclusion
Overview of work undertaken to increase financial inclusion for all customers, as well as wider society.

Audit Committee
IFRS 17 disclosure as the publication date approached.

Q4

Investor Relations
Investor feedback from brokers on the Half Year 2023 results.

Major Model Change
Understanding of the Major Model Change 2022 changes from the previous Major Model Change and the liaison with the PRA.

Market Abuse Regulations
Refresher training on UK Market Abuse Regulations. Including recently implemented systems to monitor share dealing, project lists and closed periods for both the asset management business and PDMRs and employees dealing in Phoenix Group Holdings plc's shares.

Internal Model
Review of how the Internal Model supports the Risk Management Framework.

The Board received specific mandatory training:

- Code of Conduct
- Data Protection
- Financial Crime
- Information Security
- Internal Model Validation
- Consumer Duty

Committee deep dives and education sessions

Audit Committee
Disclosure of climate reporting on financial disclosures
Deloitte provided a session on the financial impact of the new sustainability and climate change regulations. Feedback on any potential gaps with the new regulations in Phoenix Group's own Sustainability Report and appropriate assurance.

Outcome: A further education session scheduled for Q1 2024 was identified to review an assurance timeline, for the impact climate reporting had upon financial statements.

Remuneration Committee
Current and potential changes under the UK Corporate Governance Code 2024 ('the 2024 Code') and the impact for the Committee were provided by PwC, the Committee's external adviser.

Consumer Duty was also outlined in relation to remuneration.

Outcome: Maggie Semple to join the Remuneration Committee as a member on 1 January 2024 to assist the Committee to better understand the voice of the wider workforce.

Outcome: The Committee to receive an annual wider workforce dashboard at each October education session.

Composition, succession and evaluation continued
Nomination Committee report

Nicholas Lyons
Nomination Committee Chair

Gender diversity will be considered when succession planning over the next two years for the appointments that the Board can influence.

Composition of the Committee
The Board confirms that with the exception of the Chair, all of the members of the Committee are Independent Non-Executive Directors.

Regular attendees include the Group CEO and Group HR Director.

Committee meetings and membership
Under the Committee's Terms of Reference it should meet at least twice a year. During 2023 there were seven formal meetings.

	Member from	2023 meeting attendance	2023 % attendance
Nicholas Lyons[1]	1 December 2023	–	–
Alastair Barbour[2]	11 May 2016	7/7	100%
Karen Green	5 May 2022	7/7	100%
Katie Murray[3]	29 June 2023	4/4	100%
John Pollock	1 November 2022	7/7	100%
Nicholas Shott	11 May 2017	7/7	100%
Kory Sorenson[4]	2 May 2018	4/4	100%

1 Nicholas Lyons stepped down from the Board on 1 September 2022 to commence his sabbatical. He returned as Chair of the Group Board on 1 December 2023.
2 Alastair Barbour became Chair of the Group Board on 1 September 2022 and stepped down from the position of Chair of the Group Board and the Nomination Committee on 30 November 2023. Alastair Barbour then retired from the Board on 31 December 2023.
3 Katie Murray became a member of the Nomination Committee on 29 June 2023.
4 Kory Sorenson retired from the Board on 30 June 2023.

Committee gender

Male	60%
Female	40%

7
Number of Committee meetings held this year

Role of the Committee
The Committee is responsible for considering the size, composition and balance of the Board, the retirement and appointment of Directors and Senior Management, succession planning for the Board and Executive Committee and monitoring of diversity metrics. It is focused on the development of a diverse pipeline and making recommendations to the Board on these matters.

Following each meeting, the Chair of the Committee provides a summary of discussion, outcomes and where relevant makes recommendations to the Board in line with the Committee's Terms of Reference, which can be found at: www.thephoenixgroup.com.

Overview of the year

Key Committee activities during 2023
Succession planning for the NEDs leading to the appointment of two new NEDs.
The appointment of Mark Gregory with effect from 1 April 2023.
The review of Committee membership and the approval of Katie Murray as a member of the Nomination Committee effective 29 June 2023 and Nicholas Shott as Chair of the Remuneration Committee effective 4 May 2023. Mark Gregory became a member of the Audit Committee and Maggie Semple the Remuneration Committee both with effect from 1 January 2024.
Monitoring our DE&I targets at Board, Executive Committee and Business Leadership level.
Appointment of Bvalco Ltd (the external Board Reviewer) to review the performance of the Phoenix Group Board for 2023.
Approve any changes to the Life Companies Board and direct subsidiaries of Phoenix Group Holdings plc.
The appointment of Eleanor Bucks with effect from 1 December 2023.
2024 focus
Succession planning for the Board, recognising that John Pollock and Nicholas Shott conclude their nine-year terms in 2025.
Continue to consider the succession planning for Executive Directors and Executive Committee members, closely reviewing the talent grid.
Review of the Board Diversity policy and monitor against the Listing Rules, Parker Review and FTSE Women Leaders.

Committee review

The 2023 effectiveness review was externally facilitated by an external Board Reviewer.
The review concluded that the Committee was functioning extremely effectively, there was good respect and trust between the Board and members, new appointments including the interim Chair of the Group Board had been dealt with strongly. There was good diversity on the Board which was continuously improving and new NEDs had commented on the quality of the appointment process, particularly at the interview stage. However, the Board Reviewer did identify a few areas of enhancement by the Committee, and these are highlighted to the right:

Action 1

Continued focus on the executive succession plan and talent grid.

Action 2

Review the Committee memberships on an ongoing basis to ensure skills and experience are being utilised effectively.

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 2023, 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:

Outcomes from Nomination Committee agenda items

Time commitment	Outcome	
Full assessment that each of the NEDs continue to be appropriately defined as 'independent' and have offered and continue to offer the appropriate time commitment expected in their role.	The Nomination Committee has confirmed its satisfaction with the time and commitment given to Phoenix Group by all Directors. All Directors should be proposed for election or re-election by shareholders at the AGM being held on 14 May 2024. Time commitments were also reviewed on the appointment of two new NEDs and as NEDs take on new roles.	
Emergency cover for Board Committees should a Chair be unable to attend a meeting.	**Role**	**Emergency cover**
	Chair of the Group Board and Nomination Committee	SID
	Chair of the Audit Committee	Chair of the Risk Committee
	Chair of the Risk Committee	Member of the Risk Committee
	Chair of the Remuneration Committee	SID or member of the Committee who has been a member for at least 12 months
	Chair of the Sustainability Committee	Chair of the Remuneration Committee

Appointment process	Outcome
Scoring by NEDs when interviewing candidates had to be consistent.	Focusing on continuous improvement through HR reviewing the scoring process, incorporating feedback from the last recruitment campaign to ensure it was relevant for the skills and experience being sought, whilst ensuring consistent assessment for all candidates. The scoring methodology was being updated to encompass learnings from the recruitment campaigns undertaken in 2023 and would ensure appropriateness for the next campaign.

The Committee also received education sessions as shown on pages 80 to 81.

Board succession
During 2023, the Committee has remained active in its consideration of NED succession, which, following further consideration by the Board, has led to:

- the appointment of Nicholas Lyons on 1 December 2023 following his return from sabbatical between 1 September 2022 and 30 November 2023 to take on the prestigious role of Lord Mayor of the City of London. Alastair Barbour was interim Chair of the Group Board for that duration. During this period, Alastair reached his ten-year tenure and therefore retired from the Board on 31 December 2023;
- the appointment of Mark Gregory to the Board and member of the Risk Committee on 1 April 2023. Mark was appointed as a member of the Audit Committee on 1 January 2024, in place of Karen Green who stepped down on 31 December 2023;
- the appointment of Katie Murray as a member of the Nomination Committee on 29 June 2023;
- the appointment of Nicholas Shott as Chair of the Remuneration Committee on 4 May 2023, following the conclusion of the 2023 AGM;
- support for the appointment of David Scott as the Shareholder Nominated Director of abrdn on 11 May 2023, adding valuable and relevant skills through his role as Chief Enterprise Technology Officer, having worked in financial services for over 35 years;
- the appointment of Maggie Semple as a member of the Remuneration Committee on 1 January 2024; and
- the appointment of Eleanor Bucks to the Board on 1 December 2023.

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.

The Nomination Committee appointed Hedley May for the appointment of Mark Gregory and Korn Ferry for the appointment of Eleanor Bucks. Both search firms are signatories to the Executive Search Firms' Voluntary Code of Conduct and neither firm had any other connections with the Company or its Directors during the year.

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 are used to ensure continuity. Interviewers are mindful of the skills matrix, diversity of thought and how Phoenix Group values are demonstrated openly for culture fit, which must always come from the Board and Leadership Team. Interviews are also held with the Group CEO and Group HR Director 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. Please see pages 90 to 91 for more information on the induction programme.

A similar process is followed for executive 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 remains a focus for 2024, considering talent, capabilities and the broader diversity agenda. Much work has been undertaken to strengthen the capabilities and skillset at ExCo level, with focus now on successors for all ExCo members to ensure there is a strong pipeline of talent.

Board skills

A Board skills review was undertaken by the external Board Reviewer as part of its 2023 effectiveness review. It concluded that skills could be expanded further as well as experience in the banking sector, where complex transformational experience could be advantageous along with a focus on digitisation. Eleanor Bucks' recent appointment has brought the wider actuarial and asset management financial services experience identified by the Board Reviewer. Future succession planning will take this criterion into account as well as proven experience in AI, which will be an imminent requirement. Board skills are separated into core and secondary skills and can be found on page 89.

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 (LR 9.8.6(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 a minority ethnic background.

As at 21 March 2024, the Board is comprised of 38% female Directors. The Board has two Shareholder Nominated Directors. The Board is unable to choose these candidates as these are nominated and therefore is unable to influence its composition entirely. David Scott from abrdn replaced Stephanie Bruce, which has impacted the female representation of the Board. The Board is comprised of 45% female Directors when considering appointments, the Board has independently made.

The Board is mindful that when female representation is reported as a whole and includes the Shareholder Nominated Directors, it falls short of the Listing Rules. This will be taken into account when planning the succession of retiring Directors over the next two years for the appointments that the Board can influence from a diversity perspective. 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.

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 2027 as submitted to the Parker Review in December 2023. As at 21 March 2024, the Board has three members of an ethnic minority background, representing 23% of the total Board composition. If the Shareholder Nominated Directors are excluded, the Board has two members of an ethnic minority background representing 18% of the total Board composition. Further information can be found below.

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 40.

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.

Gender diversity

	Number of Board members	Percentage of the Board	Number of Board members appointed by Phoenix Group	Percentage of the Board appointed by Phoenix Group	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 21 March 2024									
Men	8	62%	6	55%	3	6	50	3830	49%
Women	5	38%	5	45%	1	6	50	4,031	51%
As at 31 December 2023									
Men	9	64%	7	58%	3	6	50	3,771	49%
Women	5	36%	5	42%	1	6	50	3,986	51%

Please note the definition of Executive Management includes the Group Company Secretary in line with that under LR 9.8.6(10) and Provision 23 of the 2018 Code.

Ethnic diversity

	Number of Board members	Percentage of the Board	Number of Board members appointed by Phoenix Group	Percentage of the Board appointed by Phoenix Group	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 21 March 2024[1]									
White British or other White (including minority White groups)	10	77%	9	82%	3	10	91%	–	–
Mixed/Multiple Ethnic Groups	0	–	0	–	0	0	–	–	–
Asian/Asian British	2	15%	1	9%	1	1	9%	–	–
Black/African/Caribbean/ Black British	1	8%	1	9%	0	0	0%	–	–
Other ethnic group, including Arab	0	0%	0	0%	0	0	0%	–	–
Not specified/prefer not to say	0	0%	0	0%	0	0	0%	–	–
As at 31 December 2023[1]									
White British or other White (including minority White groups)	11	79%	10	83%	3	10	91%	4,279[3]	55%
Mixed/Multiple Ethnic Groups	–	–	–	–	–	0	–	98	1%
Asian/Asian British	2	14%	1	8.5%	1	1	9%	502	6%
Black/African/Caribbean/ Black British	1	7%	1	8.5%	0	0	–	121	2%
Other ethnic group, including Arab	–	–	–	–	–	–	–	24	0%
Not specified/prefer not to say	–	–	–	–	–	–	–	2,733	36%

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 our internal HR platform.
This will provide an up-to-date view of the diversity of our colleagues and allow us data analysis on an intersectional basis, providing better data insights than an annual survey.
Currently the participation rate is 42%. When it is at 50%, high level results can be shared and at 65% detailed data analysis can be provided.
It is not known when these targets 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.

Composition, succession and evaluation continued
Nomination Committee report

Board Diversity policy

Board policy	Progress
The Board's overriding aim is to appoint the right Directors to the Board to drive forward the Group's strategy within a compliant framework.	During the year, Mark Gregory and Eleanor Bucks joined the Group Board. Their experience, background and skills are aligned with the Group's strategy. The Board will endeavour to appoint the right candidate for each Board role and consistently seeks to enhance diversity in the broadest sense.

Board policy	Progress
The Board promotes the enhancement of diversity, inclusion and equal opportunity, as a consideration when recruiting new Directors.	In line with our succession planning processes, we undertake a formal, rigorous and transparent search process for each appointment, considering the current balance of skills, experience and diversity amongst our Directors. Each appointment is made subject to receipt of the requisite regulatory approvals (where required). The Committee strives to achieve balanced recruitment long-lists demonstrating diversity in the broader sense, including gender, ethnicity and other diversity attributes and will challenge search firms to ensure this aim is achieved.

Board policy	Progress
The Board intends to comply or explain why on a continual basis whether the FTSE Women Leaders Review, Listing Rule 9.8.6(9) and Parker Review targets have been met: • **that the board should be comprised of at least 40% female directors;** • **that at least one of the chair, the chief executive officer, the senior independent director, or the chief finance officer is a woman; and** • **at least one member of the board is from a minority ethnic background as per the Parker Review.**	As at 21 March 2024: • Five female Directors representing 38% of Board composition. When excluding Shareholder Nominated Directors this is 45%. • The Senior Independent Director is female. • Three minority ethnic Directors representing 23% of Board composition. When excluding Shareholder Nominated Directors this is 18%. • Phoenix Group's target for ethnic minority representation at Senior Management level is 13% by 2027.

Board policy	Progress
The Board will undertake regular skills audits to ensure the Board's skills remain appropriate for its strategy and provide diversity where possible.	The Board skills review was carried out during 2023 and concluded that enhancing the skills in the areas of digitisation and banking transformation would be valuable going forward. Other skills such as actuarial and asset management have been provided by the recent appointment of Eleanor Bucks. The skills required on the Board will be reviewed when considering the replacement of the two Directors due to retire in 2025 and the retirement of Alastair Barbour.

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 2018 Code was taken into account as part of the selection process for the NEDs who joined Phoenix Group during the year. Mark Gregory and Eleanor Bucks were considered to be independent. David Scott was not considered to be independent due to his capacity as a Shareholder Nominated Director. Over half of our Board members, excluding the Chair of the Group Board, are Independent NEDs. 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 two days of participation (including Committee meetings, education sessions, travel and Board dinners) and at least a further day of preparation time. It is further estimated that each Director is required to spend at least an additional day each month reviewing information supplied by the Company. 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 (unless agreed as 24 days for a full-time executive undertaking a NED role and chairing one Committee).

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 2023.

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 2023 exceeded the level expected in their appointment terms.

The Group Company Secretary completed a full review of Directors' non-listed appointments. The following table outlines the number of appointments held by Directors.

I am pleased to be back in my role as Chair of the Group Board and its Nomination Committee and look forward to a year of continually enhancing governance during 2024.

Nicholas Lyons
Chair

Name	Number of boards including Phoenix Group Holdings plc	Number of Directorships of public limited companies	Number of directorships of private limited companies	Number of directorships of trusts, charities and other companies
Nicholas Lyons[1,2]	8	2	5	1
Karen Green[1]	7	3	3	1
Eleanor Bucks[3]	1	1	–	–
Mark Gregory	5	2	3	–
Katie Murray[4]	4	4	–	–
John Pollock	1	1	–	–
Belinda Richards	4	3	1	–
Maggie Semple	9	2	6	1
Nicholas Shott	3	1	2	–
Andy Briggs[5]	5	3	–	2
Rakesh Thakrar[5,6]	6	3	3	–

1 Nicholas Lyons and Karen Green are both Non-Executive Directors of Miller Insurance Services LLP. Nicholas Lyons will retire from that board in 2024.
2 Nicholas Lyons is the Chair of the Group Board of Phoenix Group Holdings plc which proxy advisers count as two listed companies.
3 Eleanor Bucks has one listed role at Phoenix Group Holdings plc in addition to her role as Chief Investment Officer at Lloyd's of London. Any subsidiary appointments which are a result of Eleanor's executive role have been excluded from the table above.
4 Katie Murray is an Executive Director at NatWest Group plc which proxy advisers count as three listed companies. Any subsidiary appointments which are as a result of Katie's executive role have been excluded from the table above.
5 Andy Briggs and Rakesh Thakrar are Executive Directors of Phoenix Group Holdings plc which proxy advisers count as three listed companies.
6 Two of Rakesh Thakrar's private limited company appointments relate to his appointment at Bupa Regulated Entities.

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	62%
Female	38%

Board gender balance[1] (excluding Shareholder Nominated Directors)

Male	55%
Female	45%

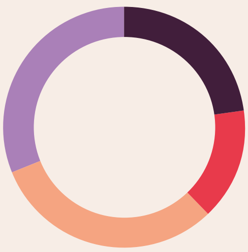
Board ethnicity[1] (including Shareholder Nominated Directors)

White (English)	50%
White (Scottish)	17%
Asian (Indian)	9%
Asian (Japanese)	8%
Black (Caribbean)	8%
White (Other)	8%

Board ethnicity[1] (excluding Shareholder Nominated Directors)

White (English)	55%
White (Scottish)	18%
Asian (Indian)	9%
Black (Caribbean)	9%
White (Other)	9%

Board tenure[1]



Less than 1 year	23%
1–3 years	15%
3–6 years	31%
6–9 years	31%
9 years or more	0%

59

Average age of the Board

Overall diversity progress for the Board[1]

FTSE Women Leaders target	Target	40%
	Achieved	38%
Parker Review target	Target	1
	Achieved	3
FCA Listing Rules target – gender	Target	40%
	Achieved	38%
FCA Listing Rules target – ethnicity	Target	1
	Achieved	3
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	45%
Parker Review target	Target	1
	Achieved	2
FCA Listing Rules target – gender	Target	40%
	Achieved	45%
FCA Listing Rules target – ethnicity	Target	1
	Achieved	2
FCA Listing Rules target – female Chair, CEO, CFO or SID	Target	1
	Achieved	1

1 As at 21 March 2024.

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	IT/Digital	Sales/Distribution	Marketing	Operations	Human resources	FTSE 100 board experience
Nicholas Lyons Chair of the Group Board	●	●	●	●	●	●		●	●	○	●	○		○	○		●	●
Andy Briggs, MBE Group Chief Executive Officer	●	●	●	●	●	○	●		●	●	○	●	●	●	●	●	○	●
Rakesh Thakrar Group Chief Financial Officer	●	●	●	●	●	●	●	●	●		○	●					○	●
Karen Green Senior Independent Director	●	●	●	●	○	○		●	●		●	○	○			●	●	●
Belinda Richards Independent Non-Executive Director	●	○	●	●	●	○		●	●	●	●	●	●	●	●	●	○	●
David Scott Non-Executive Director	○		●			○		○	●	●		●	●	○		●	○	
Hiroyuki Iioka Non-Executive Director	●	●	●	●	○	●		○	●							○	○	
Nicholas Shott Independent Non-Executive Director	●	●	○	●	○						●			○	●	○	○	●
John Pollock Independent Non-Executive Director		○	●	○	●	○	●	●	●	●	○	●	●	●	●	●		●
Katie Murray Independent Non-Executive Director	●	●	●	●	●	●	○	○	●		●	●					○	●
Maggie Semple, OBE Independent Non-Executive Director			●						○	●	●		●	●	●	○	●	●
Mark Gregory Independent Non-Executive Director	●	●	●	●	●	○	○	●	●	●		○				●	○	●
Eleanor Bucks Independent Non-Executive Director		○		○	●	●	●	●	○		○							
Total core skills ●	9	8	11	9	8	5	4	7	10	6	6	6	5	4	5	6	3	10
Total secondary skills ○	1	3	1	2	3	6	2	3	2	1	4	3	1	3	1	3	8	0

Composition, succession and evaluation continued
Board induction

A strong induction programme, including the interview process, is integral to a Director's ability to quickly thrive in their role.

The Chair is responsible for leading the development of, and monitoring the effective implementation of training policies and procedures for the Directors. On appointment, each Director receives a formal and tailored induction. In addition, there is a programme of ongoing education and deep dives for Directors.

The Directors are committed to their own ongoing professional development and the Chair of the Group Board discusses training with each NED at least annually. The Group Company Secretary supports the Chair of the Group Board in the oversight of the induction and development plans for the NEDs following either an internal or external Board effectiveness review.

All NEDs are encouraged to suggest training topics of interest and all Directors are able to access a Board portal where additional resources are available.

Mark Gregory
Joined the Board on 1 April 2023

I've had meetings with relevant stakeholders, who have been transparent and given me comfort in Phoenix Group, its strategy and people.

The induction programme at Phoenix Group has been well structured and given me a strong grounding to confidently commence my NED role here. I've had meetings with relevant stakeholders, who have been transparent and given me comfort in the Group, its strategy and people. Management was open and well-prepared for each session and I was provided with useful reading material and a detailed overview of the key matters for which Executives were accountable. For me, joining in April and attending the Board Strategy Days in June 2023 was extremely helpful. I learnt a lot within the two days as I had an informal environment to ask lots of questions. I tend to join some Committee meetings as an attendee to gain as much information to help me understand the wider Board matters, risks and opportunities, key areas of focus and to meet other presenters. I find the Phoenix Group offices welcoming when I visit outside of the Board schedule, which gives me the opportunity to observe Phoenix Group's culture independently and to build relationships.

The schedule of meetings with Senior Management and other key internal stakeholders was well managed. In addition, during my first year of joining the Board, I've enjoyed the two colleague engagement sessions. At the first, I was able to meet some Phoenix Group graduates and understand their training programme and roles better. At the second, our female colleagues who were over 50 provided insight into their working life at Phoenix Group. The Board found both sessions insightful and at the same time comforting. It was great to meet such different demographics and learn about their roles and how the Group was providing a clear career path for those that wanted it.

Eleanor Bucks
Joined the Board on 1 December 2023

I felt encouraged by Management's preparation and candid response to my questions when meeting individuals during my induction process.

I recently joined the Board and both the appointment and induction processes were seamless. Meeting so many of the Board at interview stage helped me form an opinion quickly on the culture at Phoenix Group and whether this was a company where I felt I could add value.

My induction programme has been well structured and the reading material in advance comprehensive. There were detailed overviews of the key matters for which Executives were accountable which was useful. I felt encouraged by Management's preparation and candid response to my questions when meeting individuals during my induction process. This is my first listed NED role and it's important to feel supported by the Group Company Secretary and other Board members, who have all been exemplary. I am particularly excited by the two-day strategy away day in June 2024. Feedback from the external Board review was that this provides the time to get to know the Board members and Management in a more informal environment, being a combination of business and relationship immersion. This will provide an opportunity to help Board members appreciate individual strengths and the collective capability of the Board which can only ever enhance Board performance. It's encouraging that the Board and Phoenix Group are so focused on such strategy meetings. I am personally excited by the NED mentoring programme to those Phoenix Group employees identified by Management.

In addition, meeting the wider workforce and supporting the implementation of Phoenix Group's strategic journey will be a focus for me in 2024. How sustainability is embedded not only into the strategy but every day has been a focus for me and I enjoyed meeting the Sustainability Team soon into my induction. The impact of these meetings has enabled me to accelerate my understanding of the business, its values and culture, key stakeholders, risks and opportunities. I look forward to continuing my induction during 2024.

Typical induction programme features

Meetings

- Chair of the Group Board.
- Group Chief Executive Officer.
- Group Chief Financial Officer.
- Group Company Secretary.
- Group Head of Internal Audit.
- Chief Risk Officer.
- Head of M&A and Corporate Development.
- Group Treasurer.
- Corporate Affairs & Investor Relations Director, 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
- Ireland

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.

Audit, risk and internal controls
Audit Committee report

Katie Murray
Audit Committee Chair

The Audit Committee has robustly challenged on the IFRS 17 standard, climate risk and controls during 2024.

Composition of the Committee

The Board confirms that all members of the Committee are Independent Non-Executive Directors and as a whole have the competence relevant to the financial services sector and the insurance and pensions sector in which Phoenix Group operates. The Board is satisfied that Katie Murray, as Chair of the Committee has recent and relevant financial experience to chair the Committee through her current role as Group Chief Financial Officer of NatWest plc. Further information on the experience, skills and competencies of the Committee members can be found on pages 64 to 67.

Regular attendees include the Chair of the Life Companies Board Audit Committee, the Group Chief Financial Officer, Group Head of Internal Audit, Group CRO, Group Chief Actuary and the External Auditor. The Chair meets regularly with the Group Chief Financial Officer and the External Auditor to discuss priorities and track key actions.

Committee meetings and membership

Under the Committee's Terms of Reference it should meet at least four times a year. During 2023 there were nine formal meetings.

	Member from	2023 meeting attendance	2023 % attendance
Katie Murray	1 April 2022	9/9	100%
Karen Green[1]	1 July 2017	8/9	89%
Mark Gregory[2]	1 January 2024	–	–
John Pollock	11 May 2017	9/9	100%
Nicholas Shott	2 July 2019	9/9	100%

1 Karen Green was unable to attend a joint Audit and Risk Committee meeting due to attending a funeral.
2 Mark Gregory became a member of the Committee on 1 January 2024 in place of Karen Green who stepped down as a member of the Committee on 31 December 2023.

Committee gender

Male	75%
Female	25%

9
Number of Committee meetings held this year (12 including ad hoc meetings)

Role of the Committee

The Committee is responsible for reviewing and monitoring the integrity of the Group's financial reporting and judgements applied to that reporting, Internal Control Framework, whistleblowing, monitoring the effectiveness of the Internal Audit function and framework, changes in regulatory requirements and managing its duties in relation to the External Auditor and any tender process.

Following each meeting, the Chair of the Committee provides a summary of discussion, outcomes and where relevant makes recommendations to the Board on matters such as Solvency II reporting, Full Year and Half Year financial statements, finance-related risk policies, External Auditor appointment, resignation or dismissal and fees, in line with the Committee's Terms of Reference which can be found at www.thephoenixgroup.com. These have been updated in line with the Minimum Standards for Audit Committees published by the Financial Reporting Council ('FRC') in May 2023.

Overview of the year

Key Committee activities during 2023

Publication of the Half Year 2023 results following the adoption of the new IFRS 17 standard.
Continued oversight on UK Corporate Governance reforms and Solvency II.
Reviewed the adequacy of the control environment considering both Business As Usual ('BAU') and in light of economic volatility.
Transition commenced from EY to KPMG LLP as External Auditor of Phoenix Group.
2024 focus
Monitoring the transition of IFRS 17 processes to BAU and review lessons learnt from the implementation of the standard.
Further focus on reviewing Phoenix Group's risk management and internal control framework in anticipation of the Board's declaration of effectiveness in line with the UK Corporate Governance Code 2024 (the '2024 Code').
Monitoring the transition of KPMG LLP as the Company's External Auditor from EY LLP.
Further consideration of financial reporting and disclosure impacts of UK Solvency II reform.
Preparing for the new corporate sustainability requirements, with an added focus on controls published by the International Sustainability Standards Board ('ISSB').

Committee review

The 2023 effectiveness review was facilitated by an external Board Reviewer. The review concluded that the Committee is functioning effectively. NEDs were well prepared, providing strong challenge to Management with a very capable Chair. However, the Board Reviewer did identify a few areas of enhancement by the Committee and these are highlighted below:

Action 1

Subsidiary companies to provide a one-page summary only, rather than a full set of minutes.

Action 2

Number of attendees to be streamlined.

Action 3

Papers to be published no less than five days before the meeting.

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 2023, 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 are detailed in the following table:

Key activities

Financial reporting	Outcome
Group CFO update.	Implementation of private sessions between the Group CFO and the Committee.
Receiving and reviewing the Group's external Full Year and Half Year financial reports.	Half Year reporting was impacted by IFRS 17 and this was a major focus for the Committee in 2023. Usual Phoenix Group practice is to complete a lessons learnt for 2023 following the implementation of such a large project.
Ensuring accounts are fair, balanced and understandable as a whole and recommending their approval to the Board, taking into account shareholders' ability to assess the Group's position, performance, business model and strategy.	Strong challenge from the Committee to ensure the news was balanced with both positive and negative news reported. Cash generation was countered by the highlight of total funds flow target to provide appropriate balance.
IFRS 17 accounting standard.	Strong challenge at Half Year 2023 ensuring the process, methodology and assumptions were appropriate, ready for Full Year 2023. Three additional ad hoc meetings were held.
External audit	**Outcome**
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.	Particularly strong challenge from the Committee on the External Auditor's fees.
Internal control, risk management & compliance	**Outcome**
Monitoring the overall integrity of financial reporting by the Company and its subsidiaries and the effectiveness of the Group's internal controls.	Further enhancement and focus in 2023 and 2024 on internal controls and end-to-end processes. Robust challenge to ensure risk management and internal controls effectiveness review is appropriate for Provision 29 of the 2024 Code.
Climate change risk.	Decided to implement a joint Audit/Risk/Sustainability Committee bi-annually to review disclosures and monitor changes in climate risk.
Sustainability Reporting	**Outcome**
Received and reviewed the Group's Sustainability and Climate Reports and Net Zero Transition Plan published in May 2023.	Education session on the financial impact of new sustainability and climate change regulations.
Private meetings	**Outcome**
Private meeting with External Audit partner.	More private meetings required with the transition to KPMG LLP in 2024.

Where relevant, all papers receive a Line 1, 2 and regulatory review.

The Committee also received education sessions as shown on pages 80 and 81.

Connectivity with other relevant Committees
The following joint Committees promoted the sharing of information and best practices. The Committees were able to review, approve and recommend for Board approval the following items:

Audit and Risk Committees
- Solvency & Financial Condition Report ('SFCR') approval (including Risk Disclosures in Solvency II Pillar III Reporting) – April 2023.
- Own Risk & Solvency Assessment ('ORSA') approval – June 2023.

Audit, Risk and Sustainability Committees
- Review of Year End 2023 Climate and Sustainability Reports – March 2024.

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, EY LLP ('EY'). The External Audit partner attended all Committee meetings during 2023 and to the date of this report, presenting reports on the external audit process, IT controls, internal controls, audit differences, fraud risk areas, audit improvements, planning report, any pre-approval for non-audit services and the assessments on methodology and actuarial assumptions. The External Auditor provided details on benchmarking with regard to assumptions setting as well as challenging and providing guidance on reporting matters and disclosure requirements. Where necessary, the External Auditor challenged Management's view on certain assumptions and reporting requirements which were reported to and discussed with the Committee.

The Committee reviewed and discussed various reports from the External Auditor throughout 2023, including the 2023 Audit Plan, progress reports against that plan, a report on their audit procedures on the 2022 annual IFRS and Solvency II results, their interim review of the Half Year 2023 IFRS results. EY have provided exceptional support and challenge to the Group during its transition to IFRS 17 and the collaborative, yet robust approach should be commended. The Committee considered throughout 2023 and for the 2023 audit, the effectiveness, engagement and remuneration of the current External Auditor. The Committee did not request the External Auditor to specifically audit a certain area of concern during 2023.

Assessment of the effectiveness of the external audit process
Part of the Committee's role is to oversee the Group's relationship with the External Auditor to ensure independence, quality, rigour, objectivity and robust challenge of the external audit process. The Committee does this throughout the year by:

- Reviewing EY's UK Audit Quality Reports including the FRC's audit quality review, the Institute of Chartered Accountants of England and Wales ('ICAEW') Quality Assurance Department ('QAD') review and Internal reviews, outlining its response to those reviews and actions to be taken. Within those reports there is a key focus on EY's people around understanding their role, asking for help and resources, a review of the detailed Audit Plan and consideration of its coverage and approach to identified risks.

- Assessing the quality of interactions between the Audit Team and the Committee, including the provision of technical and industry knowledge.
- Considering the level of insight provided by the audit findings in the key areas of judgement, including quality of benchmarking with regard to valuation assumptions and supporting analysis, and the ability of the Audit Team to demonstrate that they had applied professional scepticism in their dealings with Management.
- Comprehensive assessment and review of the External Auditor where feedback was received from Life Companies' Directors as well as members of the Committee, Management and teams that supported the audit such as Group and Service company teams, FRC, IT, Internal Audit, Tax, Actuarial and Operations.
- Meeting privately with EY to discuss in depth its approach to quality assurance and internal assurance processes across the audit firm that ensure the quality of the audit service. These meetings provide an opportunity to discuss freely without Management present on the most significant areas of challenge by EY.
- Considering the findings of external evaluations of EY, notably the findings from the FRC's Audit Quality Inspection Report.
- Reviewing the findings from EY's UK 2023 Transparency Report which outlines the key policies and processes in place within EY for maintaining objectivity and independence for EY's year ended 30 June 2023.
- Reviewing EY's impact of ISOM1 ensuring firms implement an agreed process to design, implement and operate a system of quality management. Aligning with EY's commitment to deliver high-quality audits to serve the public.
- In addition, from 2023 EY have included Engagement Level Audit Quality Indicators ('AQIs'). A measure of audit quality, AQIs cover topics such as most recent firmwide inspection results, hours an audit takes and timeliness of reporting. The Committee has found this information useful during the year to monitor audit quality.

Overall, the Audit Committee concluded that EY had carried out its 2022 audit effectively. Stakeholders do not review the effectiveness of the audit until June the following year. The additional criteria included in the Minimum Standards for Audit Committees published in May 2023 will be included in the audit review for year ended 31 December 2023 which will be completed in June 2024.

Independence and objectivity of the External Auditor

The External Auditor's independence was reviewed and monitored against the Group's External Auditor policy, including its provision of non-audit services. This included an assessment of its independence and a review of services provided by EY during the 2022 and 2023 financial years. The Committee is satisfied with EY's objectivity and that EY is fully independent from Management and free from conflicts of interest. EY continually monitors its own independence throughout the year and voluntarily brings any potential matter to the Committee. EY has confirmed that between 1 January 2023 to 21 March 2024 there were no relationships that would be thought to bear on EY'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.

Re-appointment of External Auditor

As previously announced, the Committee concluded an audit tender process in 2021 resulting in KPMG LLP ('KPMG') being appointed as the Group's External Auditor commencing from the financial period starting 1 January 2024. A transition process was undertaken from 30 June 2023, including regular review meetings with Management, EY, Internal Audit and Committee members, prior to their formal appointment at the 2024 AGM on 14 May 2024, subject to shareholder approval. 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.

However, the Committee is mindful of the Minimum Standards for Audit Committees published by the FRC in May 2023 and that this particular tender had been completed before that publication. Within the previous tender process, challenger firms were included. Those challenger firms with adequate insurance capability will again be included and the Committee may consider a price-blind tender in 2031.

The Group's External Auditor policy includes audit partner rotation with the expectation that the audit partner will rotate at least every five years. EY has served as External Auditor to the Company since December 2018. Under the Audit Ethical Standards, signing audit partners for public interest entities should retain the role for up to five years. In order to safeguard the quality of the audit and in light of the Group's extensive change programme, particularly the implementation of IFRS 17 and the acquisition of SunLife of Canada UK, the Committee requested a further tenure extension for Stuart Wilson as a result of reaching his sixth year of tenure associated with the Group following completion of the 2022 audit. In total, Stuart Wilson acted as audit partner for Phoenix Life Limited for two years, and then lead audit partner for Phoenix Group for five years. Such an extension is permissible under the Audit Ethical Standards for a maximum of two additional years until 2023, when EY will retire as External Auditor of the Group.

External Auditor review

Actions to be undertaken during the year following the effectiveness review, which will provide KPMG with further insight during its transition as External Auditor are highlighted to the right.

Action 1

Enhance the process for recognition and escalation of any significant issue.

Action 2

Continue to understand Phoenix Group's complex business.

Action 3

Review subsidiary audits and consider including the service companies within the same Audit Team.

Audit, risk and internal controls continued
Audit Committee report

Appointment of External Auditor at Annual General Meeting
Resolutions will be put to the AGM to be held on 14 May 2024 proposing the 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.

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 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 external auditor employees, permitted non-audit services and audit-related services.

Permitted non-audit services are those contained in the Revised Ethical Standard 2019 of the FRC. For 2023 these related to Phoenix Re and Standard Life International Dac.

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. For 2023 this included work on the Sustainability Report and the collateral audit for Standard Life International Dac.

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 2023 was updated to note that audit services provided to investment funds, where wholly managed by third parties, and which the Group consolidates in its IFRS financial statements would be exempt from the requirements for fees to be approved by the Audit Committee, and are instead considered a pre-approved service. Related fees continue to be reported to the Audit Committee on at least an annual basis.

External Auditor's fees
The engagement of EY 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.

	2023 £m	2022 £m	2021 £m
Non-audit fees		–	–
Audit fees	25.6	15.5	11.6
Audit-related fees	2.8	2.4	2.3
Total	28.4	17.9	13.9
Ratio of non-audit: audit fees	3%	4%	6%
Rolling 3-year average audit fee	6%	6%	8%

In 2023, total fees of £28.4 million were paid to EY. Of this amount £25.6million related to statutory audit fees of the parent and its subsidiaries, with a further £2.2 million incurred in relation to services provided pursuant to legal or regulatory requirements. The remaining fees of £0.6 million relate to other services including review of the Group's Interim Report and Sustainability Report. This gives rise to a non-audit to audit fee ratio under the EU Directive and Regulations of 3% for the 2023 year, and 6% based on a three-year average audit fee. This lies well within the limits prescribed in the Group's policy. The increase in the audit fee principally reflects the additional work undertaken in connection with the transition to IFRS 17.

In light of the above, the Committee is satisfied that the non-audit services performed during 2023 have not impaired the independence of EY in its role as External Auditor.

Internal Audit
During 2023, the Committee continued to receive regular updates from the Group Head of Internal Audit on all Internal Audit related matters. This included

Item	Outcome
Regular updates on the progress of the 2023 Internal Audit Plan approved in late 2022.	Group Internal Audit provided regular progress reports on plan delivery. At the end of the year plan finalisation was at an advanced stage.
Budget and resource.	Robustly challenged by the Committee to ensure appropriate and adequate.
Annual update of the Group Internal Audit Charter and independence.	The Internal Audit Charter was approved by the Committee in November 2023.
Control environment opinion which included Internal Audit's view of the Risk Management Framework, Governance and Control Frameworks across the Group at both the Half Year and Full Year end.	Control opinions were provided by Internal Audit in March and August which provided Internal Audit's view of the Risk Management Framework, Governance and Control Frameworks.
Performance evaluation: the next externally facilitated EQA is due not later than 2025.	Internal Audits were assessed as effective. The process included self-assessment against CIIA standards, with consideration of the Internal Audit Quality and Improvement Programme. QA results were independently completed by Grant Thornton UK LLP, and the results of a stakeholder survey were also reviewed by the Committee.

All areas of Internal Audit's plan were aligned with Phoenix Group's strategic priorities. For 2024, the use of data analytics by Internal Audit is expected to be a key development area.

Internal control
The Committee, alongside the Risk Committee, supports the Board in ensuring a robust system of internal control and risk management is in place across the Group. The Committee receives reports from the Group Head of Internal Audit on the status of the control environment and management of the Group's principal risks and controls across the Group's Risk Universe.

The Committee also considers bi-annual Internal Control Self-Assessment reports in which Line 1 risk owners self-assess the design and operation of their control environments. These assessments are independently validated by Line 2 (Risk) and supplemented by an Annual Internal Control Environment Opinion Report from Line 3 (Internal Audit).

During 2023, the Committee regularly challenged Management to ensure, where any control weaknesses were identified, that there are robust and timely action plans to address these. In performing this review and challenge of the control environment, the Committee has assessed and confirms that in 2023 it has complied with Principle O and Provisions 25 and 29 of the 2018 Code.

Looking ahead to 2024, the Committee will maintain its scrutiny of the Group's control environment, including overseeing necessary modifications to the Internal Control Framework to meet the new requirements of the 2024 Code.

Climate change risk
Sustainability is a significant area of focus for the Group. The Committee has a key oversight role of climate-related reporting including TCFD and other sustainability disclosures. The Sustainability Committee works closely with both the Audit Committee and Risk Committee to review climate change risk, target setting and disclosure requirements to ensure that our reporting is aligned with strategy and regulatory requirements. The Committee received confirmation from Management of the KPIs and metrics the External Auditor had provided assurance over when reviewing, approving and recommending both the Net Zero Transition Plan published on 24 May 2023 and the Sustainability and Climate Reports. An outcome following an education session on climate change risk was to continually assess the assurance level of TCFD reporting. Risk of incorrectly disclosing the financial impact of climate change is at the forefront for the Committee and will continue to be a focus for 2024. Both greenwashing and greenhushing that could lead to climate litigation is a focus for the Audit, Risk and Sustainability Committees. See pages 103 and 107 where climate risk is discussed in the Risk and Sustainability Committee reports.

Whistleblowing
Bi-annually, the Committee receives formal updates from the Group's General Counsel on: whistleblowing 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; whistleblowing arrangements within the Group; and any whistleblowing activity where an employee raised concerns in confidence about any possible improprieties.

During 2023, there were a total of seven notifications reported to the Speak Up Office, of which two were triaged as 'whistleblows' and five notifications related to people policy matters. Of the two Speak Up matters, both are closed and no material wrongdoing or control failures were found. 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.

Fair, balanced and understandable assurance framework.
The Committee has satisfied itself that the Phoenix Group Holdings plc 2023 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 by the Committee.

The External Auditor also considered the fair, balanced and understandable statement as part of the year end processes and concurred with its approval by the Committee. The Committee can therefore concur with the statement made by the Board of Directors on page 147 in line with Principle N of the 2018 Code.

Going concern
Please see page 143 for Phoenix Group's Going concern statement.

IFRS 17 implementation
During 2023, Management provided the Committee with regular updates and education sessions regarding the implementation of IFRS 17, the new accounting standard for insurance contracts that came into effect from 1 January 2023 and its impact on the Group's financial reporting and internal control framework. In dedicated sessions, the Committee has discussed in detail the financial impacts of IFRS 17, together with the operational considerations of the implementation programme including timetable, resourcing and internal control matters. The Committee reviewed and approved Phoenix Group's revised accounting policies to reflect the new standard together with the underlying significant judgements involved in the preparation of the Half Year 2023 results and comparative information. These processes underpinned the Committee's recommendation that the Board approve the Interim report in September 2023.

Following publication of the Half Year 2023 results, the Committee's focus on IFRS 17 shifted to the transfer of processes and controls from a programme-led environment to BAU activity. It will continue to be a focus for 2024, whilst IFRS 17 is further embedded into the Group's financial reporting framework. Work will continue to streamline and automate reporting under the new standard and enhance the related internal control environment. The Committee has been supportive of Management during the transition, whilst executing its professional scepticism through deep dives and robustly challenging both Management and the External Auditor.

Department for Business & Trade
A focus for Management during much of 2023 was the ongoing Government proposals regarding the Department for Business & Trade reforms on Corporate Governance and Audit. Management provided regular updates to the Committee and has continued to do so following the Government's withdrawal on primary and secondary legislation, now focusing on how Phoenix Group will implement the 2024 Code principles and provisions by 1 January 2025 and 2026.

Finally, I'd like to thank the Finance Team for what has been a busy year with the implementation of the new IFRS 17 standard.

Katie Murray
Chair of the Audit Committee

Audit, risk and internal controls continued
Audit Committee report

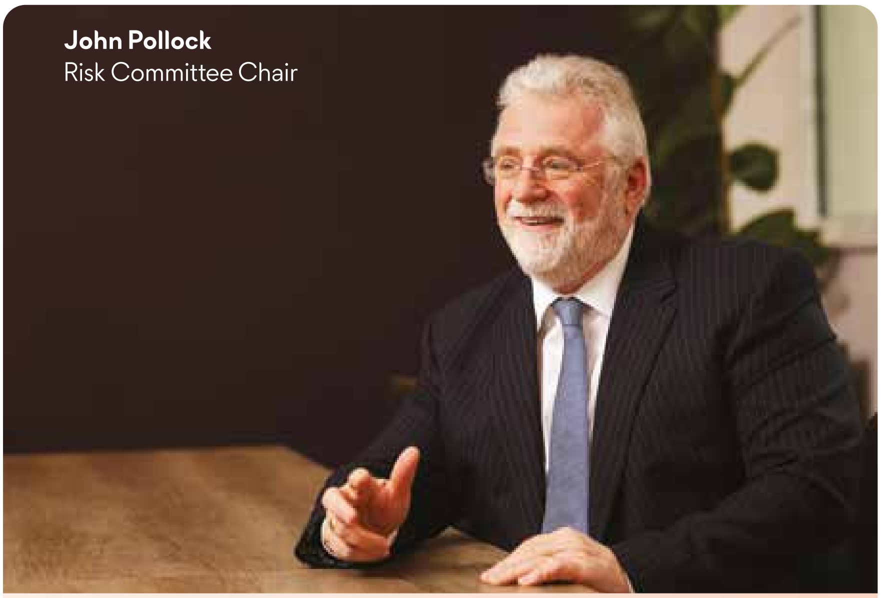
Significant matters considered by the Committee in relation to the financial statements, where EY was invited to provide robust challenge.

Significant matters in relation to the 2023 IFRS financial statements	How these issues were addressed
Implementation of IFRS 17 and IFRS 9	The Committee devoted a significant amount of time to the oversight of the final aspects of the implementation of the new accounting standard for insurance contracts, IFRS 17. Having commenced its oversight of technical implementation matters in 2021, the Committee finalised its review and approval of the Group's revised accounting policies to reflect adoption of the new standard, and evaluated the key judgements utilised in the application of those policies. The Committee received regular updates as to the impact of the implementation of the standard on the Group's systems, processes and control environment, and provided oversight on the achievement of key milestones in the delivery of the IFRS 17 implementation programme. Working closely with the Phoenix Life Companies Board Audit Committee, and having considered findings from the Group's External Auditor and specific assurance provided by Group Risk and Group Internal Audit, the Committee approved restatements of the Group's transition balance sheet as at 1 January 2022 and its results for the year ended 31 December 2022 in accordance with the new standard. Although significantly less material to the Group's results, the Committee also provided oversight on the implementation of IFRS 9, the new accounting standard for financial instruments which has been adopted for the first time alongside IFRS 17. The Committee concluded that the disclosures included in Note A as to the impact of new accounting standards adopted in the period were appropriate.
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 EY 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 the continuing investment in the Group's growth strategy and the re-planning of strategic transformation 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. 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.

Significant matters considered by the Committee in relation to the financial statements, where EY was invited to provide robust challenge.

Significant matters in relation to the 2023 IFRS financial statements	How these issues were addressed
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 uncertainty. 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.
Valuation and recoverability of intangible assets	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. 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. Specifically, the Committee considered the usage of new APMs such as Adjusted Shareholder Equity and amendments to existing APMs such as Adjusted Operating Profit, where necessary to reflect the implementation of IFRS 17. 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 EY 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.

Audit, risk and internal controls continued
Risk Committee report



John Pollock
Risk Committee Chair

The Committee has remained conscious of high-profile cyber security incidents that continue to impact corporates globally.

Composition of the Committee

The Board confirms that all members of the Committee are Independent Non-Executive Directors. Mark Gregory joined the Committee on 1 April 2023 and Kory Sorenson retired from the Board on 30 June 2023. Further information on the experience, skills and competencies of the Committee members can be found on pages 64 to 67.

Regular attendees include the Group Chief Financial Officer, the Group Chief Executive Officer, the Chair of the Life Companies Board Risk Committee, the Group CRO, the Group Head of Internal Audit and the Group Chief Actuary. The Chair meets regularly with the Group CRO to discuss priorities and track progress on key actions.

Committee meetings and membership

Under the Committee's Terms of Reference, the Committee should meet at least five times a year. During 2023 there were eight formal meetings.

	Member from	2023 meeting attendance	2023 % attendance
John Pollock	20 October 2016	8/8	100%
Belinda Richards[1]	1 October 2017	7/8	87.5%
Kory Sorenson[2]	2 July 2019	5/5	100%
Maggie Semple	1 September 2022	8/8	100%
Mark Gregory[3]	1 April 2023	6/6	100%

1 Belinda Richards was unable to attend a joint Audit and Risk Committee meeting due to attending a funeral.
2 Kory Sorenson retired from the Board on 30 June 2023.
3 Mark Gregory was appointed as a Director and became a member of the Risk Committee on 1 April 2023.

Committee gender

Male	50%
Female	50%

8
Number of Committee meetings held this year (including ad hoc)

Role of the Committee

The Committee is responsible for oversight of risk by assessing the effectiveness of the Group's Risk Management Framework, risk strategy, risk appetite and profile; risk culture, the methodology used in determining the Group's capital requirements and stress testing these requirements; assessing the adequacy of the Group's system of non-financial reporting controls and compliance with regulatory requirements. The Committee advises the Board on all high-level risk matters.

Following each meeting, the Chair provides a summary of discussions and outcomes and, where relevant, makes recommendations to the Board on matters such as the Annual Operating Plan, specific investment limits, ORSA and Final and Interim dividends in line with the Committee's Terms of Reference, which can be found at www.thephoenixgroup.com.

Overview of the year

Key Committee activities during 2023

Monitoring the risks created by the macro-economic environment, particularly capital and liquidity risks.
Oversight of conduct risk and the implementation of regulations in relation to Consumer Duty.
The application of the Group's Risk Management Framework which is reviewed and recommended to the Board for approval.
Monitoring the implementation of IFRS 17.
Assessing the risks in relation to the Group publishing its Net Zero Transition Plan.
Maintaining operational resilience through stress testing.
2024 focus
Continue oversight of capital and liquidity.
Maintain oversight over the implementation of regulations on Consumer Duty.
Monitor legal and regulatory developments in relation to anti-greenwashing and the impact on Group practices.
Continue to monitor the Group's control environment.
Oversight of change across the Group.

Committee review

The 2023 effectiveness review was facilitated by an external Board Reviewer. The review concluded that the Committee is functioning effectively, with both the Chair and Group CRO leading strong discussions and providing detailed insight into the business. However, the Board Reviewer did identify a few areas of enhancement by the Committee and these are highlighted below:

Action 1

Drive improvements in the quality of papers to ensure they are on time and more succinct.

Action 2

To ensure that supplementary papers are clearly signposted so that members are clear on what they should read and why.

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 2023, 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 are detailed in the following table:

Key activities

Key Committee activity	Outcome
Regular reporting.	Following changes to the membership of the Model Governance Committee, it was decided that the Chair of that Committee should attend each meeting to provide an update and answer any questions from members.
Operational and conduct risk	
Change delivery, project update and operational capacity.	Following the set-up of the Transformation Advisory Group ('TAG'), the Committee requested that a summary of the TAG meetings be presented at the next possible Committee meeting. The first TAG update was provided in November 2023.
Cyber risk, data protection and AI.	Following the rise of AI and its usage across the industry, the Committee requested a deep dive on AI, its opportunities and risks.
Customer and conduct risk.	The Committee requested a deep dive on Consumer Duty and the preparation that had been undertaken to ensure that Phoenix Group will meet the requirements. This presentation was delivered to the Board in October 2023.
Financial and strategic risk	
Liquidity risk.	Following industry liquidity stress tests in September/October 2022, the Company commissioned an external review of the liquidity management framework across the Group. These recommendations were presented to the Committee in June 2023 and the Committee requested a standing agenda item until such time that the recommendations were implemented.
Climate and sustainability risk.	Noting the rise in climate litigation and the introduction of anti-greenwashing regulations, the Committee requested that a deep dive on reputational risk be provided to better understand the potential impact on the Company. This was delivered in May 2023.
Risk Management Framework	
Risk appetite review and oversight.	The Committee requested to receive regular updates as the proposed improvements were implemented to ensure continued focus on risk appetite. This will be actioned in 2024.

Connectivity with principal subsidiaries and relevant Committees

During 2023, the Committee continued to actively engage with principal subsidiaries and relevant Committees to keep abreast of key workstreams and to monitor the principal risks relevant to the Group. Examples of this engagement include:

- the Chair of the Life Companies Board Risk Committee attending all meetings to provide update on discussions such as Consumer Duty and the Internal Model;
- the Chair of the Risk Committee of Standard Life International Dac attending two meetings to provide formal updates to the Committee;
- a member of the Model Governance Committee attending all meetings to provide updates on discussions to the Committee; and
- the Chair of the Board Investment Committee attending on two occasions to provide an update on investment decision-making and oversight.

This participation and connectivity promoted the sharing of information and best practices between the Group and its subsidiaries and allows the Committee to appropriately assess a broad range of risks and their impact across all stakeholders. All interactions between the Group, its subsidiaries and other committees continue to further the Committee's understanding of the risk profile of the Group's principal subsidiaries, leading to more comprehensive review and challenge by members.

A set of Operating Principles are in place to define the responsibilities and accountabilities of all relevant subsidiary Committees and Boards to mitigate the overlap of focus or assurance activity and are reviewed annually to ensure they remain appropriate.

See pages 94 and 107 of the Audit Committee report and Sustainability Committee report, respectively, for examples of collaborative governance between the Audit, Sustainability and Risk Committees.

Group CRO report

At each meeting, the Committee receives a formal report from the Group CRO which highlights key factors impacting the Group's operating environment as well as an assessment of emerging risks. The review includes analysis of risks arising from the macro-economic outlook and conditions in financial markets, together with geopolitical, legislative and regulatory change risks that may impact the Group and its customers as well as risks associated with the implementation of the Group's business strategy. A summary of the principal risks and uncertainties facing the Group can be found on pages 50 to 57.

Cyber risk

The Committee has remained conscious of high-profile cyber security incidents that continue to impact corporates globally, driven by the use of destructive malware and ransomware. The Group is continually improving its controls, attack detection and response processes, identifying weaknesses through ongoing assessment and review. Supplier-related cyber attacks were detailed to the Committee through the Group CRO report along with the oversight and assurance processes in place to mitigate the impact on the Group.

In 2023, the Committee received two cyber security updates which covered the threat landscape; cyber awareness and defence; and actions being undertaken to support and continually improve Phoenix Group's security culture. The Committee found this session extremely informative and, as such, another session will be presented to the Board as part of its continued education in 2024. For more information on the classification of cyber risk and the controls in place to monitor and mitigate the impact on the business, please see page 55.

Climate risk

The Committee remained cognisant of the continued prevalence of climate risk and the need to ensure collaboration across Board Committees. The Terms of Reference of the Audit, Risk and Sustainability Committees divide accountability for oversight and monitoring of work undertaken. During 2023, the Risk Committee received climate risk updates as well as reviewing disclosures in the Sustainability Report and Climate Report, which can be found on the Company's website. The Committee worked in close collaboration with the Sustainability Committee on the Group's first Net Zero Transition Plan. The Committee also remained vigilant in relation to anti-greenwashing and ensured that the Group's labelling of investment funds was appropriate for future compliance.

Individual responsibility for ensuring appropriate identification, assessment, management and reporting of climate-related financial risks and opportunities that could impact the Group sits with the Group's CFO and CRO, both appointed as joint Senior Managers responsible for climate-related financial risk under the PRA and FCA's Senior Managers and Certification Regime.

Consumer Duty

The Committee received regular updates in the delivery phase of the Group's Consumer Duty plans, assessments of fair value and improvements to the customer journey. Updates were also provided by the Chair of the Life Companies Board Risk Committee as to the work being undertaken by subsidiaries to ensure that the customers' best interests remain at the heart of decision-making at every level of the organisation. This focus and vigilance will continue into 2024.

John Pollock
Chair of the Risk Committee

Sustainability governance
Sustainability Committee report

The Committee is delighted that the first edition of Phoenix Group's Net Zero Transition Plan was published in May 2023.

Composition of the Committee
The Board confirms that all of the members of the Committee are Independent Non-Executive Directors and have been selected to ensure cross-Board Committee membership to facilitate engagement on sustainability matters across the Group's governance framework. Further information on the experience, skills and competencies of the Committee members can be found on pages 64 to 67.

Regular attendees at the Committee include the Chair of the Board, Group CEO, Group HR Director, Director of Corporate Affairs and Investor Relations and the Chief Sustainability Officer. During 2023, a nominated NED from the Phoenix Life Companies Board was also a standing attendee.

Committee meetings and membership
Under the Committee's Terms of Reference, the Committee should meet at least five times a year. During 2023 there were six formal meetings.

	Member from	2023 meeting attendance	2023 % attendance
Karen Green (Chair)	1 December 2020	6/6	100%
Maggie Semple	1 September 2022	6/6	100%
Nicholas Shott	1 December 2020	6/6	100%
Kory Sorenson[1]	1 December 2020	3/3	100%

1 Kory Sorenson retired from the Board on 30 June 2023.

Committee gender

Male	33%
Female	67%

6
Number of Committee meetings held this year.

Role of the Committee
The Committee is responsible for assisting the Board in overseeing the Group's sustainability strategy and related activity, and approach to ESG matters.

Following each meeting, the Chair provides a summary of discussions, outcomes and where relevant, makes recommendations to the Board on matters such as the Group's sustainability strategy, Net Zero Transition Plan and TCFD disclosures, in line with the Committee's Terms of Reference, which can be found at www.thephoenixgroup.com.

Overview of the year

Key Committee activities during 2023

Overseeing the Group's aim to be a leader in sustainability.
Ensuring tangible, measurable progress against the Group's sustainability strategy.
Monitoring the development, publication and progress of the Group's Net Zero Transition Plan.
Supporting the Board and Board Audit Committee in respect of the Group's sustainability related reporting e.g. TCFD.
Monitoring developments in sustainability and emerging best practice.
Providing oversight of regulatory compliance and actions being taken to enhance the Group's contribution to a more sustainable world.
2024 focus
Continue to monitor the progress of the Group's Net Zero Transition Plan.
Support and oversee thought leadership initiatives throughout the organisation.
Continue to monitor the Group's culture and review key people metrics including diversity.
Activity related to closing the UK pension savings gap.
Continue to consider how the Group can further support customers using wider social initiatives.
Continue to review the ways in which wider macro-economic factors will impact customers and colleagues.
Oversee the development of the Group's nature and biodiversity strategy.

Committee review

The 2023 effectiveness review was facilitated by an external Board Reviewer. The review concluded that the Committee is functioning very effectively. Members of the Committee agreed that the meetings are constructive, with all members demonstrating a high level of engagement in topics throughout the year. It was noted that the agenda remains well balanced with appropriate information and insight and the rolling schedule of education on sustainability-related matters and external perspective sessions is valued and increases knowledge of emerging best practice. The Board Reviewer identified the following areas of enhancement by the Committee and these are highlighted below:

Action 1

Maintain focus on how to help customers through retirement and ensuring Consumer Duty remains a key consideration in all discussions.

Action 2

Continue to address current affairs and how they impact the organisation's strategy and culture.

Action 3

Consider whether training sessions should be held as strategic deep dives with consideration of impact on the Group strategy.

Sustainability governance continued
Sustainability Committee report

Outcomes from Sustainability Committee discussions:
On an annual basis, a review of the Committee's activities is undertaken. In 2023, it was concluded that all elements of responsibility detailed in the Committee's Terms of Reference had been addressed. In addition, all elements of the Group's sustainability strategy are covered throughout the year. The sustainability strategy in 2023 was divided into 'Planet' and 'People' with key themes falling below each pillar. These themes were 'Investing in a sustainable future', 'Engaging people in better financial futures' and 'Building a leading responsible business'. An overview of some key activities undertaken during the year and the way in which they contributed to the sustainability strategy are detailed in the following table:

Key activities

Key Committee activity	Outcome
Investing in a sustainable future	
Multiple discussions on all aspects of stewardship and the Stewardship Code including: the Stewardship Report, proxy voting guidelines and asset management commitments.	Following rigorous challenge, the organisation was formally accepted as a signatory to the Stewardship Code in August 2023.
Review and consideration of the Group's Net Zero Transition Plan.	Improved clarity following Committee challenge on managerial decisions for the pathway to decarbonising investments. The Committee requested further oversight of this aspect of the plan and its development, and this has become a standing agenda item in 2024.
Monitored progress against proposals for TNFD regulation.	Following a presentation from the Co-Chair of The Taskforce on Nature-related Financial Disclosures ('TNFD'), the Committee decided that close engagement with that organisation should continue to allow the Company to disclose against the regulations once finalised. The Committee will continue to oversee engagement throughout 2024.
Engaging people in better financial futures	
Review and oversight of the Money Mindset digital platform, which provides a holistic financial wellness solution to Standard Life Workplace customers.	As a result of several updates throughout the year, the Committee developed a deeper understanding of the technological products being developed within the Group to support consumers.
Monitoring the ongoing work of Phoenix Insights.	In-depth understanding of areas of investigation for the Company and how these might be disclosed to better provide a future of possibilities for consumers. The Committee requested an annual update on the proposition of collaborating with other think tanks to progress research and initiatives.
Oversight of the launch of the Midlife MOT, a colleague initiative to help members of the Group workforce plan for the future.	Following discussion and challenge, the Committee requested an investigation into the ways in which the product could be extended for those interested, and how engagement with the initiative would be sustained to make a long-term, meaningful difference. The 2024 Committee agenda will include an update on engagement and statistics around uptake, alongside a view on how this product could be extended to customers.
Building a leading responsible business	
Oversight of the research phases of a proposed five-year Race and Ethnicity Action Plan which sets out the roadmap for how the Company will increase ethnicity representation at all levels of Phoenix Group and more broadly within financial services.	The Committee discussed research into views on diversity and the introduction of a framework on cultural intelligence and fluency training. The Committee requested oversight of the development of the framework to ensure the intended cultural development was embedded and sustained.
Oversight of collaboration with a third-party consultancy to determine actions required to align to international best practice in human rights.	The Committee reviewed and recommended to the Board for approval the first Human Rights policy for the Group, which sets out commitments to respect human rights in alignment with the international framework of the United Nations Guiding Principles on Business and Human Rights.

More information about how the Company delivered against the specific pillars of the sustainability strategy can be found the Group's Sustainability Report. This is available on the Company's website at www.thephoenixgroup.com.

The Committee also received education sessions as shown on pages 80 and 81.

Connectivity with other relevant Committees

The following joint Committees promoted the sharing of information and best practices. The Committees were able to review, approve and recommend for Board approval the following items:

Sustainability and Risk Committees

- Net Zero Transition Plan – May 2023.
- Annual Report disclosures relating to climate and sustainability – February 2023.

Audit, Risk and Sustainability Committees

- Review of Year End 2023 Climate and Sustainability Reports – March 2024.

The Committee ensures that collaboration with other Board Committees (Audit and Risk) takes place to provide holistic challenge on publicly communicated targets and statistics and to monitor changes in climate risk.

The Group's CEO, Andy Briggs, regularly attends meetings to provide insight into executive decision making and assurance. The Group's External Auditor, EY, provides external limited assurance on both TCFD data and the disclosures made in the Sustainability Report, which can be found on the Company's website.

Net Zero Transition Plan

The Committee is delighted that the first edition of Phoenix Group's Net Zero Transition Plan was published in May 2023. The plan sets out the actions the Company will take on its journey to becoming net zero by 2050 and to support achievement of its stretching interim targets in 2025 and 2030 across its investment portfolio, operations and supply chain. The plan helps to ensure that our decarbonisation strategy is aligned with our wider business objectives and to deliver the right outcomes for our customers.

The Net Zero Transition Plan is in line with the latest industry guidance from the Transition Plan Taskforce and Glasgow Financial Alliance for Net Zero. However, it is important to acknowledge that related policy setting and global decarbonisation are still evolving and that the Group is in the early stages of its net zero transition. As such, our Net Zero Transition Plan will continue to be developed and refined with customer outcomes at the heart of all decision-making.

Monitoring culture and the Employee Voice

In accordance with Provision 5 of the 2018 Code, the Board is required to maintain an effective mechanism to engage with the workforce. Committee member Maggie Semple is the Designated NED for Workforce Engagement and provides regular updates to the Committee and the Board on the outcomes of her interactions with the Phoenix Colleague Representation Forum ('PCRF') and the actions being undertaken as a result. This mechanism provides the Committee and the Board with an in-depth understanding of colleagues' perspectives in relation to topics such as mental wellbeing, flexible working, diversity and inclusion and insights into the tone of the Group's culture from the ground up. In 2023, the Committee noted that there should be more interaction with the workforce following Board discussions to communicate outcomes and to ensure that colleagues are aware that the Board takes concerns seriously. This is something that will be improved and made standard practice in 2024. More information on how Maggie Semple and other Board members engage with the workforce can be found on pages 108 to 110.

The Committee also receives updates from the Group HR Director on people and culture metrics, which allows members to review the Group's people strategy and to monitor culture. This dashboard includes information on turnover and absenteeism rates, employee surveys, whistleblowing and 'Speak Up' data, and diversity and inclusion statistics. The Committee will continue to follow best practice guidance and to identify both qualitative and quantitative data that should be reviewed to assess the development of culture in the organisation.

Karen Green
Chair of the Sustainability Committee

Engagement in action – listening to the colleague voice

Our growth and success at Phoenix Group are down to our amazing colleagues. They drive our business performance and help us to achieve our purpose. Having regular engagement with colleagues is integral to our strategy and vision to be the best company that colleagues have ever worked for. Through regular two-way dialogue, the Board seeks to understand the issues that matter most to our colleagues.

Board engagement with colleagues
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.

Across 2023, the Phoenix Group Board members, including the Chair of the Group Board, myself and our Executive Directors, held two dedicated sessions as part of our Board agenda to meet with colleagues. We held these in May and November, and we invited targeted groups of individuals to join us in an open and transparent conversation so that we could hear first-hand their experiences of working at Phoenix Group.

At our session in May, we met with 17 members of the Group's graduate programme, and the primary focus of our conversations were around career and leadership. We thoroughly enjoyed the dynamic attitudes of the graduates, and how comfortable they were in speaking up and sharing their thoughts. Our discussions showcased that our graduates have come from varied backgrounds with a wide plethora of degrees, and they valued the approach to the Phoenix Group graduate programme as it provided them with an opportunity to rotate into many different business areas, giving them lots of exciting opportunities and experiences.

> It's insightful to have Maggie's experience and fresh perspective on our people agenda items. Maggie's input and challenge ensures we discuss items from a 360-degree perspective which results in in-depth discussions and tangible outcomes we can work towards together to benefit both colleagues and the business.
>
> **David Berry,** PCRF Lead Rep, Operations.

A key learning on the day was the approach for managing 'home' seats, which is the first seat the graduate rotates into and, at the end of the programme, if they've not secured an alternative role they will be guaranteed a role in their home seat. On the surface of it, this sounded positive and gave job security to the graduates; however, they shared that they have limited choice in where they start their graduate career with us, and so often their home seat was not an area they wanted to return to. This learning from our engagement with the graduate programme was discussed at the Board.

Outcome: was a management action set by the Board to review the approach to rotations and home seats, which is currently being considered by the Group. This would facilitate greater choice for the graduates when they come to the end of their two-year programme.

Our Board session in November focused on the experiences of females in their 50s, with a focus on the working environment. This session was attended by 12 women from across the Group, covering many of our locations and our corporate grades. We had a very engaging conversation covering their experiences at Phoenix Group and previous roles. What was incredibly pleasing to hear was that many of the women in the room said that, at Phoenix Group, they didn't feel like they were treated as a 'stereotype'. They spoke positively and favourably about the support and importance that the Group has placed on critical areas such as menopause and carers.

They were also supportive of the focus Phoenix Group and Phoenix Insights has been placing on later working life, through their research and reporting and through initiatives such as the Over 50s jobs fair and the colleague Midlife MOT, which has helped them to feel comfortable and confident of their futures with the Group.

Hearing the wider colleague voice

In addition to the two sessions held with the wider Board members this year, I have spent time with colleagues across our sites to hear more from them about their experiences at Phoenix Group.

One of my key points of connection with colleagues has been meeting with the PCRF on a quarterly basis. This is an autonomous forum made up of colleague representatives from each of our functions. Our partnership with the PCRF enables us to have direct, honest and open discussions about strategic topics and how they impact colleagues.

One topic of note which came up frequently in our discussions was the colleague understanding of the Phoenix Group reward framework. With the backdrop of the economic situation, this was a particularly important topic which colleagues wanted to speak about. Through my discussions with the PCRF, it was agreed with Sara Thompson, Group HR Director, that a more proactive approach to communicating updates on the reward framework would be shared with colleagues.

Outcome: was a common theme when the Remuneration Committee completed its education session on the 2018 Code in October. Particular attention was given to Provision 41 relating to the impact of engaging with the wider workforce on Executive Directors' Remuneration policy and outcome. From that education session and my feedback on the PCRF to the Board, the outcome was that I should join the Remuneration Committee as a member with effect from 1 January 2024. This would allow me to provide a better link between the PCRF on wider workforce remuneration matters and the Remuneration Committee. Changes to the Executive Directors' Remuneration policy or discretion applied to their remuneration outcomes would also be better understood and communicated to the wider workforce through the PCRF.

In addition to regularly meetings with the PCRF, I hear from the colleague-led networks and I have taken the opportunity to invite wider colleagues to informal meetings to enable them to share what is on their mind in the moment, including a trip to visit colleagues in Dublin to hear more from them. At this visit, I also informally met with the representatives from Unite. Through this discussion, I took away that they were looking for greater clarity and communication when strategic decisions were made affecting their work. This comment related to a decision on Phoenix Group's strategic partnership with TCS Diligenta that had been taken in a previous year. I provided this feedback to the Board.

Outcome: was for the Group to ensure that communication relating to strategic decisions is clear and well understood by colleagues and their relevant representative bodies.

Workforce engagement continued

Reflecting on 2023
In my role as the Designated NED for Workforce Engagement I get to witness the power of two-way conversation. I share regular feedback from my sessions with colleagues to the Board, which provides additional perspective and insights on colleagues and can lead to outcomes that improve the experience of our wider workforce at Phoenix Group. I share key aspects of our Board discussions with colleagues when I meet with them and ask for their opinions, again relaying these back to the Board for potential outcomes. I have also this year created a blog which I share with colleagues, focusing on topics that they have told me are important to them.

Continuing to develop two-way communication enables colleagues to be kept informed of how the Board is engaged in overseeing the development and execution of the Group's strategy and enables the Board to stay connected to what is important to our colleagues and the impact of Board decisions.

Maggie Semple
Designated NED for Workforce Engagement

Each quarter, our colleague-led forum, made up of the PCRF central team and colleague representatives from each UK business function, meet with Maggie Semple to discuss key themes we're hearing from colleagues. Partnering together has resulted in enabling direct honest and open conversations, more frequent feedback, and continuous listening through a variety of channels. We're also able to hear first-hand about the Board's priorities and provide representation and insights from colleagues.

After the quarterly meetings, the PCRF shares the key themes and discussions from the meeting with colleagues. Maggie also shares feedback from these sessions with the Board, which has allowed it to gain additional perspective and insights on colleagues' working lives and the colleague voice on Phoenix Group's strategic priorities and initiatives.

Continuing to develop this two-way communication enables colleagues to be kept informed of how the Board is driving the Group, and connects the Board to what's important to colleagues and how their decisions impact their working lives.

Steph Jones, PCRF Colleague Consultant.

Directors' Remuneration report

Nicholas Shott
Remuneration Committee Chair

In my first year as Remuneration Committee chair, the Committee's focus has been on implementing our new Policy to ensure that remuneration aligns with our purpose and strategic priorities and has regard to the wider stakeholder experience.

Composition of the Committee

The Board confirms that all of the members of the Committee are Independent Non-Executive Directors. Before Nicholas Shott was appointed Chair of the Remuneration Committee on 4 May 2023, he had served on the Committee since 2016.

Regular attendees include the Group HR Director, Executive Reward Director, Group Reward Director, Group Company Secretary, Group Chief Executive Officer and external adviser, PwC LLP. The Group CRO also attends to discuss his report at Full Year and Half Year. The Chair meets regularly with the Executive Reward Director to discuss priorities and track key actions.

Committee meetings and membership

Under the Committee's Terms of Reference it should meet at least four times a year. During 2023 there were five formal meetings and one education session.

	Member from	2023 meeting attendance	2023 % attendance
Nicholas Shott[1]	20 October 2016	5/5	100%
Kory Sorenson[2]	3July 2014	3/3	100%
Karen Green	1 July 2017	5/5	100%
Belinda Richards	2 July 2019	5/5	100%
Maggie Semple[3]	1 January 2024	–	–

1 Nicholas Shott became Chair of the Committee on 4 May 2023.
2 Kory Sorenson retired as Chair of the Committee at the close of the Annual General Meeting on 4 May 2023 and from the Board on 30 June 2023.
3 Maggie Semple was appointed as a member of the Committee on 1 January 2024.

Committee gender

Male	25%
Female	75%

5
Committee meetings and one education session held in 2023

Role of the Committee

The Committee is responsible for establishing, implementing, overseeing and reviewing the Group-wide Remuneration policy in the context of business strategy and changing risk conditions. This is consistent with Solvency II requirements. The Group-wide Remuneration policy focuses on ensuring sound and effective risk management so as not to encourage risk-taking outside of the Group's risk appetite. The Committee ensures the remuneration of our Executive Officers is aligned to the Group's purpose and values and that our wider workforce are also engaged and an overview is provided of executive remuneration. None of the Committee's members has any personal financial interest (other than as shareholders), conflicts of interest arising from cross-directorships or day-to-day involvement with running the business. The Committee's Terms of Reference can be found at www.thephoenixgroup.com. No Director is involved with any discussion about their own remuneration. The Committee makes recommendations to the Group Board on the Remuneration policy and Shareholder Consultation every three years and on the Committee's Terms of Reference.

Directors' Remuneration report continued

Overview of the year

Key Committee activities during 2023
Approval of incentive outcomes for the 2022 AIP and 2020 LTIP.
Approval of remuneration for all colleagues within the Committee's remit.
Consideration and approval of metrics for 2023 variable pay schemes to align with the Group's evolving business strategy.
Full benchmarking exercise of remuneration undertaken for the Business Leadership population.
2024 focus
Approval of incentive outcomes for 2023 AIP and 2021 LTIP.
Review the good leaver process as part of Phoenix Group's review of its strategic requirements
Monitoring the take-up of all-employee plans.
Listening to the voice of the wider workforce through the appointment of Maggie Semple, the Board's Designated NED for Workforce Engagement, to the Committee and through her work with the Phoenix Colleague Representation Forum ('PCRF').
Further review on the impact on remuneration and the work of the Committee now that the 2024 Code has been published.

Committee effectiveness

The 2023 effectiveness review was facilitated by an external Board Reviewer. The review concluded that the Committee is functioning effectively, though the Board Reviewer did not observe a regular meeting, as the October one was an education session. Nevertheless, the external Board Reviewer did suggest that the effectiveness could be enhanced by building on some of the practices that had already been put in place and these are highlighted to the right.

Action 1

The Chair had instigated a process of agreeing with the Committee what the priority items of focus would be for each meeting. This had worked well and would be maintained going forward.

Action 2

To continue with the Chief Risk Officer's ('CRO') report which was deemed to be best practice and to be commended in supporting the Committee's consideration of variable remuneration adjustments for senior leadership.

Outcomes from Remuneration Committee discussions:
On an annual basis, a review of the Committee's activities is undertaken. In 2023, 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

Key Committee activity	Outcome
Review of Executive Directors' pay against wider workforce in line with 2023 and 2024 proxy advisers' reports.	With effect from 1 April 2023 Executive Directors received a pay increase of 4%, compared to the wider workforce of 6%. For 2024 it was agreed the Executive Directors would receive no pay increase, compared to the pay budget for the wider workforce of 4.4%. Wider workforce increases will be applied with effect from 1 April 2024.
Engagement with shareholders to explain and receive feedback on the 2023 Directors' Remuneration policy.	2023 Directors' Remuneration policy approved by shareholders at the AGM on 4 May 2023 with 98.8% of votes in favour by our shareholders and the 2023 Directors' Remuneration report approved with over 99% of votes in favour by our shareholders.
Review of Full Year and Half Year 2023 CRO report.	The CRO Reports provided positive guidance to individuals whose remuneration may require adjustment.
Education session – Proposals under the 2024 UK Corporate Governance Code, wider workforce engagement and Consumer Duty.	Education session to become an annual event. A dashboard on wider workforce metrics to be provided at each education session. Maggie Semple joined the Committee with effect from 1 January 2024. Given her role as Designated NED for Workforce Engagement, she will be able to communicate the views of the wider workforce on pay and its alignment with Executive Directors' remuneration to the Committee, as well as her deep ESG and sustainability knowledge.

Dear Shareholder,

I am pleased to present my first Directors' Remuneration Report as Chair of the Remuneration Committee (the 'Committee'), having taken over the role from Kory Sorenson on 4 May 2023. On behalf of the Committee I should like to take this opportunity to thank Kory on behalf of the Committee for her work as Chair and, in particular, her work last year engaging with our shareholders over our new Directors' Remuneration policy ('Policy'), which received 98.8% support at the 2023 AGM.

Summary of the year

Phoenix has again performed well in 2023, as we continued to execute against our strategy priorities, and which has supported strong financial results across our financial framework of cash, capital and earnings.

We have delivered over £2 billion of cash generation in 2023, supported by strong business performance and the impact of the Part VII transfer of Standard Life and Phoenix Life. Our organic growth continues at pace, with new business net fund flows increasing 72% year-on-year, which helped to support us in delivering £1.5bn of new business long-term cash generation. This means we have achieved our 2025 new business long-term cash target two years early, reflecting the focus and investment we have put into our growth strategy. Our balance sheet also remains resilient with a Solvency II ('SII') surplus of £3.9 billion and Shareholder Capital Coverage Ratio of 176%. Our IFRS earnings have also improved during the year, with adjusted operating profit before tax increasing 13% year-on-year to £617m.

Executive remuneration outcomes for 2023

Based on its assessment of the corporate metrics, the Committee determined that the Annual Incentive Plan ('AIP') outcome should be 78.2% of the maximum opportunity. This outcome was driven by exceptional cash generation performance in the year, which benefited from particularly strong management actions delivery including the completion of one of the largest UK insurance Part VII transfers ever completed, with the funds merger of the Standard Life and Phoenix Life businesses into Phoenix Life Limited. With regard to the achievements under the Strategic Scorecard which represents 20% of the Executive Directors' AIP, the Committee determined outcomes should be 69.0% for Andy Briggs and 69.8% for Rakesh Thakrar. This results in a formulaic outcome of 76.4% and 76.5% respectively of the maximum AIP opportunity.

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. In reviewing the 2023 AIP outcome, the Committee considered the delays faced during the year relating to the IFRS 17 project. As Group CFO, Rakesh Thakrar had the principal responsibility for delivering the project in a timely manner, so the Committee decided it was appropriate to use its discretion to reduce his AIP outcome by £75k (10%).

Andy Briggs recognises that, as Group CEO, he has ultimate accountability for all projects, including IFRS 17. Accordingly, in discussion with the Committee, he suggested – and the Committee agreed – that he should forgo £50k (4%) of his AIP outcome.

As a result of these discretionary adjustments, overall outcomes under the AIP were 73.4% of maximum for the Group CEO, and 69.0% of maximum for the Group CFO.

The 2021 Long Term Incentive Plan ('LTIP') award covering the years 2021–2023 was based on Net Operating Cash Receipts, Return on Shareholder Value, Persistency, and Relative Total Shareholder Return ('TSR'). The overall vesting outcome is 41.1% of the maximum opportunity. Further details are set out on page 122.

The resulting single total figure of remuneration for Andy Briggs is £2,901k and for Rakesh Thakrar is £1,543k. Full details are set out on page 121.

Updated metrics to align remuneration with our evolving strategy

The Committee approved a number of changes to the metrics for the AIP and LTIP in 2024 to ensure continued alignment to business priorities.

For the 2024 AIP, the Committee has decided to replace the Incremental New Business Long-Term Cash Generation (less strain) plus Own Funds impacting management actions metric with a New Business Contribution ('NBC') metric. NBC is a measure of the day one value of writing new business on a discounted basis. The metric is more aligned to peer disclosures and reflects feedback from the market over a preference for the use of a discounted metric within the business. A new Cost Savings metric will also be included which reflects the criticality of reducing our cost base in order to improve performance across our financial metrics. The targets are aligned to those defined as part of our strategic cost review. The Open Net Flows metric that was used in 2023 to incentivise growth in our Pensions and Savings business will now be a Group Net Flows metric, which aligns with our external reporting and supports our focus on improving overall Group net funds flows. No changes are proposed to the definitions or weightings of our Customer metrics in the AIP assessment.

For the 2024 LTIP, the Group In-force Long Term Free Cash metric will be replaced by a Return on Capital metric to provide a measure of the efficiency of the Company's use of capital. The Persistency metric in the previous year's LTIP will be replaced by a Cumulative Net Flows metric, which demonstrates our commitment to incentivising growth in new business and retention of existing business. Following a significant reduction in emissions from operations, the Decarbonisation from Operations metric (10% weighting) will be replaced by a Diversity, Equity & Inclusion metric measuring 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 127.

Directors' Remuneration report continued

Implementation of pay in 2024

The Committee decided that there will be no increase to the base salary of either Andy Briggs and Rakesh Thakrar in 2024. The Company continues to target increases to more junior and lower paid colleagues this year with a pay award budget of 4.4%. Further details on how we implement pay for the wider workforce is set out on page 133.

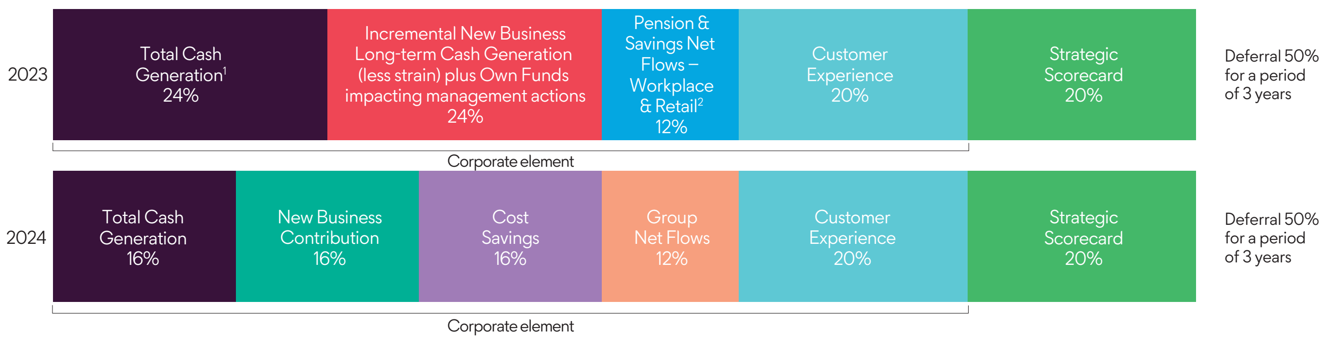
Consistent with the approach for executive directors, there will be no increases to Non-Executive Director base fees in 2024. The Chair's fee was last reviewed in August 2021 with the next review due to take place in August 2024. For simplicity, it has been decided not to proceed with the review in 2024 and instead to consider the Chair's fee at the same time as the annual review of Non-Executive Director fees from 2025, which is normally in quarter one.

Looking forward

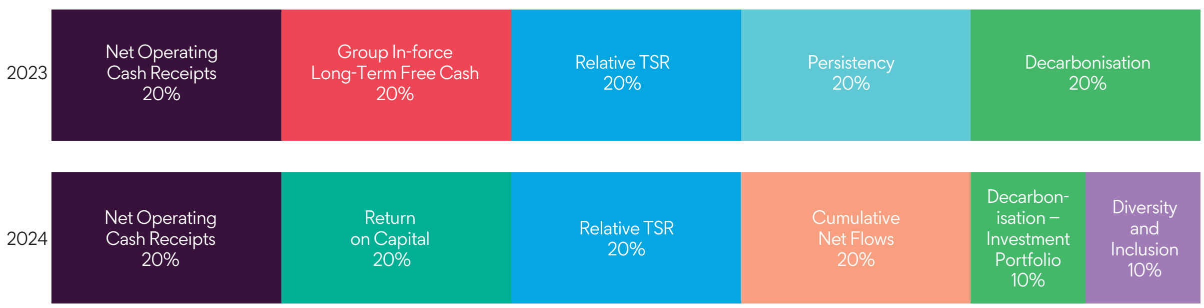
I hope that the implementation of pay as set out in this report will meet our shareholders' expectations and will receive a favourable voting outcome in the resolution proposed at the 2024 AGM. I would welcome any comments you may have on this report as I begin my first full year as Chair of the Committee.

Nicholas Shott
Remuneration Committee Chair
21 March 2024

Annual Incentive Plan



Long Term Incentive Plan



1 Total Cash Generation was previously referred to as Cash Generation.
2 Pensions and Savings Net Flows – Workplace and Retail was previously referred to as Open (Pensions and Savings) Net Flows.

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

78.2%
Outturn of 2023 AIP

41.1%
Outturn of 2021 LTIP

Alignment to purpose and strategy

Our Remuneration policy is designed to align to our purpose and 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 117 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 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 DBSS and subject to a combined vesting and holding period of 5 years for LTIP. This ensures strong alignment between Executive Directors and shareholders.

For more information see page 118

Directors' Remuneration report continued
Remuneration at a glance

2023 at a glance

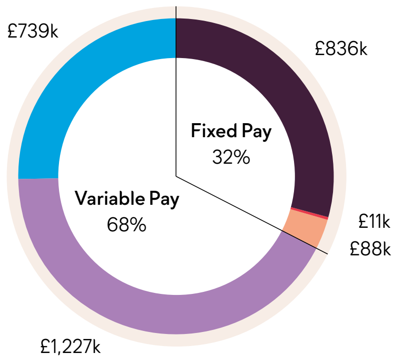
Remuneration for 2023

2023 single figure
The outcomes under the AIP and LTIP resulted in a single figure outcome for Andy Briggs of £2.901m and for Rakesh Thakrar of £1.543m. Further details are on page 119.

CEO total pay
£2.9m

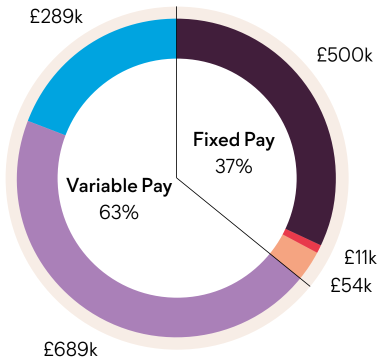
CFO total pay
£1.5m

Group CEO
Fixed vs variable pay (% weighting)



Fixed pay	32%
Salary	29%
Benefits	0%
Pension	3%
Variable pay	**68%**
AIP	42%
LTIP	25%

Group CFO
Fixed vs variable pay (% weighting)



Fixed pay	37%
Salary	32%
Benefits	1%
Pension	3%
Variable pay	**63%**
AIP	45%
LTIP	19%

2023 AIP weighted performance outturn

Total AIP out of maximum opportunity

Group CEO
73.4%

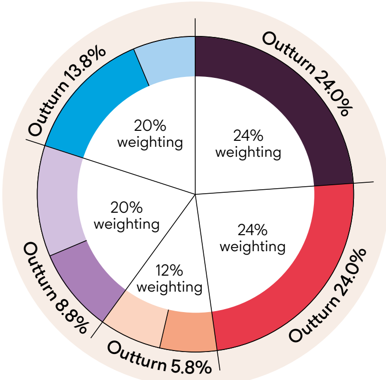
Group CFO
69.0%

The above figures and charts opposite reflect AIP outcomes after discretionary adjustment (see page 120 to 121 for further details).

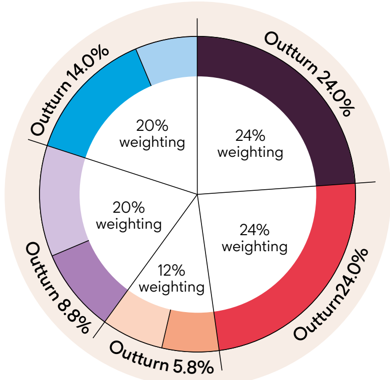
- Total Cash Generation[1]
- Incremental New Business Long-term Cash Generation (less strain) plus Own Funds impacting management actions
- Pension & Savings Net Flows – Workplace & Retail[2]
- Customer Experience
- Strategic Scorecard

1 Previously referred to as Cash Generation.
2 Previously referred to as Open (Pensions and Savings) Net Flows.

Group CEO



Group CFO



2021 LTIP weighted performance outturn

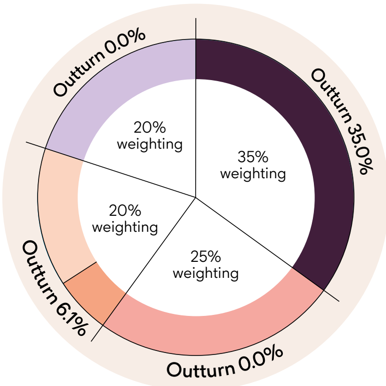
Total LTIP

Group CEO
41.1%

Group CFO
41.1%

(See page 122 for further details).

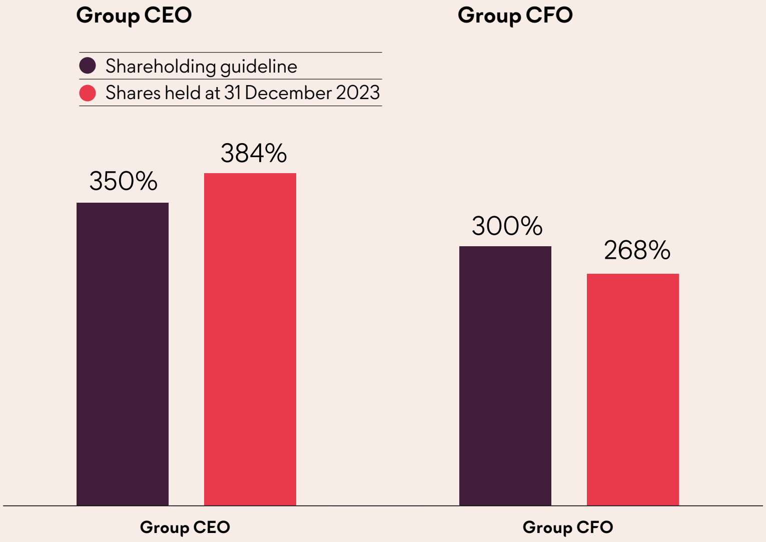
- Net Operating Cash Receipts
- Return on Shareholder Value
- Persistency
- Relative TSR



Share ownership guidelines ('SOGs')

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. As at 31 December 2023, shareholdings for Andy Briggs and Rakesh Thakrar are shown to the right.

Further details on SOGs, including post-cessation requirements are included in the Remuneration policy on page 140. The SOGs increased from 2023 under the new Remuneration policy.



SOGs percentages shown for Andy Briggs and Rakesh Thakrar include the value of shares held based on a share price of £5.352 (as at close of business on 29 December 2023). Shares included are those shares held directly and beneficially, any vested LTIP awards that have not been exercised and unvested Deferred Bonus Share Scheme options taking into account tax liabilities.

2024 at a glance

Alignment to strategy
This table demonstrates how each of our performance measures for AIP and LTIP align with the Group's strategic priorities.

Performance measures 2024

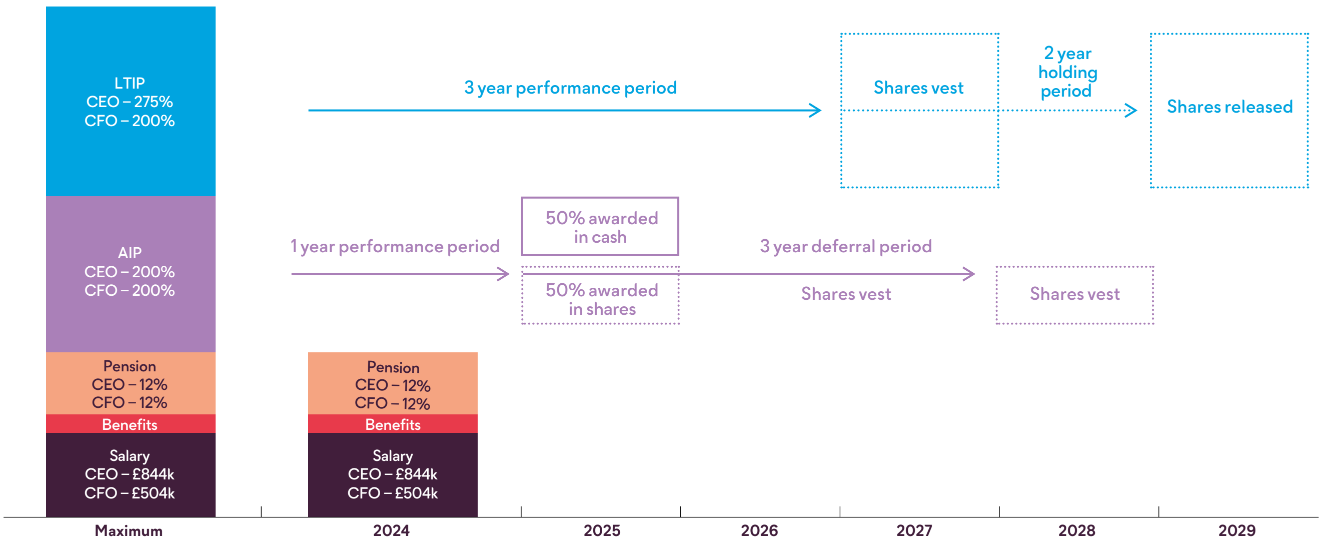
		Strategic priorities		
		Grow	Optimise	Enhance
AIP	Total Cash Generation	✓	✓	✓
	New Business Contribution	✓	–	✓
	Cost Savings	–	✓	✓
	Group Net Flows	✓	–	✓
	Customer Experience	✓	–	✓
	Strategic Scorecard	✓	✓	✓
LTIP	Net Operating Cash Receipts	✓	✓	✓
	Return on Capital	✓	✓	✓
	Relative TSR	✓	✓	✓
	Cumulative Net Flows	✓	–	✓
	Diversity and Inclusion	–	–	✓
	Decarbonisation – Investment Portfolio	–	✓	–

All employees, with the exception of certain colleagues in our Asset Management function, participate in a common incentive plan ensuring consistency of corporate goals and individual performance management. Certain colleagues in our growth centres have additional functional metrics, and our Asset Management colleagues participate in a separate bonus plan more aligned to their external market.

Directors' Remuneration report continued
Remuneration at a glance

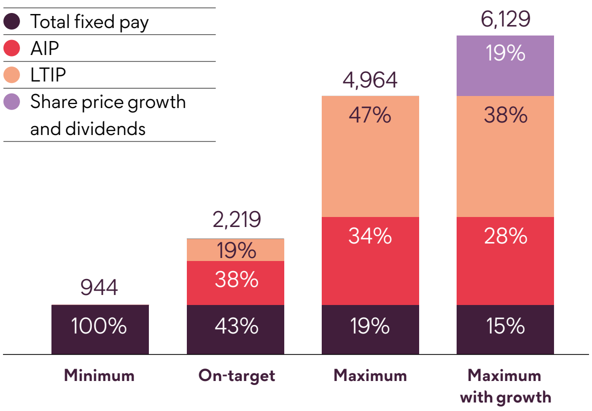
Alignment to shareholders

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.

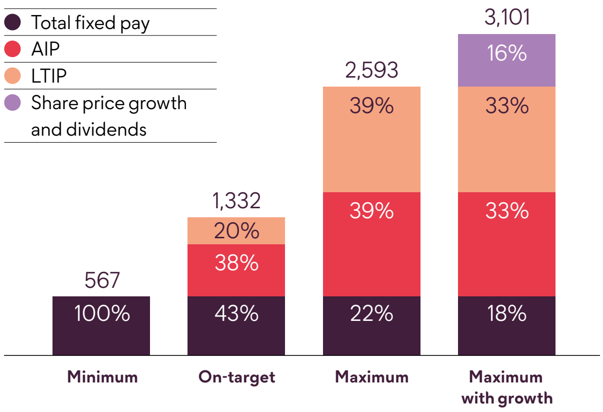


Scenario charts

Group CEO – Andy Briggs
£000



Group CFO – Rakesh Thakrar
£000



Name	Base salary £000	Benefits £000	Pension £000	Total fixed £000
Andy Briggs	844	10	90	944
Rakesh Thakrar	504	10	53	567

Minimum	Consists of base salary, benefits and pension: • Base salary is the salary to be paid in 2024. • Benefits measured as benefits to be paid in 2024. • Pension measured as the full entitlement of approximately 10.6% 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). • LTIP: consists of the threshold level of vesting (50% of base salary for Group CEO and Group CFO). In addition, the potential value of ShareSave and Share Incentive Plan ('SIP') participation is also recognised.
Maximum	Based on the maximum remuneration receivable: • AIP: consists of the maximum annual incentive (200% of base salary). • LTIP: assumes maximum vesting of awards and valued as on the date of grant (award of 275% of base salary for Group CEO and 200% of base salary for Group CFO). ShareSave and SIP valued on the same basis as in the on-target row.
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). • LTIP: assumes maximum vesting of awards and valued as on the date of grant (award of 275% of base salary for Group CEO and 200% of base salary for Group CFO) and assumes 50% share price growth. ShareSave and SIP valued on the same basis as in the on-target row.

Annual report on remuneration

This section of the Directors' Remuneration report sets out the Executive Directors' remuneration for 2023. 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 2024 AGM on 14 May 2024.

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 136 to 140 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

	Salary/fees[1,2]		Benefits[3]		Pension[4]		Total fixed pay		Annual incentive[5]		Long-term incentives		Total variable pay		Total	
£000	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023[6]**	2022[7] (restated)	**2023**	2022[7] (restated)	**2023**	2022[7] (restated)
Executive Directors																
Andy Briggs	**836**	809	**11**	11	**88**	85	**935**	905	**1,227**	1,053	**739**	1,154	**1,966**	2,207	**2,901**	3,112
Rakesh Thakrar	**500**	471	**11**	13	**54**	50	**565**	534	**689**	601	**289**	441	**978**	1,042	**1,543**	1,576

1 Andy Briggs' salary increased to £844,480 with effect from 1 April 2023. Rakesh Thakrar's salary increased to £504,400 with effect from 1 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% which may be paid as a cash supplement, reduced for the effect of employers' National Insurance Contributions. Andy Briggs received his whole contribution as a cash supplement (10.6%) and 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 2023). In 2023 £613,644 of Andy Briggs's incentive payment is subject to three-year deferral delivered in shares (2022: deferral of £526,416), and £344,706 of Rakesh Thakrar's incentive payment is subject to a similar deferral (2022: deferral of £300,280).
6 The 2023 value for long-term incentives is an estimate of the vesting outcomes for LTIP awards granted in 2021 which are due to vest once the Full Year results are announced. This vesting level is at 41.1% reflecting outcomes against the Net Operating Cash Receipts, Return on Shareholder Value, Persistency and Relative TSR performance measures to 31 December 2023 (see page 122). This vesting outcome is then applied to the average share price between 2 October 2023 and 29 December 2023 (478.621 pence) to produce the estimated long-term incentives figures shown for 2023 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 2024. For Andy Briggs, the disclosed LTIP figure of £739k comprises the disclosed LTIP figure of £587,837 for the value of the proportion of the original LTIP award which ultimately vested, plus the value of dividend roll-up on those shares of £150,679. All values are calculated using the three-month average share price to 29 December 2023 (478.621 pence). For Rakesh Thakrar, the disclosed LTIP figure of £289k comprises the disclosed LTIP figure of £229,791 for the value of the proportion of the original LTIP award which ultimately vested, plus the value of dividend roll-up on those shares of £58,899. No portion of the awards for Andy or Rakesh related to share price appreciation.
7 For 2020's LTIP awards which are reflected in the 2022 long-term incentives column above, the performance conditions were met as to 44.3% of maximum. The 2022 long-term incentives values in the above table reflect the value of the Company's shares on the date of vesting which was 13 March 2023 (598.4 pence per share) multiplied by the number of shares vesting whereas the equivalent figure within the published 2022 Single Figure Table was an estimate which reflected the average share price between 1 October 2022 and 31 December 2022 (570.5 pence per share) and certain assumptions regarding the cumulative value of dividends on the number of shares vesting.

Directors' Remuneration report continued

AIP outcomes for 2023 – Audited information

The overall weightings between Corporate measures and Strategic Scorecard for AIP in 2023 were:

- 80% – Corporate (financial and customer) performance measures.
- 20% – Strategic Scorecard (strategic company priorities).

As described in the Remuneration policy, 50% of 2023 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.

	2023 performance targets and outcomes					
Performance measure	Threshold performance level of 2023 AIP	Target performance level for 2023 AIP	Maximum performance level for 2023 AIP	Performance level attained for 2023 AIP	% of Corporate element based on performance measure	% achieved
Total Cash Generation (£m)[1]	1,300	1,400	1,500	**2,024**	30.00%	**30.00%**
Incremental New Business Long-Term Cash Generation (less strain) plus Own Funds impacting management actions (£m)	905	1,091	1,277	**1,595**	30.00%	**30.00%**
Pensions and Savings Net Flows – Workplace and Retail (£m)[2]	2,742	3,142	3,542	**3,130**	15.00%	**7.28%**
Customer Satisfaction – Telephony (%)[3]	86%	88%	90%	**87%**	6.25%	**1.56%**
Customer Satisfaction – Digital (%)[4]	92%	94%	96%	**93%**	6.25%	**1.56%**
Service Levels (Demand Processed) (%)[5]	88%	90%	92%	**91%**	6.25%	**4.69%**
Complaints Resolved in < 3 days (%)[6]	33%	35%	37%	**35%**	6.25%	**3.13%**
Total of Corporate element					**100%**	**78.22%**

1 Total Cash Generation was previously referred to as Cash Generation
2 Pensions and Savings Net Flows – Workplace and Retail was previously referred to as Open (Pensions and Savings) Net Flows.
3 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 2023. The target was reduced from 91% in 2022 to 88% in 2023 in light of implementing this consistent survey approach across Phoenix Group; the Committee was satisfied the targets remained equivalently stretching to prior years.
4 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.
5 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. The target was reduced from 92% in 2022 to 90% in 2023 to align with our in-house manpower model and contractual agreements with OSPs which have a 90% target; the Committee was satisfied the targets remained equivalently stretching to prior years.
6 Percentage of complaints that were closed within three days of the date of receipt.

Total Cash generation in 2023 benefitted from particularly strong management actions delivery including the completion of one of the largest UK insurance Part VII transfers ever completed, with the funds merger of the Standard Life and Phoenix Life businesses into Phoenix Life Limited. The Part VII transfer created additional free surplus within our life companies through the realisation of the diversification benefit, which enabled the Group to significantly increase total cash generation in 2023.

Incremental New Business Long-Term Cash Generation (less strain) plus Own Funds impacting Management Actions benefitted from a strong year of organic growth and management actions delivery. Our organic growth was supported by targeted participation in a growing BPA market, and strong growth in our Workplace business, as we retain our existing schemes and win new schemes in the market.

As described in the Committee Chair's covering letter (page 113), Phoenix 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 2023 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 2023 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 2023 formulaic outcome was necessary. Separately, the Committee made individual adjustments to the AIP outcomes which are set out on page 121.

Whilst the performance measures for the 2024 AIP have been disclosed (see Implementation of Remuneration policy for 2024 on page 126), 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 2024's AIP retrospectively in next year's Remuneration report on a similar basis to the disclosures made above in respect of 2023's AIP.

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 respective weightings and outturns for the Group CEO and Group CFO.

2023 performance targets and outcomes

Strategic priority	CEO	CFO	Description	Base	Performance	Outcome	CEO outcome	CFO outcome
Optimise our in-force business	15%	20%	% range for all sustainable illiquid asset origination and transition assets	50–70%	87%	100%	15.00%	20.00%
			Publish Net Zero Transition Plan	Plan published	Plan published			
			BPA NB strain (%)	5.50%	4.7%			
			BPA Cash Multiple (x)	2.8x	3.7x			
Enhance our operating model…	30%	30%	ReAssure integration – Capital synergies lifetime	£1,064m	£1,089m	75%	22.50%	22.50%
			SLOC integration – Cost synergies lifetime[1]	£16m	£16m			
			Risk culture dashboard	Green	Green			
			Action Plan delivery	Green	Amber			
… and our culture	20%	15%	Employee Engagement eNPS	13	32	75%	15.00%	11.25%
			Female senior leaders (%)	40%	39%			
Grow organically and through M&A by better addressing customer needs	25%	20%	Phoenix Group corporate reputation score	25%	21%	50%	12.50%	10.00%
			Provide access for at least 1.5m Standard Life customers to an integrated financial wellness hub, Money Mindset	1.5m Standard Life customers	Complete			
			Reach 1.5m customers to raise awareness about the impact of their investments	1.5m customers reached	1.65m customers reached			
			Complaints resolved in 8 weeks	91%	87%			
Financial framework – Cash, Resilience and Growth	10%	15%	New Business Contribution	£372m	£354m	40%	4.00%	6.00%
Total							**69.00%**	**69.75%**

1 The SLOC integration target was reduced from £19m to £16m following a review of the definition of activity in scope. The Committee was satisfied that the revised base was equally stretching as originally intended.

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. In reviewing the 2023 AIP outcome, the Committee considered the delays faced during the year relating to the IFRS 17 project. As Group CFO, Rakesh Thakrar had the principal responsibility for delivering the project in a timely manner, so the Committee decided it was appropriate to use its discretion to reduce his AIP outcome by £75,000 (10%). Andy Briggs recognises that, as Group CEO, he has ultimate accountability for all projects, including IFRS 17. Accordingly, in discussion with the Committee, he suggested – and the Committee agreed – that he should forgo £50,000 (4%) of his AIP outcome.

As a result of these reductions, the Committee determined it was appropriate to pay the following outcomes under the AIP:

Name	Corporate element outcome (80% weighting) % and £000	Scorecard element outcome (20% weighting) % and £000	Total outcome % and £000	Discretionary adjustment % and £000	Actual outcome % and £000	Maximum opportunity as % of salary % and £000
Andy Briggs	78.2%	69.0%	76.4%	4% of outcome	**73.4%**	200%
	£1,046	£230	£1,277	£50	**£1,227**	£1,673
Rakesh Thakrar	78.2%	69.8%	76.5%	10% of outcome	**69.0%**	200%
	£625	£139	£764	£75	**£689**	£999

Directors' Remuneration report continued

LTIP outcomes for 2021 awards – Audited information

Performance measure and weighting	Target range	Performance achieved	Vesting outcome	% achieved
Net Operating Cash Receipts (35%)	Target range between Net Operating Cash Receipts of £4.330bn and Net Operating Cash Receipts of £4.780bn	£4.966bn	100.0%	35.0%
Return on Shareholder Value (25%)	Target range between 2% CAGR and 4% CAGR	(6.3)%	0.0%	0.0%
Persistency (20%)	Target range between 7.4% and 6.1%	7.3%	31.0%	6.1%
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. In addition, the Committee must consider whether the TSR performance is reflective of the underlying financial performance of the Company	32nd percentile	0.0%	0.0%
Total				**41.1%**

The above targets were all measured over the period of three financial years 1 January 2021 to 31 December 2023.

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 2021 LTIP (736.2 pence) compared to the grant price of the 2020 LTIP (620.54 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 Phoenix Group's share price as at 29 February 2024 (496.35 pence) and is satisfied that no windfall gains have occurred and that no adjustment is required on vesting.

Share-based awards

LTIP targets

The performance conditions for the 2021, 2022 and 2023 awards are set out below.

Performance measure[1]	2021 award 35% Net Operating Cash Receipts 25% Return on Shareholder Value 20% Relative TSR 20% Persistency	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
Net Operating Cash Receipts	Target range of £4.330bn to £4.780bn	Target range of £3.800bn to £4.100bn	Target range of £3.556bn to £4.006bn
Return on Shareholder Value	Between 2% CAGR and 4% CAGR	Between 3% CAGR and 5% CAGR	n/a
Group In-Force Long-Term Free Cash	n/a	n/a	Target range between £14.7bn and £15.4bn
Persistency	Target range between 7.4% and 6.1%	Target range between 7.6% and 6.2%	Target range between 7.10% and 6.08%
Decarbonisation – Investment Portfolio	n/a	Net zero strategy applied between target range of 75% and 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%–90% of in-scope assets and 25% reduction in carbon intensity (provided in the best interests of customers)
Decarbonisation – Operations	n/a	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	Target range of 75% to 85% reduction pre-offset, plus net zero post offset
Relative TSR[2] 25% of this part vests at threshold performance rising on a pro rata basis until 100% vests	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

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 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 2022 and 2023 reflecting our business model shifting from being a closed life consolidator to an organic growth business. The 2024 LTIP cash targets disclosed on page 127 have again been set with reference to the Group's business plan and are higher than in 2023.

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 2023, 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 2023	No. of shares granted in 2023	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 2023	Vesting date[4]
Andy Briggs									
LTIP	13 Mar 2020	620.5p	354,529	–	80,777	–	(242,466)	192,840	13 Mar 2023
LTIP	12 Mar 2021	736.2p	298,831	–	–	–	–	298,831	12 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
			1,004,493	**402,712**	**80,777**	**–**	**(242,466)**	**1,245,516**	
Rakesh Thakrar									
LTIP	11 Mar 2019	700.4p	39,259	–	8,530	–	(10,323)	37,466	11 Mar 2022
LTIP	13 Mar 2020	620.5p	135,365	–	30,840	–	(92,577)	73,628	13 Mar 2023
LTIP	12 Mar 2021	736.2p	116,816	–	–	–	–	116,816	12 Mar 2024
LTIP	18 Mar 2022	635.9p	152,530	–	–	–	–	152,530	18 Mar 2025
LTIP	17 Mar 2023	576.6p	–	174,935	–	–	–	174,935	17 Mar 2026
			443,970	**174,935**	**39,370**	**–**	**(102,900)**	**555,375**	

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 (post-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 Whilst both Andy Briggs and Rakesh Thakrar had LTIP awards which have vested, they cannot be exercised due to the additional two-year holding requirement resulting in an overall gain of £nil in 2023 (2022: £645,224).
3 The 2020 LTIP award vested at 44.3% of maximum. The 2019 LTIP award vested at 78.4% of maximum.
4 LTIP awards granted on 12 March 2021 will vest after the 2023 Full year results are announced. LTIP awards made to all members of the Executive Committee are subject to a three-year performance period and a two-year holding period.

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 2023	No. of shares granted in 2023	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 2023	Vesting date
Andy Briggs									
DBSS	12 Mar 2021	736.2p	67,269		–	–	–	67,269	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
			140,879	**91,285**	**–**	**–**	**–**	**232,164**	
Rakesh Thakrar									
DBSS	13 Mar 2020	620.5p	15,262	–	3,476	(18,738)	–	–	13 Mar 2023
DBSS	12 Mar 2021	736.2p	27,381	–	–	–	–	27,381	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
			81,852	**52,071**	**3,476**	**(18,738)**	**–**	**118,661**	

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 Gains of Directors (Rakesh Thakrar only) from share options exercised and vesting shares under the DBSS in 2023 was £102,537.03 (2022: £91,800.33) arising from an award exercised on 27 March 2023 at a share price of 547.2 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]	Vesting date	Performance measures[1]
Andy Briggs	17 Mar 2023	LTIP	Nil Cost Option	275% of salary	£2,322,320	25%	17 Mar 2026	See page 122
Andy Briggs	17 Mar 2023	DBSS	Nil Cost Option	50% of AIP	£526,416	–	17 Mar 2026	None
Rakesh Thakrar	17 Mar 2023	LTIP	Nil Cost Option	200% of salary	£1,008,800	25%	17 Mar 2026	See page 122
Rakesh Thakrar	17 Mar 2023	DBSS	Nil Cost Option	50% of AIP	£300,281	–	17 Mar 2026	None

1 The DBSS awards have no threshold performance level.

The face value represents the maximum vesting of awards granted (but before any credit for dividends over the period to vesting) and is calculated using a share price of the average of the closing middle market prices of Phoenix shares for the three dealing days preceding the award date (2023 LTIP and DBSS award share price was 576.6 pence).

ShareSave – Audited information

Name	As at 1 Jan 2023	Options granted	Options exercised	Options lapsed	As at 31 Dec 2023	Exercise price	Exercisable from	Date of expiry
Andy Briggs	3,056	–	–	–	3,056	£5.89	01 Jun 2024	01 Dec 2024
Rakesh Thakrar	1,768	–	–	1,768	–	£5.09	–	–
Rakesh Thakrar	2,546	–	–	2,546	–	£5.89	–	–
Rakesh Thakrar	–	8,359	–	–	8,359	£3.78	01 Dec 2028	01 Jun 2029

ShareSave options are granted at a 20% discounted option price, calculated using the three-day average share price immediately before the invitation date.

Rakesh Thakrar closed his 2021 and 2022 ShareSave plans and elected to save the maximum amount into ShareSave 2023 for an increased five-year term. There was nil gain in 2023. (2022: £1,963).

Aggregate gains of Directors from share options exercised under all share plans in 2023 was £102,537 (2022: £738,988). This figure relates to Rakesh Thakrar's 2020 DBSS share option exercise.

During the year ended 31 December 2023, the highest mid-market price of the Company's shares was 647.0 pence and the lowest mid-market price was 441.6 pence. At 31 December 2023, the Company's share price was 535.2 pence (29 December 2023 price).

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 2023 or date of appointment if later[1]	Share interests as at 31 December 2023 or retirement if earlier	Total share plan interests as at 31 December 2023 – Subject to performance measures	Total share plan interests as at 31 December 2023 – Not subject to performance measures	Total share plan interests as at 31 December 2023 – Vested but unexercised scheme interest
Andy Briggs	358,839	380,274	1,052,676	232,164	192,840
Rakesh Thakrar	115,441	130,556	444,281	118,661	111,094

1 Share interests values have reduced due to SIP matching shares being included previously.

The Directors' share interests of the following Directors have increased between 31 December 2023 and 21 March 2024 (being the latest practicable date prior to the release of this Annual Report). Andy Briggs and Rakesh Thakrar acquired an additional 89 shares each following purchases under the Group's Share Incentive Plan. There were no other changes between these dates.

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 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 2023 (using the share price of 535.2 pence as at 29 December 2023) is summarised below. Unvested share awards no longer subject to performance conditions (discounted for tax liabilities) are included within the SOGs.

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 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 2023 (using the share price of 535.2 pence as at 29 December 2023) is summarised below. Unvested share awards no longer subject to performance conditions (discounted for tax liabilities) are included within the SOGs. In addition to the unvested share awards and shares previously acquired, during 2023, Andy Brigs and his connected persons purchased 20,964 shares privately and a total of 471 shares were purchased and/or awarded under the Phoenix Group UK SIP (partnership and dividend shares). During 2023, Rakesh Thakrar purchased 3,566 shares privately, received an additional 737 dividend shares based on his ISA holdings, retained 9,860 net shares following his 2020 DBSS exercise and a total of 952 shares were purchased and/or awarded under Phoenix Group UK SIP (partnership and dividend shares).

The extent to which the Executive Directors have achieved their SOG percentage is shown below:

Name	SOG (minimum % of salary)	Value of shares held at 31 December 2023 (% of salary)
Andy Briggs	350%	384%
Rakesh Thakrar	300%	268%

The post-cessation shareholding requirement is monitored and enforced by direct liaison and confirmation with the 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 Phoenix 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 2023 or date of appointment if later	Share interests as at 31 December 2023 or retirement if earlier
Nicholas Lyons	65,990	105,990
Alastair Barbour	9,716	17,966
Karen Green	–	–
Stephanie Bruce	–	11,054
Eleanor Bucks	–	–
Hiroyuki Iioka	–	–
Mark Gregory	–	–
Katie Murray	4,600	9,780
John Pollock	14,666	14,666
Belinda Richards	–	–
David Scott	–	–
Maggie Semple	–	–
Nicholas Shott	69,473	182,146
Kory Sorenson	45,000	45,000

Directors' Remuneration report continued

Implementation of Remuneration policy in 2024 – Non-auditable

A summary of the packages of the Executive Directors is set out in the table below.

	Andy Briggs	Rakesh Thakrar
Salary	£844,480, no change to 2023.	£504,400, no change to 2023.
Benefits	Benefits in line with the rest of the workforce including legacy car allowance of £10,000 and Private Medical Insurance cover for self only. 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 (reduced for the impact of employers' NIC if taken as a cash payment), aligned to our wider workforce.	
Annual bonus	200% of base salary at maximum. Details of the 2024 AIP are set out below.	
LTIP	275% of base salary.	200% of base salary.
	Details of the 2024 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 114 the metrics for the 2024 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 2024 are:
- Corporate (financial and customer) performance measures – 80%; no change from 2023.
- Strategic Scorecard (strategic Company priorities) – 20%; no change from 2023.

The weightings of the AIP performance measures for 2024 are summarised below:

Performance measure Corporate measure	% of incentive potential
Total Cash Generation	16% (20% of Corporate element)
New Business Contribution	16% (20% of Corporate element)
Cost Savings	16% (20% of Corporate element)
Group Net Flows	12% (15% of Corporate element)
Customer Experience	20% (25% of Corporate element)
Strategic Scorecard	20%
Total	**100%**

Whilst the performance measures for the 2024 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 2024's AIP retrospectively in next year's Remuneration report on a similar basis to the disclosures made above in respect of 2023's AIP.

Outcomes from performance measures for 2024'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 2024 AIP outcomes are confirmed. The targets for the specific performance measures for the AIP in 2024 are regarded as commercially sensitive by the Group but will be disclosed retrospectively in the Remuneration report for 2024.

50% of AIP outcomes for 2024 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 2024 (in respect of 2023's AIP outcome) will be made automatically on the fourth dealing day following the announcement of the Group's 2023 annual results in accordance with the Remuneration policy.

The number of shares for DBSS awards will be calculated using the average share price for the three dealing days before the grant of the DBSS awards. The three-year deferral period will run to the three-year anniversary of the making of the DBSS awards. Dividend entitlements for the shares subject to DBSS awards will accrue over the three-year deferral period.

Long Term Incentive Plan ('LTIP')

Awards under the LTIP will be made automatically on the fourth dealing day following the announcement of the Group's Full or Half year results under a procedure similar to that described above for awards under the DBSS.

The number of shares for LTIP awards will be calculated using the average share price for the three dealing days before the grant of the LTIP awards. The initial three-year vesting period will run to the three-year anniversary of the granting of the LTIP awards. At this time, the performance conditions will be determined.

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 from the third anniversary of the original award date. 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 Phoenix Group's strategic priorities, are appropriately challenging, support the Company's culture and values, and create value for stakeholders. For the 2024 LTIP, the Long-Term Free Cash metric will be replaced by a Return on Capital metric to provide a measure of the efficiency of the Company's use of capital. The Persistency metric in the previous year's LTIP will be replaced by a Cumulative Net Flows metric, which demonstrates our commitment to incentivising growth in new business and retention of existing business. Following a significant reduction in emissions from operations, the Decarbonisation from Operations metric (10% weighting) will be replaced by a Diversity, Equity & Inclusion metric measuring ethnicity representation amongst our senior leadership population.

The targets are measured over a period of three financial years, commencing with financial year 2024. As detailed in the Committee Chair's covering letter on page 114 the 2024 LTIP measures have changed. Measures, weightings and targets are shown below:

Performance measure and weighting	Threshold target	Full vesting target
Net Operating Cash Receipts (20%)	£3,848m	£4,298m
Return on Capital (20%)	12.6%	14.7%
Cumulative Net Flows (20%)	£(7.1)bn	£3.8bn
Decarbonisation – Investment Portfolio[1] (10%)	29% carbon intensity reduction of equity and credit portfolio and 87.5% of assets to have an agreed decarbonisation approach taken through governance[2]	35% carbon intensity reduction of equity and credit portfolio and 100% of assets to have an agreed decarbonisation approach taken through governance[2]
Diversity and Inclusion – Senior Leadership Black, Asian and Ethnic Minority Representation[3] (10%)	>12.0%	>14.0%
Relative TSR (20%) 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 (20%)	50th percentile	80th percentile

1 For the investment portfolio that is within control and influence.
2 Includes where the approved strategy can be to take no further action.
3 The current Race and Ethnicity % senior leadership figure is based on c. 68% workforce coverage/respondents at the time the targets were set. A new data capture exercise is underway and as part of this the starting point will be assessed in H2 and any impact on target considered.

As described on page 123, the 2024 LTIP cash targets are higher than in 2023. 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 2024 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.

For the Group CEO, 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.

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.

With regard to the 2024 LTIP grants to be made in March, the Committee will review the outcome at the point of vesting in 2027 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 Plans 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 SIP and International Purchase Plan.

All incentive plans are subject to malus/clawback. See 'Notes to the Remuneration policy table' on pages 122 to 125 of the 2022 Annual Report for details.

Directors' Remuneration report continued

Non-executive fees – Audited information

The emoluments of the Non-Executive Directors for 2023 based on the current disclosure requirements were as follows:

	Directors' salaries/fees		Benefits[1]		Total	
Name	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Non-Executive Chair						
Nicholas Lyons[2]	**38**	307	**–**	8	**38**	315
Alastair Barbour[3]	**430**	307	**30**	21	**460**	276
Non-Executive Directors						
Karen Green	**173**	159	**2**	3	**175**	162
Stephanie Bruce[4]	**–**	–	**–**	–	**–**	–
Eleanor Bucks[5]	**7**	–	**–**	–	**7**	–
Mark Gregory[6]	**86**	–	**3**	–	**89**	–
Hiroyuki Iioka[7]	**–**	–	**–**	–	**–**	–
Katie Murray	**107**	74	**2**	2	**109**	76
John Pollock	**146**	141	**4**	3	**150**	144
Belinda Richards	**126**	116	**2**	2	**128**	118
David Scott[8]	**–**	–	**–**	–	**–**	–
Maggie Semple	**128**	63	**3**	1	**131**	64
Nicholas Shott[9]	**159**	139	**2**	2	**161**	141
Kory Sorenson[10]	**71**	141	**–**	1	**71**	142
Total[11]	**1,471**	1,395	**48**	43	**1,519**	1,438

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 Phoenix Group Holdings plc 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 Nicholas Lyons stepped down from the Board on 1 September 2022 and commenced his sabbatical. He returned as Chair of the Group Board on 1 December 2023.
3 Alastair Barbour became Chair of the Group Board on 1 September 2022 and stepped down from the position of Chair of the Group Board and the Nomination Committee on 30 November 2023. Alastair Barbour then retired from the Board on 31 December 2023.
4 Stephanie Bruce retired from the Board on 11 May 2023 and waived all emoluments with regard to her Directors' fees.
5 Eleanor Bucks was appointed as a Director on 1 December 2023.
6 Mark Gregory was appointed as a Director on 1 April 2023 and became a member of the Risk Committee on 1 April 2023.
7 Hiroyuki Iioka has waived all current and future emoluments with regard to his Directors' fees.
8 David Scott was appointed as a Director on 11 May 2023 and has waived all current and future emoluments with regard to his Directors' fees.
9 Nicholas Shott became Chair of the Remuneration Committee on 4 May 2023.
10 Kory Sorenson retired from the Board on 30 June 2023.
11 The increase in fees for Non-Executive Directors of the Company reflect the increase in base fee from 2022 to 2023 and fees in relation to chairing a committee as well as 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 £5.963 million (2022: £6.181 million).

Implementation of Remuneration policy in 2024 – Non-auditable

A summary of the annual base fees of the Non-Executive Directors are set out below.

	Fee from 1 April 2023 £000	Fee from 1 April 2024 £000
Chair of the Group Board	460	460
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

On 1 April 2023 the base fee for Non-Executive Directors increased by 4%, lower than that of the wider workforce. Consistent with the approach for executive directors, there will be no increases to Non-Executive Directors' base fees in 2024.

The Chair's fee was last reviewed in August 2021 with the next review due to take place in August 2024. For simplicity, it has been decided not to proceed with the review in 2024 and instead to consider the Chair's fee at the same time as the annual review of Non-Executive Director fees from 2025, which is normally in quarter one.

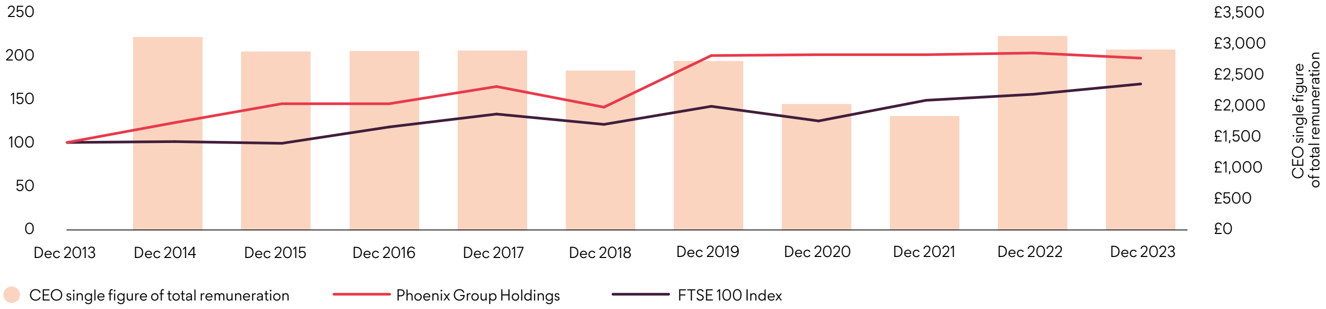
Performance graph and table

The graph below shows the value to 31 December 2023 on a TSR basis, of £100 invested in Phoenix Group Holdings plc on 31 December 2013 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 2013.



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')
2023	Andy Briggs	2,901	73%	41.1%
2022	Andy Briggs	3,112	87%	44.3%
2021	Andy Briggs	1,831	78%	n/a[1]
2020	Andy Briggs[2]	1,706	83%	0.0%[3]
	Clive Bannister[2,4]	321	81%	n/a[5]
2019	Clive Bannister	2,715[6]	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%
2014	Clive Bannister	3,104	68%	57.0%[7]

1 Andy Briggs was not in receipt of a 2019 LTIP due to the timing of his appointment.
2 Clive Bannister left the role of Group CEO on 10 March 2020 and left Phoenix 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.
3 See footnote 11 on page 130 of the 2020 Annual Report and Accounts for details of Andy Briggs's LTIP vesting.
4 Clive Bannister's 2020 single figure of total remuneration does not include compensation for loss of office.
5 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 of the Company 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.
6 The single figure of total remuneration for 2019 has been restated and now reflects the actual price of shares on the day the 2017 LTIP vested (24 March 2020, 557.4 pence per share) rather than the three-month average share price to 31 December 2019 (717.09 pence per share) which was required to be used last year for the single figure of total remuneration.
7 The long-term incentive vesting rate is shown as 57%. The group CEO decided to voluntarily waive any entitlement in excess of two-thirds of the shares which would otherwise have vested.

CEO pay ratio

The table below details the CEO pay ratio for the year ended 31 December 2023, 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 2023 (as detailed on page 119). For the 2023 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 2023 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	2023	Option A	836,360	26,640	40,453	61,858
Total remuneration (single figure)			2,901,513	33,217	53,493	85,926
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 reduction in ratio for 2023 reflects the lower level of total compensation for the CEO compared to 2022 due in part to the lower AIP outturn and LTIP vesting figures. Additionally, salary and total compensation levels at the relevant data points have increased reflecting our changed demographic as result of the Group-wide organisational review and capability uplift to deliver on our future strategy, in particular in our growth centres. The figures are also impacted by a number of lower earners transferring out of the Group as part of our ongoing outsource strategy.

Colleagues are also eligible to participate in our all-employee share plans, which were not included in the values in the employee single figure. Nearly half of all employees participate in Phoenix Group's growth and success through either the ShareSave Scheme, the Share Incentive Plan or the International Purchase Plan.

Phoenix Group is 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 Phoenix 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 2022 to 2023

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 2022 and 2023 and the equivalent percentage changes in the average of all staff employed by Phoenix 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 Phoenix 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	**2023**	2022	2021	2020	**2023**	2022	2021	2020	**2023**	2022	2021	2020
Executive Directors[1]												
Andy Briggs[2]	**3.4**	1.1	0.0	–	**(0.96)**	2.6	3.3	–	**16.6%**	12.4	(5.5)	–
Rakesh Thakrar[2]	**6.0**	10.2	2.3	–	**(15.8)**	20.7	3.3	–	**14.8%**	20.4	(3.3)	–
Chair												
Nicholas Lyons	**(87.5)**	(17.1)	13.8	0.0	**(100)**	897.6	0.0	(100)	**n/a**	n/a	n/a	n/a
Alastair Barbour[6]	**68.8**	58.4	11.0	0.0	**41.7**	109.1	66.6	(60)	**n/a**	n/a	n/a	n/a
Non-Executive Directors[3]												
Karen Green	**8.9**	12.8	12.8	6.8	**(26.2)**	362.9	0.0	(100)	**n/a**	n/a	n/a	n/a
Stephanie Bruce[6]	**0.0**	n/a[4]	–	–	**0.0**	n/a[4]	–	–	**n/a**	n/a	n/a	n/a
Eleanor Bucks[5]	**n/a[4]**	–	–	–	**n/a[4]**	–	–	–	**n/a**	n/a	n/a	n/a
Mark Gregory[5]	**n/a[4]**	–	–	–	**n/a[4]**	–	–	–	**n/a**	n/a	n/a	n/a
Hiroyuki Iioka	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**n/a**	n/a	n/a	n/a
Katie Murray	**45.4**	0.0	–	–	**(3.3)**	0.0	–	–	**n/a**	n/a	n/a	n/a
John Pollock	**3.4**	0.0	4.4	0.7	**56.0**	0.0	0.0	(100)	**n/a**	n/a	n/a	n/a
Belinda Richards	**8.4**	4.5	5.7	0.0	**(10.7)**	0.0	0.0	(100)	**n/a**	n/a	n/a	n/a
David Scott[5]	**n/a[4]**	–	–	–	**n/a[4]**	–	–	–	**n/a**	n/a	n/a	n/a
Maggie Semple	**102.8**	0.0	–	–	**106.4**	0.0	–	–	**n/a**	n/a	n/a	n/a
Nicholas Shott	**14.5**	7.7	22.8	0.0	**42.8**	208.3	(100)	(80)	**n/a**	n/a	n/a	n/a
Kory Sorenson[6]	**0.0**	0.0	12.8	0.0	**0.0**	0.0	0.0	(100)	**n/a**	n/a	n/a	n/a
Wider employee population	**8.9**	**4.4**	**4.7**	3.9	**(55.3)**	**57.2**	**1.4**	7.4	**11.5**	**27.6**	9.1	n/a

1 The Taxable Benefits figures used for Andy Briggs and Rakesh Thakrar includes ongoing taxable benefits only.
2 The Taxable Benefits figures reflect a change in approach to reporting from 2022 whereby the benefits under the ShareSave and Share Incentive Plan (previously included within the LTIP figure within the Single Figure Table) are now included within Taxable Benefits instead.
3 The increase in fees for Non-Executive Directors of the company reflects the increases in base fees from 2022 to 2023 and fees in relation to chairing a committee and membership of a committee as well as changes to the membership of a committee. See page 128 for further details on fees and taxable benefits for Non-Executive Directors. Non-Executive Directors do not participate in the AIP.
4 No taxable benefit received in the prior year and therefore not possible to calculate a percentage change.
5 Eleanor Bucks, Mark Gregory and David Scott, are newly appointed Directors and therefore it is not possible to calculate a percentage change.
6 Whilst Alistair Barbour, Kory Sorenson and Stephanie Bruce resigned from the Board in 2023, their details have been included as they were active members during the year.

For both Executive Directors the figures shown above reflect the change in the total salary figures as disclosed in the Single Figure Table for the years 2022 and 2023. As the disclosures reflect salary earned during 2023 compared to salary earned during 2022 the figures shown above do not therefore equate to 4%. The agreed increase of 4% of salary was applied to the salaries of both Executive Directors in April 2023.

The reduction in taxable benefits figure reflects a lower premium for private medical cover in 2023 (whilst retaining the same level of cover). The reduction for Rakesh also reflects that the 2022 figure included a gain under his ShareSave Scheme; there was no such gain in 2023.

The change in Annual Incentive for both Executive Directors reflects the increase in maximum potential incentive for the 2023 performance year from 150% to 200% of salary.

With regard to the figures for the wider employee population:

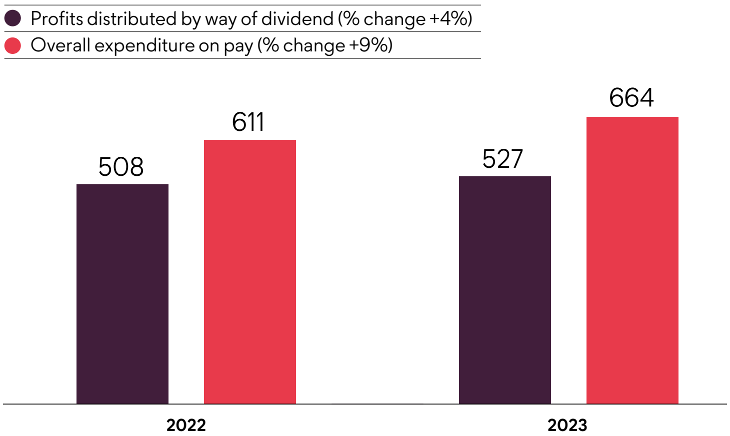
- The pay review in April 2023 was operated using a consistent approach with a pay budget of 6%. As in 2022, the pay budget was focused on colleagues at lower grades ensuring a higher increase for this population compared to more senior colleagues. Additional salary increases were awarded throughout the year, where appropriate, to ensure consistency, internal relativities, and to retain talent. A separate exercise was also undertaken to review all senior management compensation to ensure market alignment. As part of this review, car allowance was removed and an appropriate sum in lieu of this was added to base salary. The changes made as a result of this exercise have impacted the figure shown above.
- The change to the taxable benefits figure compared to 2022 is largely as a result of: (i) a reduction in the PMI premium for 2023; (ii) the removal of car allowance where appropriate; and (iii) the post-pandemic £1,000 payment to all colleagues below senior management and the working from home allowance were not continued beyond 2022. As in previous years, ShareSave and Share Incentive Plan values are not included in the wider employee population figures.
- The increase in annual incentive payments compared to 2022 relates primarily to the fact that bonuses are salary linked. Over 2023 base salaries increased on average by 8.9% driven by the high inflation environment in the UK over this period and other factors described under both the pay review paragraph above and the CEO Ratio on page 130.

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)



Profit distributed by way of dividend has been taken as the dividend paid and proposed in respect of the relevant financial year. For 2023 this is the Interim dividend paid (£260 million) and the recommended Final dividend of 26.65 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 9% in the period reflecting the impact of the continued planned expansion of key areas in the Pensions and Savings and Retirement Solutions business, the acquisition of the Sun Life of Canada UK business, as well as the impact of a 6% pay increase to the wider workforce and the resulting higher share scheme costs. These increases have been partly offset by the impact from the Group's Transition and Transformation programme which has reduced headcount within the customer teams in 2023.

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. Phoenix provides 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, 12 times 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 Mastertrust 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 employer's 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 are considered for a long-term incentive award in the form of Phoenix 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.
SOGs	Shareholding requirements ensure greater alignment with interests of shareholders. • 350% of salary for Group CEO • 300% of salary for Group CFO • 150% of salary for ExCo members	No SOGs required.	Not applicable.

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.

Directors' Remuneration report continued

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 and to support colleague we have extended our Private Medical Insurance for all colleagues to include the addition of IVF treatment and neurodiversity support.

In 2023 we completed a holistic review of our reward framework to ensure it is appropriate for a business of our size, scale and potential. This work included externally benchmarking all roles and career levels to ensure alignment with the external market. A thorough process of validation and independent review was undertaken to ensure all colleagues are treated fairly. A number of changes to our grade structure were introduced to help accurately define and reward the contribution every role makes. In response to colleague feedback, we also published a refreshed and Group-wide set of pay ranges for 2024, rigorously benchmarked using external pay data and designed to give greater transparency and confidence on pay at Phoenix Group. To conclude this extensive remuneration review, we have committed that any colleague below the minimum of their pay range will have their fixed pay increased to that minimum level, as a priority, in the 2024 fixed pay review. We are 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, has joined the Remuneration Committee in 2024 and will provide additional input to the Committee on the views of the wider workforce. Further details of Maggie Semple's engagement with the workforce throughout 2023 are shown on pages 108 to 110 of the Corporate governance report.

Payments for loss of office – Audited information

No payments were made to Directors in 2023 for loss of office.

Payments to past directors – Audited information

No payments were made to past Directors in 2023.

Directors' service contracts

The dates of contracts and letters of appointment and the respective notice periods for Directors are as follows:

Executive Directors' service contracts

Name	Date of service contract	Notice period from either party (months)
Andy Briggs	07 November 2019	12
Rakesh Thakrar	06 March 2020	12

Subject to Board approval, Executive Directors are permitted to accept outside appointments on external boards as long as these are not deemed to interfere with the business of the Group. They are also entitled to retain any external fees.

Andy Briggs is a board member of the Association of British Insurers and is the UK Government's Business Champion for Older Workers. He received no payment for either appointment.

Rakesh Thakrar is a Non-Executive Director, Chair of the Board Audit Committee and a member of the Risk Committee of Bupa Insurance Limited and Bupa Insurance Services Limited for which he received payment of £76,959 in 2023 on a pro-rated basis. He remains as a Director of Mythili Magha for which no payments are received.

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)
Nicholas Lyons	8 November 2023	1 December 2026	6
Karen Green	12 May 2023	30 June 2026	1
Eleanor Bucks	23 November 2023	1 December 2026	1
Mark Gregory	9 March 2023	31 March 2026	1
Hiroyuki Iioka	24 July 2023	23 July 2026	1
Katie Murray	1 April 2022	1 April 2025	1
John Pollock	31 October 2022	30 August 2025	1
Belinda Richards	1 October 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	30 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 14 May 2024.

The tables above have been included to comply with UKLA Listing Rule 9.8.8. 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

The Group monitors the number of shares issued under the Group's employee share plans and their impact on dilution limits. The Group's current practice is for all the executive share plans to use market purchase shares which are held in the Employee Benefit Trust (the Trust) on exercise of any awards. There is a dividend waiver in place for all shares held in the Trust. For the Group's all-employee ShareSave Scheme only, new shares are issued. Therefore the usage of shares compared to the 10% dilution limits (in any rolling ten-year period) set by the Investment Association in respect of all share plans as at 31 December 2023 is 1.39% and no shares count towards the dilution limit for executive plans only (5% in any rolling ten-year period).

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, sustainability and transaction support 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 2023 were £142,844 which included continued support for the renewal of the Remuneration policy. 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, Group HR Director, 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 Chief Risk Officer (without Management present) on a regular basis. The 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 2022 and the Directors' Remuneration policy at the 2023 AGM held on 4 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 (2023 AGM)	767,333,037	99.20	6,157,257	0.80	152,575
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
Remuneration Committee Chair

Approved by the Board on 21 March 2024

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 chart on page 118 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.

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

Directors' Remuneration report continued

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.

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).[1]	• Consistent with normal practice, such awards are not subject to performance conditions.

1 Updated from two matching shares to correct a typographical error.

Directors' Remuneration report continued

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 2023. Phoenix Group Holdings plc is incorporated in England and Wales (registered no. 11606773) and has a premium listing on the London Stock Exchange.

Shareholders

Dividends	
Dividends for the year ended 31 December 2023	Dividends for the year are as follows: **Ordinary shares** Paid Interim dividend: 26.0p per share (2022: 24.8p per share) Recommended Final dividend: 26.65p per share (2022: 26.0p per share) Total ordinary dividend: 52.65p per share (2022: 50.8p 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 1,185,942 shares during 2023 which related to shares issued under the Company's ShareSave Scheme. At 31 December 2023, the issued ordinary share capital totalled 1,001,538,419. Subsequently, 9,467 ordinary shares have been issued in 2024 in connection with the Company's ShareSave Scheme to bring the total in issue to 1,001,547,886 at the date of this Directors' report. Full details of the issued and fully paid share capital as at 31 December 2023 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 2023 AGM, shareholders approved the renewal of the Company's authority to make purchases of up to 100,045,720 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 2023. The authority will expire at the 2024 AGM. A resolution to renew this authority shall be proposed in the 2024 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 discretion, 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 2023, 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 2023 and 21 March 2024.

Name	Number of voting rights in shares	Percentage of shares in issue
MS&AD Insurance Group Holdings Inc.	144,877,304	14.48%
abrdn plc	107,025,201	10.70%
BlackRock, Inc.	51,251,518	5.12%
Kingdom Holding Company	50,051,192	5.00%

Directors' report continued

Shareholders continued

AGM	
2024 AGM	The AGM of the Company will be held at Floor 22, Freshfields Bruckhaus Deringer LLP, 100 Bishopsgate, London, EC2P 2SR on 14 May 2024 at 10am. 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 2023 is given within the Corporate governance report on pages 64 to 67, which is incorporated by reference into this Directors' report. During 2023, and up to the date of this Directors' report, the following changes to the Board took place: • Mark Gregory was appointed as a Director on 1 April 2023. • Stephanie Bruce, abrdn plc Shareholder Nominated Director, retired as a Director on 11 May 2023. • David Scott, abrdn plc Shareholder Nominated Director, was appointed as a Director on 11 May 2023. • Kory Sorenson retired as a Director on 30 June 2023. • Nicholas Lyons returned from his sabbatical as Chair of the Group Board on 1 December 2023. • Alastair Barbour stepped down as Chair of the Group Board on 30 November 2023 and retired as a Director on 31 December 2023. • Eleanor Bucks was appointed as a Director on 1 December 2023.
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 2018 Code, Directors must stand for election/re-election annually. The Board of Directors will be unanimously recommending that all of the Directors should be put forward for election/re-election at the forthcoming AGM to be held on 14 May 2024. 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 111 to 140 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 70 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.

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 2025, which demonstrate the ability of Phoenix Group to withstand market shocks in a range of severe but plausible stress scenarios.

Rakesh Thakrar, 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, including sensitivities for both, 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 50 to 57. 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 20 to 23) 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 2025, 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 58 and 59, but they include a recessionary economic stress that reflects a further increase in inflation, additional credit downgrades and falling equity and property values. 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 £1.75 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 2025, 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 2023.

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 58 and 59.

Corporate governance statement

The disclosures required by section 7.2 of the FCA's Disclosure Guidance and Transparency Rules can be found in the Corporate governance report on pages 60 to 147 which is incorporated by reference into this Directors' report and comprises the Company's Corporate governance statement.

The 2018 Code applies to the Company and details on the Company's compliance with the Code are included in the Corporate governance report on page 68. 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 will become effective 1 January 2025 and 1 January 2026 for Provision 29. 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 2023 are highlighted in the 'Our strategic priorities' section of the Strategic report.	• See pages 24 to 29 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 28, 29 and 63. • See the Sustainability Report on the Company's website.

Directors' report continued

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 employees during the year can be found in the Stakeholder engagement section of the Strategic report and 'Engagement in action' section of the Corporate governance report. In addition, details of how the Board has considered the interests of employees in key decision-making can be found in the Section 172 statement included in the Strategic report and the Corporate governance report. Information about how the Board has engaged with the workforce can also be found in 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 page 11 of the Strategic report and pages 108 to 110 of the Corporate governance report (for colleague engagement) and pages 74 to 77 (for Section 172 statement).
Our business relationships	Details of how the Company has engaged with its customers, suppliers and others can be found in the Stakeholder Engagement section of the Strategic report. In addition, details of how the Board has considered the need to foster the Company's business relationships with suppliers, customers and others can be found in the Section 172 statement included in the Strategic report on page 11 and Corporate governance report on pages 74 to 77.	• See pages 74 to 77 (for Section 172 statement).
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 42 and 43 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 LR 9.8.6R, climate-related financial disclosures consistent with the TCFD Recommendations and Recommended Disclosures are contained in the Climate Report, a summary of which has been included in the Strategic report on pages 44 and 45 due to their strategic importance. During 2023, significant progress has been made in further embedding the recommendations of the TCFD and aligned with the expectations of the PRA's Supervisory Statement 3/19. In light of this progress, the recognised strategic importance of climate risks and opportunities and the increasing need for transparent climate reporting, Phoenix Group has published a standalone Climate Report which is available on the Company's website.	
Board diversity – gender and ethnicity	In accordance with LR 9.8.6R, 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 85. Data was collated through the standard process for preparing Phoenix Group's annual submission to the Department for Business & Trade (formerly BEIS) in respect of the Parker Review: FTSE 350 Ethnic Diversity Data Submission and FTSE Women Leaders review, under applicable data protection laws.	

Governance continued

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 2023 to 31 December 2023, and the 2022 comparative year is contained in the Strategic report on pages 42 and 43.
Branches	The Company, through its subsidiaries, has established branches in Germany, Hong Kong and Ireland.
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 2023. 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 74 to 77; and our Sustainability and Climate Reports, which include 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 Companies Act 2006. During the year ended 31 December 2023, Phoenix Group exhibited at, sponsored, and held events at, conferences organised by political parties, spending a total of £63,982.40. This included sponsorship of events at the Labour Party Annual Conference (£24,000), Conservative Party Annual Conference (£29,396.40) and Scottish National Party Annual Conference (£9,936). The Company also contributed £650 to a pensioners fair run the Member of Parliament for the Wythall region, in which the Group has an office. 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 NGOs and other listed and non-listed companies. These payments do not indicate support for any political party. At the 2024 AGM, Phoenix Group will be seeking renewal from shareholders of the existing authority approved at the 2023 AGM. More details are contained in the Notice of Meeting which can be found on the Company's website at www.thephoenixgroup.com.
Articles of Association	Changes to the Articles require prior shareholder approval by special resolution. The Articles are available on the Company's website at www.thephoenixgroup.com/about-us/governance.
Re-appointment of the External Auditor	Following a full tender process in respect of external audit services that took place in 2021, the Audit Committee recommended to the Board that KPMG be appointed as the Company's Auditor, commencing with the financial period starting from 1 January 2024. As outgoing Auditor, EY will provide the Company with a Statement of Reasons, as required by the 2006 Act, which will be circulated to shareholders as a supplement to the Notice of Meeting ahead of the 2024 AGM on 14 May 2024. 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 EY during 2023 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 2018 Code, the Directors confirm that they have reviewed the Annual Report 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.

Contractual/Other

Significant agreements impacted by a change of control of the Company	The £1.75 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 vest and 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 Listing Rule 9.8.4R	For the purposes of Listing Rule 9.8.4CR, the information required to be disclosed by Listing Rule 9.8.4R, 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 of Phoenix Group Holdings plc

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

The Board has prepared a Strategic report which provides an overview of the development and performance of Phoenix Group's business for the year ended 31 December 2023, covers the future developments in the business of Phoenix Group and its consolidated subsidiaries and provides details of any important events affecting the Company and its subsidiaries after the year end. The Strategic report and the Directors' report together constitute the management report as required under DTR 4.1.8R.

Company law requires the Directors to prepare the consolidated and the Company financial statements for each financial year. Under that law the Directors have elected to prepare the consolidated and Company financial statements in accordance with UK-adopted International Accounting Standards ('IASs') in conformity with the requirements of the Companies Act 2006. 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 Phoenix Group and of the profit or loss of Phoenix Group and the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IASs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on Phoenix Group financial position and financial performance;
- in respect of Phoenix Group financial statements, state whether UK-adopted IASs have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent Company financial statements, state whether applicable UK accounting standards, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the consolidated and the Company financial statements on the Going concern basis unless it is inappropriate to presume that Phoenix Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain Phoenix Group's transactions and disclose with reasonable accuracy at any time the financial position of Phoenix Group, and enable them to ensure that the Company and the consolidated financial statements and the Directors' Remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of Phoenix Group and hence for taking reasonable steps for the prevention and detection of 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 comply 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors as at the date of this Directors' report, whose names and functions are listed in the Board of Directors section on pages 64 to 67, confirm that, to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with UK-adopted IASs give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and undertakings included in the consolidation taken as a whole;
- the Annual Report, including the Strategic report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for users (who have a reasonable knowledge of business and economic activities) to assess the Company's position, performance, business model and strategy.

The Strategic report and the Directors' report were approved by the Board of Directors on 20 March 2024.

By order of the Board

Andy Briggs
Group Chief
Executive Officer

Rakesh Thakrar
Group Chief
Financial Officer

21 March 2024

Financials

Additional information

Independent Auditor's Report to the members of Phoenix Group Holdings plc

Opinion

In our opinion:

- Phoenix Group Holdings plc's consolidated financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the consolidated 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 section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Phoenix Group Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise:

Group	Parent Company
Consolidated income statement for the year ended 31 December 2023	Statement of financial position as at December 2023
Statement of comprehensive income for the year ended 31 December 2023	Statement of changes in equity for the year ended 31 December 2023
Statement of consolidated financial position as at 31 December 2023	Statement of cash flows for the year ended 31 December 2023
Statement of consolidated changes in equity for the year ended 31 December 2023	Related notes 1 to 22 to the financial statements, including material accounting policy information
Statement of consolidated cash flows for the year ended 31 December 2023	
Related notes A1 to I7 to the consolidated financial statements (except for note I3 where it is marked as unaudited), including material accounting policy information	

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

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

Independence

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

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of management's going concern assessment process and obtaining management's assessment which covers the period to 31 March 2025;
- with support from our actuarial team, challenging the key actuarial assumptions used in management's three-year Annual Operating Plan ('AOP'), which forms the basis for management's going concern projections and determining that the models are appropriate to enable management to make an assessment on the going concern of the Group;
- assessing the accuracy of management's analysis by testing the inputs and the clerical accuracy of the models used;
- assessing management's consideration of how solvency and liquidity has been managed in response to the current economic environment and evaluated the liquidity and solvency position of the Group by reviewing base case liquidity and solvency projections;

- challenging the key assumptions underlying the mandatory obligations of the Group up to 31 March 2025, used in management's stress scenarios based on our understanding of the Group and the available external data, respectively;
- evaluating management's forecast analysis to understand how severe the downside scenarios would have to be to result in the elimination of solvency headroom;
- assessing management's considerations of operational risks, including those related to Outsourced Service Providers ('OSPs') and their impact on the going concern assessment;
- assessing the plausibility of available management actions to mitigate the impact of the key risks by considering the success of previous similar management actions and the robustness of the plans in the context of our understanding of the Group;
- checking that all mandatory debt and interest payments are forecast to be met under the base case and adverse stress scenarios and that the Group is able to meet target debt repayments throughout the going concern period;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the Group's ability to continue as a going concern. We also obtained management's assessment approved by the Board, minutes of meetings of the Board and its committees; and
- testing the appropriateness of the going concern disclosures by comparing the disclosures with management's assessment and considering their compliance with the relevant reporting requirements.

Based on management's assessment, we have observed that the Group continues to have surplus cash and solvency above its Solvency Coverage Ratio in a number of extreme downside scenarios and the Group continues to service customers and meet its commitments in the current environment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for the period to 31 March 2025.

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of the Group Function, Phoenix Life Limited (which includes Phoenix Life Assurance Limited and Standard Life Assurance Limited) and ReAssure Limited and audit procedures on specific balances for Other Companies (the 'reporting components'). Our scope is explained further on pages 151 to 152. • The components where we performed full or specific audit procedures accounted for 99% (2022: 99%) of the equity and 95% (2022: 98%) of the profit before tax of the Group.
Key audit matters	• Valuation of insurance contract liabilities, comprising the following risk areas: – actuarial assumptions; and – actuarial modelling. • Valuation of contractual service margin and its subsequent release. • Valuation of certain complex and illiquid financial investments. • Recoverability of intangible assets arising from the acquisition of ReAssure Limited, Standard Life Assurance Limited and other acquired entities. • Transition to IFRS 17 Insurance contracts, including the selection and application of accounting policies and financial statement and other disclosures. • Recoverability of the Parent Company's investments in Group undertakings.
Materiality	• Overall Group materiality of £93 million (2022: £83 million) which represents 2% of total equity attributable to owners of the Parent plus the contractual service margin ('CSM') net of tax ('adjusted Group equity') (2022: 2% of total equity attributable to owners of the Parent).

Independent auditor's report continued

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each company
.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the four reporting components of the Group. The Group reporting components consist of Phoenix Life Limited, ReAssure Limited, the Group Function and Other Companies.

The Phoenix Life Limited component includes Phoenix Life Limited ('PLL'), Phoenix Life Assurance Limited ('PLAL'), and Standard Life Assurance Limited ('SLAL'), which are the most significant insurance companies of the component. ReAssure Limited ('RAL') is the most significant company in the ReAssure component. The Group Function consists of Group entities that primarily hold external debt and the pension schemes of the Group as well as the consolidation adjustments. The Other Companies include the Phoenix Life and Standard Life service companies, ReAssure Life Limited, ReAssure UK Services Limited, ReAssure MidCo Limited, ERIP Limited Partnership, Standard Life International Designated Activity Company ('SLIDAC') and Sun Life Assurance Company of Canada UK Limited ('SLOC').

Three of the reporting components were audited by component teams as set out below:

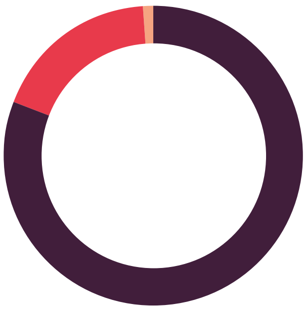
Component	Scope	Auditor
Phoenix Life Limited (includes Phoenix Life Limited, Phoenix Life Assurance Limited and Standard Life Assurance Limited)	Full (including specified procedures)	EY component team
ReAssure Limited	Full	EY component team
Group Function	Full	EY primary team
Other Companies	Specific (including specified procedures)	EY primary team and component teams

Of the four components selected, we performed an audit of the complete financial information of three components ('full scope components') which were selected based on their size or risk characteristics. For the remaining Other Companies component, we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. Additionally, the acquisition balance sheet in respect of SLOC was in the scope of the SLOC component team.

The reporting components where we performed audit procedures accounted for 99% (2022: 99%) of the adjusted Group equity and 95% (2022: 98%) of the Group's profit before tax. For the current year, the full scope components contributed 81% (2022: 98%) of the adjusted Group equity and 81% (2022: 94%) of the Group's profit before tax. The specific scope components, including the components with specified procedures contributed 18% (2022: 1%) of the adjusted Group equity and 14% (2022: 4%) of the Group's profit before tax. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

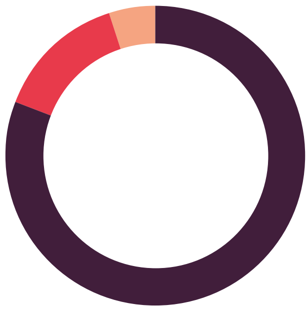
The charts below illustrate the coverage obtained from the work performed by our audit teams.

Equity



Full scope components	81%
Specific scope components	18%
Other procedures	1%

Profit before tax



Full scope components	81%
Specific scope components	14%
Other procedures	5%

Changes from the prior year

During the year the Group acquired SLOC which is now part of the specific scope of other companies. Furthermore, the EY primary team have audited all the IFRS 17 adjustments for the Group.

Involvement with component teams
In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction.

The primary audit team provided detailed audit instructions to the component teams which included guidance on areas of focus, including the relevant risks of material misstatement detailed above, and set out the information required to be reported to the primary audit team. For the Other Companies, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The primary audit team followed a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visited each of the full scope components. For all full scope components, in addition to the component visits, the primary audit team reviewed key working papers and participated in the component teams' planning, including the component teams' discussion of fraud and error. The primary audit team attended the closing meetings with the management of the Phoenix Life Limited and ReAssure Limited and the Audit Committee meetings at the components.

For the specific scope components, the primary audit team have reviewed the audit procedures performed by the component teams on the specific accounts, by reviewing relevant workpapers and holding meetings with the component teams as necessary. The work performed on the components, together with the additional procedures performed at the Group level, gave us appropriate evidence for our opinion on the consolidated financial statements as a whole.

Climate change
Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on its operations will be from financial assets and in insurance and investment contract liabilities. These are explained on pages 44 to 45 in the required Task Force On Climate Related Financial Disclosures, and on page 52 in the principal risks and uncertainties. All of these disclosures form part of the "Other information", rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in their Significant Accounting Policies how they have reflected the impact of climate change in their financial statements. Judgements and estimates relating to climate change are included in note A4.6. Our audit effort in considering climate change was focused on validating this assertion, through considering the potential effects of climate risks on liability and asset valuations and associated disclosures where values are determined through modelling future cash flows. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine whether any risks of material misstatement in the financial statements from climate change needed to be considered in our audit. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

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

Independent auditor's report continued

Risk area

Valuation of insurance contract liabilities (£115.8bn; 2022: £107.6bn).

Refer to the Critical accounting estimates (pages 177 to 178); Accounting policies and note F1 of the consolidated financial statements (pages 221 to 226).

We consider the valuation of the best estimate liabilities, risk adjustment and Contractual Service Margin (CSM) included in determining the insurance contract assets and liabilities at each reporting date to be a fraud risk, due to the risk of management bias and override along with the significant level of judgement involved in relation to uncertain future events which could be susceptible to misstatement as a result of intentional acts by management. Assumptions are both internal and external to the business, and small changes can result in a material impact to the resultant valuation.

Consistent with previous periods, we have split the risks relating to the valuation of insurance contract assets and liabilities into component parts. However, this year we have removed the significant risk around actuarial data used within the valuation models because the data itself is not inherently complex or subject to judgment.

The specific audit procedures performed to address the significant risk are set out below. In addition, we corroborated management's analysis of movements in insurance contract assets and liabilities by obtaining evidence to support large or unexpected movements as this provided important audit evidence over the valuation of insurance contract assets and liabilities.

Risk area	Our response to the risk	Key observations communicated to the Audit Committee
Actuarial assumptions (Group) Refer to the Audit Committee Report (page 98). Economic assumptions are set by management taking into account market conditions as at the valuation date. Non-economic assumptions are set based on the Group's past experience, market experience and practice, regulations and expectations about future trends. The assumptions that we have historically determined to have the most significant impact are the base and trend longevity, persistency, assured mortality and expenses. Under IFRS 17 these assumptions continue to be important. Given the recent economic volatility we continue to place additional focus on future economic assumptions such as inflation assumptions at the 2023 year-end date. Additionally, the introduction of IFRS 17 has increased the importance of economic assumptions, in particular the setting of discount rates. Finally, IFRS 17 explicitly requires that a risk adjustment ('RA') be included above the best estimate cashflows within the liability for incurred claims. IFRS 17 does not specify the estimation technique that should be used to determine the risk adjustment, so management must develop an appropriate estimation technique. Therefore, due to the inherent judgment required to determine both an appropriate technique and the relevant inputs, we consider the RA to be susceptible to management bias.	To obtain sufficient audit evidence to conclude on the appropriateness of actuarial assumptions, using EY actuaries as part of our audit team, we performed the following procedures: • obtained an understanding and tested the design and operating effectiveness of key controls over management's process for setting and updating key actuarial assumptions; • determined whether the methodology and assumptions applied are appropriate by comparing it to our knowledge of 'industry standards and the Groups' regulatory and financial reporting requirements; • corroborated the results of management's experience analysis, including the base longevity, persistency and assured mortality, to agree whether these justified the adopted assumptions; • evaluated and corroborated the methodology used in determining the discount rate applied; • discussed management's decisions on the inclusion or exclusion of data from the period impacted by COVID-19 when setting individual assumptions, including longevity, mortality, morbidity and persistency; • evaluated the results of management's analysis with respect to longevity improvements using the results from the industry standard Continuous Mortality Investigation ('CMI') on longevity trend, and benchmarked the output against other industry participants; • benchmarked the significant assumptions against those of other comparable industry participants; • performed procedures to test that the assumptions used in the year end valuation are consistent with the approved basis; and • corroborated the expense assumptions adopted by management considering an impact of the recent economic volatility (including inflation), the impact of the increase in volumes of new insurance business written and the inclusion of benefits arising from planned future management actions.	We determined that the actuarial assumptions and risk adjustment used by management are reasonable based on the analysis of experience to date, industry practice and the financial and regulatory requirements.

Risk area	Our response to the risk	Key observations communicated to the Audit Committee
Actuarial modelling (Group) Refer to Audit Committee Report (page 98). We consider the integrity and appropriateness of models to be critical to the overall valuation of insurance contract assets and liabilities. The majority of insurance contract liabilities are modelled using the core actuarial modelling systems, with the residual balance modelled outside these systems to cater for any additional required liabilities not reflected in the models. We consider the key risks to relate to: i) the appropriateness of the core actuarial model; ii) model developments applied to the core actuarial models; and iii) the appropriateness of out of model adjustments and the movement of the out of model adjustments to core actuarial modelling systems. In addition, the migration of a portion of the ReAssure business to a new actuarial model was a key risk area for 2023, as was the transition to IFRS 17 which is discussed in the Key Audit Matter below.	To obtain sufficient audit evidence to conclude on core actuarial modelling systems and balances calculated outside these systems, using EY actuaries as part of our audit team we performed the following procedures: • obtained an understanding of management's process for model changes to the core actuarial system and tested the design, implementation and operating effectiveness of key controls over that process (including the governance over model change); • tested the IT general controls of the core actuarial models; • evaluated and corroborated the methodology, inputs and assumptions applied to model changes made in the core actuarial modelling systems over the year; • with respect to the migration of ReAssure business onto a new model we tested management's migration process with a focus on both the robustness of the outputs and ensuring that the differences between current and previous models were understood; • validated the results of management's analysis of movements in insurance contract assets and liabilities to corroborate that the actual impact of changes to models was consistent with that expected when the model change was implemented; and • stratified the components of the balance modelled outside the core actuarial system as at the balance sheet date and focused our testing on those that, in our professional judgment, presented a higher risk of material misstatement. As part of the testing, we gained an understanding of the rationale for balances calculated outside of the core actuarial system and validated the appropriateness of the applied calculation methodology. In addition, we also performed an independent valuation of a sample of insurance contract assets and liabilities which are modelled outside the core actuarial system.	We determined that the models used are appropriate, that changes to the models were implemented as intended, and that controls over management's processes for modelling insurance contract assets and liabilities using the core actuarial modelling systems were operating effectively. We also determined that liabilities modelled outside these core actuarial modelling systems are reasonable.

Independent auditor's report continued

Risk area	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition (Valuation of Contractual Service Margin ('CSM'), and it's subsequent release) (Group) £409m (2022: £386m) Refer to the Critical accounting estimates (pages 177 to 178); Accounting policies and note C1 of the consolidated financial statements (pages 185 to 186). At initial recognition, the CSM relates to the unearned profit under insurance contracts issued. As services are provided under the terms of these contracts, the CSM is released to the Statement of Comprehensive Income, reflecting the profit relating to services performed in the period. There is a high degree of complexity and estimation involved in deriving the release patterns. Additionally, it is necessary to consider whether each contract group is onerous, resulting in a charge to the income statement.	To obtain sufficient audit evidence to conclude on the appropriateness of revenue recognition, we engaged our actuaries as part of our audit team and performed the following procedures: • performed walkthroughs of the process implemented by management to determine the CSM (including both the derivation of the source data, input of the data into the CSM model and output from the model) and tested the design and operating effectiveness of key controls; • compared the appropriateness of evaluated the methodology proposed by management for the used to determine coverage units and tested the appropriateness of the release of the CSM to the consolidated income statement and tested the appropriateness of the coverage units; • leveraged our audit of the CSM at each statement of consolidated financial position date to confirm that amounts released to the consolidated income statement was reasonable and in line with requirements of the standard; • performed analytical procedures to identify unusual release patterns and discussed these with management to understand and validate the appropriateness of their selection; • validated the actual and projected cashflows which are input into the model on a sample basis by vouching back to source information; and • substantively tested management's assessment of onerous contracts to confirm the completeness of those contracts designated as onerous and ensure they have been calculated accurately.	Based on our procedures performed we are satisfied that revenue has been recognised in-line with the requirements of IFRS17.

Risk area	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of certain complex and illiquid financial investments (Group) (Equity release mortgages £4.5bn; 2022: £3.9bn); (Modelled debt securities £8.2bn; 2022: £6.4bn) Refer to the Audit Committee Report (page 99); Critical accounting estimates (page 178); Accounting policies and notes E1 and E2 of the consolidated financial statements (pages 195 to 205). There has been no change in our assessment of this risk from the prior year. The extent of judgment applied by management in valuing the Group's financial investments varies with the nature of securities held, the markets in which they are traded and the valuation methodology applied. Observable inputs are not readily available for the valuation of equity release mortgages ('ERM') financial investments and modelled debt securities, such as private placements, local authority loans, infrastructure loans and commercial real estate loans. Consequently, management use models with other inputs to estimate their value. We consider that the key risks on the valuation of ERM financial investments relate to: i) assumptions, as these are largely based on non-observable inputs and are highly judgmental, and ii) the completeness and accuracy of data feeding the valuation model. We consider the key risks related to valuation of modelled debt securities to be: i) the use of complex valuation methodologies as opposed to observable prices; ii) significant judgments involved in setting the spread above risk-free rate; iii) the subjectivity surrounding the selection of the comparable bonds to derive that spread; and iv) the reasonableness of credit ratings.	We used EY valuation specialists and actuaries to test the valuation of ERM financial investments and modelled debt securities. To obtain sufficient audit evidence to conclude on the valuation of ERM financial investments, we: • tested the design and operating effectiveness of key controls over management's assumption setting processes for valuing these instruments; • tested the completeness of the ERM financial investments and underlying data at the period end through independent confirmations; • tested the accuracy of mortgage data used in the valuation model by agreeing a sample of new loans to supporting evidence and validating any movements on static data over the period; • corroborated the methodology, inputs and assumptions used to value the ERM financial investments including the No Negative Equity Guarantee ('NNEG') (such as house price inflation, residential house price volatility, longevity improvement and base mortality, as well as economic assumptions such as discount rate); • validated the key assumptions by comparing them to published market benchmarks and demographic and economic assumptions used by other industry participants, to confirm that key valuation inputs were consistent with industry norms and our understanding of the instrument type and were appropriate considering the current economic volatility; and • developed our own independent model to value the ERM financial investments and compared the output to the results produced by the Group. To obtain sufficient audit evidence to conclude on the valuation of modelled debt securities, we: • obtained the ISAE 3402 SOC report of the OSPs covering the period to 30 September 2023, including those controls over the valuation of modelled debt securities outsourced to the third party, and determined the impact of any identified control exceptions; • obtained the bridging letter for the period 1 October 2023 to 31 December 2023 to review that the controls over the valuation of modelled debt securities were operating during the period; • inspected evidence of the operation of management's oversight controls over the OSPs; • understood the valuation process of modelled debt securities applied by the OSP of the Phoenix Life Limited and ReAssure Limited components and validated the appropriateness of any methodology and assumption changes during the year, including the impact of the current economic volatility on economic assumptions; • for modelled debt securities overseen by the in-house Independent Pricing Valuation ('IPV') and Credit and Valuation Committee, we have obtained an understanding of the valuation methodology and tested the design and operating effectiveness of the key controls; • engaged EY valuation specialists to test the appropriateness of the valuation methodology, calculate an independent range of comparable values for a sample of modelled debt securities using an independent valuation model and compared reasonable alternative key assumptions based on comparable securities; • validated the accuracy of security related inputs to the valuation of modelled debt securities by tracing a sample of inputs to the underlying agreements and documentation; • performed independent calibration on securities by reviewing the implied rate and sector credit spreads to validate the reasonableness of credit ratings used in the comparable values assessment; and • discussed the downgrade of credit ratings or changes of spread in management's credit watchlist and known market risks in our independent comparable values assessment.	Based on our procedures performed on the ERM financial investments and the modelled debt securities, we are satisfied that the valuation of these complex and illiquid assets is reasonable.

Independent auditor's report continued

Risk area	Our response to the risk	Key observations communicated to the Audit Committee
Recoverability of intangibles from the historical acquisitions of SLAL, ReAssure and other associated entities (Group) (AVIF £1.9bn; 2022: £2.2bn) Refer to the Audit committee report (page 99), the accounting policies and note G2 of the consolidated financial statements (pages 260 to 262) Each reporting period management is required to perform an assessment on the acquired intangible assets to identify any indicators of impairment. Where such indicators exist, management performs a recoverability assessment.	To obtain sufficient audit evidence to assess recoverability of AVIF intangible assets arising from the acquisition of ReAssure and Standard Life, using EY actuaries as part of the audit team we performed the following procedures: • obtained and understood management's process, model and assumptions supporting the recoverability assessment; • tested design and implementation of the controls over the completeness and accuracy of the data used in the recoverability assessment; • validated management's assessment of impairment indicators by considering current market factors and evaluated their impact on the ReAssure and Standard Life AVIF values as at 31 December 2023; and • obtained management's expectations of future profitability of the acquired entities and validated the assumptions applied by management by comparing key assumptions and judgments with experience of the wider market and that of Phoenix.	Based on our procedures performed on the recoverability of intangible assets arising from the acquisition of ReAssure and Standard Life, we are satisfied that there is no impairment necessary as at 31 December 2023.

Risk area	Our response to the risk	Key observations communicated to the Audit Committee
Transition to IFRS 17 Insurance contracts, including the selection and application of accounting policies and financial statement and other disclosures (Group) Refer to the Audit Committee Report (page 98); Accounting policy note A2.1 of the consolidated financial statements (pages 172 to 174). The transition to IFRS 17, the new insurance accounting standard, effective for annual reporting periods beginning on or after 1 January 2023, has resulted in significant change to the Group's reporting processes and consolidated financial statements. IFRS 17 has introduced new financial statement line items and disclosures and has required significant changes to the measurement of insurance contract assets and liabilities. This has also resulted in the additional disclosure of the transition Statement of consolidated financial position as at 1 January 2022 and the restatement of the comparative Statement of consolidated financial position and Statement of comprehensive income for 2022. New systems, data flows, system interfaces and models have been implemented, increasing the risks of material misstatement. We consider the key risks in relation to the implementation of IFRS 17 include: i) the risk of management's methodology and assumptions being out of line with the standard; ii) the risk of management's transition approach (including use of the Full Retrospective or Fair Value Approach) being out of line with the standard; iii) the implementation of new models to produce the IFRS 17 results, including the CSM calculation engine; iv) the new data flows and system interfaces arising from the implementation of IFRS 17; and v) the risk of management's application of units of account being inappropriate.	To obtain sufficient audit evidence to conclude on the transition to IFRS 17, we: • tested the design and implementation of key controls implemented by management over the transition; • assessed the appropriateness of the transition approach adopted for each group of insurance contracts, including the judgements and supporting estimates used to determine the Full Retrospective Approach or Fair Value Approach, as applicable; • assessed whether the judgements, methodology and assumptions applied by management in determining their accounting policies, including simplifications, are in compliance with the IFRS 17 accounting standard and have been implemented as intended; • confirmed on a sample basis that the criteria used by management in determining the units of account were in line with the requirements of IFRS 17 and had been applied as intended; • validated the integrity of new models implemented on transition by considering the testing performed by management and, where necessary, performing independent model validation activity on a sample basis, comparing the output between our calculations and those produced by management; • tested the completeness and accuracy of new data flows and system interfaces incorporated within the IFRS 17 production process; and • corroborated the completeness of management's estimate of the impact of implementing IFRS 17 on equity and profit before tax.	Through the procedures performed, we have determined that management have appropriately implemented the IFRS 17 Insurance contracts accounting standard within their financial reporting and this is reflected within the transition Statement of consolidated financial position as at 1 January 2022 and the restatement of the comparative Statement of consolidated financial position and Statement of comprehensive income for 2022 incorporated within the consolidated financial statements.

Independent auditor's report continued

Risk area	Our response to the risk	Key observations communicated to the Audit Committee
Recoverability of the Parent Company's investments in Group undertakings (Company) Refer to the Parent Company accounting policy on Investments in Group entities (page 294) and the Parent Company's financial statements – Investments in Group entities (page 301). The carrying amount of the Parent Company's investments in subsidiaries is significant and in excess of the market capitalisation of the Group. This gives rise to an indicator of impairment. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in forecasting trading conditions and discounting future cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of investment in subsidiaries has a high degree of estimation uncertainty. Under IAS 36 the recoverable amount is the higher of value in use ('VIU') and fair value less costs of disposal ('FVLCD') and calculating both the VIU and the FVLCD is not necessary if either of these amounts exceeds the asset's carrying amount. Management calculated a VIU which exceeded the carrying amount of the investment at year end, indicating no impairment is required.	We performed the following audit procedures related to the recoverability of the parent company's investments in group undertakings: • tested the reasonableness and appropriateness of the assumptions used in the cash flows based on our knowledge of the Group and the markets in which the subsidiaries operate; • evaluated and corroborated the methodology used in determining the discount rate applied, including engaging our valuation experts to assess the appropriateness of the inputs into the discount rate; • obtained management's assessment of the terminal value and validated the assumptions applied by management by comparing key assumptions and judgments with experience of the wider market and that of Phoenix; and • evaluated the adequacy of the Company's disclosures.	Based on the work performed and the evidence obtained, we consider the carrying amount of the company's investments in Group entities to be appropriate.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £93 million (2022: £83 million), which is 2% of Group IFRS adjusted shareholders' equity (2022: 2% of total equity attributable to owners of the Parent).

Prior to the implementation of IFRS 17, we set materiality at 2% of equity attributable to owners of the Parent on the basis that it most closely correlated with key Group performance metrics of Solvency II surplus and Own Funds.

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 contractual service margin ('CSM'). This has seen the development of an APM, IFRS adjusted shareholder equity ("Adjusted Equity") across the UK life insurance industry. Whilst this is an APM, it is the addition of two IFRS measures from the IFRS Statement of financial position. These considerations have led us to conclude that Adjusted Equity is the most appropriate measure on which to base our materiality under IFRS 17 since this measure is the closest IFRS measure to Solvency II Own Funds.

We determined materiality for the Parent Company to be £131 million (2022: £139 million), which is 2% (2022: 2%) of equity of the Parent Company equity attributable to owners. We have used a capital-based measure for determining materiality considering the nature of the Parent Company as a holding company. For the Group audit purposes, we performed our audit procedures to the lower of the Parent Company and the Group allocated performance materiality.

Starting basis	• Starting point – £2.50bn (Total equity attributable to parent) • Based on 31 December 2023
Adjustments	• Addition of CSM – net of tax £2.14bn
Materiality	• Totals £4.64bn (Adjusted equity) • Materiality of £93m (2% of Adjusted equity)

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely £46 million (2022: £41 million).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £10 million to £36 million (2022: £8 million to £27 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £5 million (2022: £4 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 324, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report continued

Opinions on other matters prescribed by 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements, or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 143;
- Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 58;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 59;
- Directors' statement on fair, balanced and understandable set out on page 145;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 57;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 97; and;
- The section describing the work of the audit committee set out on page 92 to 99.

Responsibilities of Directors

As explained more fully in the Directors' statement of responsibilities set out on page 147, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group 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 the Directors 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 for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are relevant laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA'), the Financial Conduct Authority ('FCA') and the UK Listing Authority ('UKLA').
- We understood how Phoenix Group Holdings plc is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the company and UK regulatory bodies; reviewed minutes of the Group board and its committees; and gained an understanding of the Group's approach to governance, demonstrated by the board's approval of the Group's governance framework.
- We assessed the susceptibility of the consolidated financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Our procedures over the Group's control environment included assessment of the consistency of operations and controls in place within the Group and the OSPs.

- The fraud risk was considered to be higher within the valuation of insurance contract assets and liabilities We considered management override risk to be higher in this area due to the significant judgments and estimates involved.

  Our procedures, as detailed in the key audit matters above, included:
  - Reviewing accounting estimates for evidence of management bias;
  - Testing the appropriateness of journal entries recorded in the general ledger, with a focus on manual and non-routine journals; and
  - Evaluating the business rationale for significant and/or unusual transactions.

- Our procedures involved: making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Company's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with the PRA and FCA.
- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the Company on 13 December 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is six years, covering the years ending 31 December 2018 to 31 December 2023.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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 Wilson
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
22 March 2024

Consolidated income statement
For the year ended 31 December 2023

	Notes	2023 £m	2022 restated[1] £m
Insurance revenue	C1	4,861	5,142
Insurance service expenses	C5	(4,354)	(5,248)
Insurance service result before reinsurance contracts		507	(106)
Net expenses from reinsurance contracts		(180)	(162)
Insurance service result	C5	327	(268)
Fees and commissions	C2	967	858
Net investment income/(expense)	C3	20,840	(38,012)
Other operating income		86	102
Gain on acquisition	H2	66	–
Total income/(expense)		22,286	(37,320)
Net finance (expense)/income from insurance contracts	C4	(6,982)	22,879
Net finance income/(expense) from reinsurance contracts	C4	179	(1,053)
Net insurance finance (expense)/income		(6,803)	21,826
Change in investment contract liabilities		(13,894)	14,487
Change in reinsurers' share of investment contract liabilities		873	(1,448)
Amortisation and impairment of acquired in-force business	G2	(318)	(349)
Amortisation of other intangibles	G2	(6)	(6)
Administrative expenses	C5	(1,674)	(1,421)
Net (expense)/income attributable to unitholders		(186)	372
Profit/(loss) before finance costs and tax		278	(3,859)
Finance costs	C7	(258)	(230)
Profit/(loss) for the year before tax		20	(4,089)
Tax (charge)/credit attributable to policyholders' returns	C8	(184)	577
Loss before the tax attributable to owners		(164)	(3,512)
Tax (charge)/credit	C8	(108)	1,432
Add: tax attributable to policyholders' returns	C8	184	(577)
Tax credit attributable to owners	C8	76	855
Loss for the year attributable to owners		(88)	(2,657)
Attributable to:			
Owners of the parent		(116)	(2,724)
Non-controlling interests	D5	28	67
		(88)	(2,657)
Earnings per ordinary share			
Basic (pence per share)	B3	(13.8)p	(274.9)p
Diluted (pence per share)	B3	(13.8)p	(274.9)p

1 Prior period comparatives have been restated on transition to IFRS 17 *Insurance Contracts* (see note A2.1 for further details).

Statement of comprehensive income
For the year ended 31 December 2023

	Notes	2023	2022 restated[1]
Loss for the year		**(88)**	(2,657)
Other comprehensive (expense)/income:			
Items that are or may be reclassified to profit or loss:			
Cash flow hedges:			
Fair value (losses)/gains arising during the year	D3	**(107)**	181
Reclassification adjustments for amounts recognised in profit or loss	D3	**75**	(186)
Exchange differences on translating foreign operations		**4**	32
Items that will not be reclassified to profit or loss:			
Remeasurement of owner-occupied property	D3	**2**	(5)
Remeasurements of net defined benefit asset/liability	G1	**(66)**	940
Tax credit/(charge) relating to other comprehensive income items	C8	**21**	(283)
Total other comprehensive (expense)/income for the year		**(71)**	679
Total comprehensive expense for the year		**(159)**	(1,978)
Attributable to:			
Owners of the parent		**(187)**	(2,045)
Non-controlling interests	D5	**28**	67
		(159)	(1,978)

1 Prior period comparatives have been restated on transition to IFRS 17 *Insurance Contracts* (see note A2.1 for further details).

Statement of consolidated financial position
As at 31 December 2023

	Notes	31 December 2023 £m	31 December 2022 restated[1] £m	1 January 2022 restated[1] £m
ASSETS				
Pension scheme asset	G1	**26**	14	36
Reimbursement rights	G1	**204**	205	212
Intangible assets				
Goodwill		**10**	10	10
Acquired in-force business		**1,912**	2,177	2,509
Brands		**106**	112	118
	G2	**2,028**	2,299	2,637
Property, plant and equipment	G3	**106**	125	130
Investment property	G4	**3,698**	3,727	5,283
Financial assets				
Loans and deposits		**248**	268	465
Derivatives	E3	**2,766**	4,068	4,567
Equities		**87,628**	76,737	86,981
Investment in associate	H4	**349**	329	431
Debt securities		**93,374**	83,116	104,761
Collective investment schemes		**78,909**	75,389	85,995
Reinsurers' share of investment contract liabilities		**9,672**	9,065	9,961
	E1	**272,946**	248,972	293,161
Insurance assets				
Insurance contract assets	F1	**–**	48	65
Reinsurance contract assets	F1	**4,876**	4,071	4,720
		4,876	4,119	4,785
Deferred tax asset	G8	**143**	158	–
Current tax receivable	G8	**502**	519	419
Prepayments and accrued income		**439**	403	354
Other receivables	G5	**2,578**	4,455	1,693
Cash and cash equivalents	G6	**7,168**	8,839	9,112
Assets classified as held for sale	H3	**4,594**	7,205	9,946
Total assets		**299,308**	281,040	327,768

1 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

Approved by the Board on 21 March 2024.

Andy Briggs
Chief Executive Officer

Rakesh Thakrar
Chief Financial Officer

Company registration number 11606773.

	Notes	31 December 2023 £m	31 December 2022 restated[1] £m	1 January 2022 restated[1] £m
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	D1	**100**	100	100
Share premium		**16**	10	6
Shares held by employee benefit trust	D2	**(15)**	(13)	(12)
Foreign currency translation reserve		**91**	87	55
Merger relief reserve	D1	**1,819**	1,819	1,819
Other reserves	D3	**16**	46	56
Retained earnings		**469**	1,162	3,743
Total equity attributable to owners of the parent		**2,496**	3,211	5,767
Tier 1 Notes	D4	**494**	494	494
Non-controlling interests	D5	**549**	532	460
Total equity		**3,539**	4,237	6,721
Liabilities				
Pension scheme liability	G1	**2,557**	2,520	3,103
Insurance liabilities				
Insurance contract liabilities	F1	**115,741**	107,608	132,497
Reinsurance contract liabilities	F1	**147**	7	–
		115,888	107,615	132,497
Financial liabilities				
Investment contracts		**158,004**	141,169	157,449
Borrowings	E5	**3,892**	3,980	4,225
Derivatives	E3	**3,342**	5,875	1,248
Net asset value attributable to unitholders		**2,921**	3,042	3,592
Obligations for repayment of collateral received		**1,005**	1,706	3,442
	E1	**169,164**	155,772	169,956
Provisions	G7	**155**	184	184
Deferred tax liabilities	G8	**257**	309	1,407
Current tax payable	G8	**41**	34	19
Lease liabilities	G9	**74**	92	99
Accruals and deferred income	G10	**579**	544	551
Other payables	G11	**2,272**	1,373	1,485
Liabilities classified as held for sale	H3	**4,782**	8,360	11,746
Total liabilities		**295,769**	276,803	321,047
Total equity and liabilities		**299,308**	281,040	327,768

1 Prior period comparatives have been restated on transition to IFRS 17 *Insurance Contracts* (see note A2.1 for further details).

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 £m	Total £m	Tier 1 Notes (note D4) £m	Non-controlling interests (note D5) £m	Total equity £m
At 1 January 2023[1]	100	10	(13)	87	1,819	46	1,162	3,211	494	532	4,237
(Loss)/profit for the year	–	–	–	–	–	–	(116)	(116)	–	28	(88)
Other comprehensive income/(expense) for the year	–	–	–	4	–	(30)	(45)	(71)	–	–	(71)
Total comprehensive income/(expense) for the year	–	–	–	4	–	(30)	(161)	(187)	–	28	(159)
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
Shares distributed by the employee benefit trust	–	–	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	100	16	(15)	91	1,819	16	469	2,496	494	549	3,539

1 There has been no impact on equity from the transition to IFRS 9 *Financial Instruments* (see note A2.2 for further details).

Statement of consolidated changes in equity
For the year ended 31 December 2022

	Share capital (note D1) £m	Share premium (note D1) £m	Shares held by employee benefit trust (note D2) £m	Foreign currency translation reserve restated[1] £m	Merger relief reserve (note D1) £m	Other reserves (note D3) £m	Retained earnings restated[1] £m	Total £m	Tier 1 Notes (note D4) £m	Non-controlling interests (note D5) £m	Total equity restated[1] £m
At 1 January 2022 (as reported)	100	6	(12)	71	1,819	56	3,775	5,815	494	460	6,769
Impact of transition to IFRS 17 (note A2.1)	–	–	–	(16)	–	–	(32)	(48)	–	–	(48)
At 1 January 2022 (restated)	100	6	(12)	55	1,819	56	3,743	5,767	494	460	6,721
(Loss)/profit for the year	–	–	–	–	–	–	(2,724)	(2,724)	–	67	(2,657)
Other comprehensive income/(expense) for the year	–	–	–	32	–	(10)	657	679	–	–	679
Total comprehensive income/(expense) for the year	–	–	–	32	–	(10)	(2,067)	(2,045)	–	67	(1,978)
Issue of ordinary share capital, net of associated commissions and expenses	–	4	–	–	–	–	–	4	–	–	4
Dividends paid on ordinary shares	–	–	–	–	–	–	(496)	(496)	–	–	(496)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(10)	(10)
Credit to equity for equity-settled share based payments	–	–	–	–	–	–	16	16	–	–	16
Shares distributed by employee benefit trust	–	–	12	–	–	–	(12)	–	–	–	–
Shares acquired by employee benefit trust	–	–	(13)	–	–	–	–	(13)	–	–	(13)
Non-controlling interests recognised on acquisition	–	–	–	–	–	–	–	–	–	15	15
Coupon paid on Tier 1 Notes, net of tax relief	–	–	–	–	–	–	(22)	(22)	–	–	(22)
At 31 December 2022	100	10	(13)	87	1,819	46	1,162	3,211	494	532	4,237

1 Prior period comparatives have been restated on transition to IFRS 17 *Insurance Contracts* (see note A2.1 for further details).

Statement of consolidated cash flows
For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Cash (utilised)/generated by operations	I2	(770)	1,019
Taxation paid		(93)	(153)
Net cash flows from operating activities		(863)	866
Cash flows from investing activities			
Acquisition of SLF of Canada UK Limited, net of cash acquired	H2	(20)	–
Net cash flows from investing activities		(20)	–
Cash flows from financing activities			
Proceeds from issuing ordinary shares, net of associated commission and expenses		6	4
Ordinary share dividends paid	B4	(520)	(496)
Dividends paid to non-controlling interests	D5	(11)	(10)
Repayment of policyholder borrowings	E5.2	(58)	(32)
Repayment of shareholder borrowings	E5.2	(350)	(450)
Repayment of lease liabilities	G9	(14)	(14)
Proceeds from new shareholder borrowings, net of associated expenses	E5.2	346	–
Proceeds from new policyholder borrowings, net of associated expenses	E5.2	64	61
Coupon paid on Tier 1 Notes		(29)	(29)
Interest paid on policyholder borrowings		(3)	(1)
Interest paid on shareholder borrowings		(200)	(215)
Net cash flows from financing activities		(769)	(1,182)
Net decrease in cash and cash equivalents		(1,652)	(316)
Cash and cash equivalents at the beginning of the year (before reclassification of cash and cash equivalents to held for sale)		8,872	9,188
Less: cash and cash equivalents of operations classified as held for sale	H3	(52)	(33)
Cash and cash equivalents at the end of the year		7,168	8,839

Notes to the consolidated financial statements

A. Significant accounting policies

A1. Basis of preparation

The consolidated financial statements for the year ended 31 December 2023 set out on pages 164 to 290 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 21 March 2024.

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 recognised 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 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 the period to 31 March 2025. Further details of the going concern assessment are included in the Directors' Report on page 143.

A2. Adoption of new accounting pronouncements in 2023

In preparing the consolidated financial statements, the Group has adopted the following standards and amendments effective from 1 January 2023 and which have been endorsed by the UK Endorsement Board ('UKEB'):

- IFRS 17 *Insurance Contracts* – see note A2.1;
- IFRS 9 *Financial Instruments* – see note A2.2;
- Disclosure of Accounting Policies (Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*). The amendments are intended to assist entities in deciding which accounting policies to disclose in their financial statements and requires an entity to disclose 'material accounting policy information' instead of its 'significant accounting policies'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2;
- Definition of Accounting Estimates (Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments replace the definition of a 'change in accounting estimates' with a definition of 'accounting estimates'. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The Board has retained the concept of changes in accounting estimates in the standard by including a number of clarifications;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes). The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The IASB expects that the amendments will reduce diversity in reporting and align the accounting for deferred tax on such transactions with the general principle in IAS 12 of recognising deferred tax for temporary differences; and
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12 *Income Taxes*). 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 nature and impact of the adoption of IFRS 17 and IFRS 9 are disclosed in notes A2.1 and A2.2 below. The remaining amendments to standards are not considered to have a material effect on these consolidated financial statements.

Notes to the consolidated financial statements continued

A. Significant accounting policies continued

A2.1 Adoption of IFRS 17 *Insurance Contracts*

The Group has adopted IFRS 17 effective from 1 January 2023 and comparative information for the year ended 31 December 2022 has been retrospectively restated. IFRS 17 replaces IFRS 4 *Insurance Contracts* and significantly changes the way the Group recognises, measures, presents and discloses its insurance contracts, investment contracts with discretionary participation features ('DPF') and reinsurance contracts held. It introduces a model that measures groups of contracts based on the present value of future cash flows with an explicit risk adjustment for non-financial risk and a contractual service margin ('CSM'), representing the unearned profit to be recognised in profit or loss over the coverage period.

New accounting policies adopted following the implementation of IFRS 17 are included within note F1 and critical accounting estimates and judgements applied are detailed in note A4.

A2.1.1 Transition approach

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a fully retrospective approach ('FRA') to the extent practicable and using a Fair Value Approach ('FVA') approach where the FRA was considered impracticable. The FRA requires the Group to:

- identify, recognise and measure each group of insurance and reinsurance contracts as if IFRS 17 had always applied;
- derecognise any existing balances that would not exist had IFRS 17 always applied; and
- recognise any resulting net difference in equity.

In determining whether it was practicable for the FRA transition method to be applied, the Group has considered the following key factors:

- the ability to obtain assumptions and data at the required level of granularity, without the material use of hindsight, particularly in relation to contracts within acquired businesses and where the Group's financial reporting metrics did not require such information;
- the availability and usability of historic data given the significant integration work performed by the Group on both its policy administration and actuarial modelling systems where re-platforming from legacy systems onto a unified platform has been carried out; and
- the significant level of regulatory change experienced by the insurance industry, such as Solvency II, which impacts on the level of change undertaken on both legacy and current policy administration and actuarial modelling systems.

The FRA has been applied to the following insurance business on transition to IFRS 17:

- bulk purchase annuities;
- annuities and unit-linked policies that originated from 1 January 2021 onwards for the acquired Standard Life Assurance business entities;
- SunLife policies that originated post 1 January 2018; and
- ReAssure Assurance Limited annuities and non-profit policies from acquisition date of the ReAssure entities.

The FVA has been applied to the Group's remaining insurance business. On transition, 58% of the CSM (net of reinsurance) is calculated under the FRA and 42% under the FVA. However, of the business transitioned under FRA a significant amount of the CSM relates to the ReAssure business acquired in 2020 and fair valued at that date. Management therefore considers c.95% of the liabilities, equating to c.84% of the CSM, to be a more accurate reflection of the use of the FVA.

In applying the FVA, the CSM (or loss component) has been determined at 1 January 2022 as the difference between the fair value of a group of contracts and the present value of expected future cash flows including acquisition costs, plus an explicit risk adjustment. In determining the fair value, the Group has applied the requirements of IFRS 13 *Fair Value Measurement*, except for the demand deposit floor requirement, as required by IFRS 17. The fair value determined by the Group uses cash flows with contract boundaries consistent with IFRS 17 requirements. The measurement of the fair value of contracts includes items taken into consideration by a market participant but which are not included in the IFRS 17 measurement of contracts, such as a risk premium to reflect a market participant's view of uncertainty inherent in the contract cash flows being valued and a profit margin. Significant judgements and estimates used in determining the fair value have been set out in note A4.1.

The fair value for the groups of with-profits contracts, has been determined at transition date as the sum of the best estimate liability ('BEL'); the policyholders' share of the estate; a risk premium; and other fair value adjustments, i.e. profits on annuities vesting into the non-profit fund.

The treatment for reinsurance contracts held at transition is similar to that for insurance contracts with a few exceptions. The reinsurance BEL is calculated using the IFRS 17 discounted probability-weighted expected present value of the cash flows on transition date. The cash flows under the reinsurance contract are stressed in order to calculate the risk premium, plus an adjustment is made for risk of reinsurer default (i.e. additional risk of claims received being lower than the best estimate) in the risk premium.

A2.1.2 Impact of transition

Total equity attributable to owners of the parent

The Group has determined the quantitative impact of moving to IFRS 17 on 1 January 2022 to be a decrease in the total equity attributable to owners of the parent of £48 million, from £5,815 million to £5,767 million. The main drivers of this reduction are:

		£m
Derecognition of intangible assets related to contracts measured under IFRS 17	On adoption of IFRS 17, the acquired in force business ('AVIF') and customer relationship intangibles and deferred acquisition cost assets associated with the acquisition of insurance contracts are no longer held as separate assets and instead are included implicitly in the measurement of insurance contract assets and liabilities.	(2,030)
Remeasurement of insurance contract liabilities (net of reinsurance)	The remeasurement of insurance contract liabilities primarily includes the following items: • removal of IFRS 4 margins as IFRS 17 requires cash flows to be measured on a best estimate basis with the addition of an explicit adjustment for risk; • inclusion of future shareholder profits from with-profit and unit-linked business that are not fully recognised under IFRS 4; and • changes in the discount rate, most materially impacting annuity contracts. Also included is the impact of a change in treatment in respect of hybrid contracts. These are typically contracts which contain elements of unit-linked and with-profits. Under IFRS 4 these components were separated and reported under IAS 39 and IFRS 4 respectively. Under IFRS 17 if the contract as a whole meets the definition of an investment with DPF contract, the whole contract falls within the scope of IFRS 17 unless the criteria for a distinct investment component is met. If it does not, the whole contract falls within the scope of IFRS 9. On transition a significant proportion of the Group's hybrid contracts were determined to fall within the scope of IFRS 17 and did not meet the criteria to be separated into its components. A small portion of hybrid contracts are accounted for under IFRS 9.	5,481
Recognition of a risk adjustment (net of reinsurance)	IFRS 17 requires an explicit adjustment in respect of non-financial risk, this replaces some of the margins for uncertainty implicitly included in the measurement of cash flows under IFRS 4.	(1,061)
Recognition of a contractual service margin (net of reinsurance)	The contractual service margin reflects the unearned profit to be recognised in profit or loss as services are provided.	(2,430)
Changes in deferred tax from the above items		(8)
Change in total equity attributable to owners of the parent		(48)

In addition to the above IFRS 17 has impacted how insurance and reinsurance contract-related balances are presented in the statement of consolidated financial position. Certain assets and liabilities previously reported separately are now included within IFRS 17 balances, these include balances such as unallocated surplus, deposits received from reinsurers and insurance contract/reinsurance payables/receivables and payables related to direct insurance contracts. Other liabilities and assets have been partly reclassified within IFRS 17 liabilities and assets where these balances relate to insurance contracts, such as provisions, loans and deposits (policy loans), other payables and other receivables. Costs that are assessed as directly attributable to insurance contracts are accounted for under IFRS 17 and this includes those that would have previously determined in accordance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets to be included in provisions.

Notes to the consolidated financial statements continued

A. Significant accounting policies continued

A2.1.2 Impact of transition continued

Loss attributable to owners for the year ended 31 December 2022 continued

The impacts on the key line items in the Group's statement of consolidated financial position are set out below:

	31 December 2021 as previously reported £m	Impact of implementation of IFRS 17 £m	1 January 2022 restated £m
Intangible assets	4,565	(1,928)	2,637
Financial assets	293,192	(31)	293,161
Insurance contract assets	–	65	65
Reinsurance contract assets	8,587	(3,867)	4,720
Other insurance/reinsurance receivables	139	(139)	–
Other assets	27,316	(131)	27,185
Total assets	333,799	(6,031)	327,768
Insurance contract liabilities	128,864	3,633	132,497
Unallocated surplus	1,801	(1,801)	–
Financial liabilities			
Investment contracts	160,417	(2,968)	157,449
Deposits received from reinsurers	3,569	(3,569)	–
Provisions	235	(51)	184
Deferred tax liabilities	1,399	8	1,407
Other insurance/reinsurance payables	2,007	(2,007)	–
Other liabilities	28,738	772	29,510
Total liabilities	327,030	(5,983)	321,047
Total equity	6,769	(48)	6,721

Loss attributable to owners for the year ended 31 December 2022

As a result of adopting IFRS 17, the loss after tax attributable to owners for the year ended 31 December 2022 increased by £895 million from a loss of £1,762 million to a loss of £2,657 million.

	As previously reported £m	Restated £m	Change £m
Adjusted operating profit before tax	1,245	544	(701)
Economic variances	(2,673)	(3,309)	(636)
Amortisation and impairment of acquired in-force business	(501)	(347)	154
Amortisation and impairment of other intangibles	(21)	(6)	15
Other non-operating items	(179)	(262)	(83)
Finance costs attributable to owners	(199)	(199)	–
Loss before tax attributable to owners of the parent	(2,328)	(3,579)	(1,251)
Profit before tax attributable to non-controlling interest	67	67	–
Loss before tax attributable to owners	(2,261)	(3,512)	(1,251)
Tax credit attributable to owners	499	855	356
Loss after tax attributable to owners	(1,762)	(2,657)	(895)

Details of the adjusted operating profit methodology following the transition to IFRS 17 is set out in note B1.

The main drivers of this reduction are:

- the change in profit recognition pattern. Under IFRS 17 profits are spread over the life of contracts as service is provided. This includes the deferral of new business profits from annuity contracts written in the period;
- economic variances have increased in relation to the Solvency II hedging in place. The interest rate sensitive liabilities reduce compared to IFRS 4 as the majority of the Group's CSM uses locked-in discount rates resulting in a higher level of 'over-hedging'. In addition, the offset to the losses primarily from interest rate hedging from gains arising on equity hedges in the previously reported numbers is reduced, as under IFRS 17 these hedges now partially offset adverse market impacts arising in the income statement from unit-linked and with-profits business which have a loss component;
- a reduction in amortisation of the element of acquired in-force ('AVIF') business associated with insurance contracts which is derecognised on transition to IFRS 17; and
- other non-operating items have reduced due to costs that have been assessed as directly attributable to insurance contracts being included in the calculation of the CSM.

A2.2 Adoption of IFRS 9 *Financial Instruments*

IFRS 9 replaced IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. The Group elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, to defer the initial application date of IFRS 9 to align with the initial application of IFRS 17. The Group has therefore adopted the requirements of IFRS 9 from 1 January 2023 and in accordance with the transition provisions in the standard, comparatives have not been restated.

IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities, impairment methodology, and general hedge accounting rules and replaced the corresponding sections of IAS 39.

New accounting policies adopted following the implementation of IFRS 9 are included within note E1.

A2.2.1 Classification and measurement of financial instruments

Financial assets

IFRS 9 requires all financial assets to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics. As a result of adopting IFRS 9 on 1 January 2023, certain loans and deposits and cash and cash equivalents investment asset balances, previously classified as amortised cost, have now been reclassified at fair value through profit or loss ('FVTPL') (mandatory) category. The classification adopted is driven by the business model assessment which determined that these assets are managed and evaluated on a fair value basis. These financial assets, which back policyholder liabilities, are actively managed and therefore support the wider objective of the Group to maximise Solvency II headroom. The reclassification of these assets has not resulted in an adjustment to equity at 1 January 2023 as the fair value of these assets at this date was equal to the amortised cost.

Under IAS 39, certain underlying items of participating contracts were designated as at FVTPL because the Group managed them and evaluated their performance on a fair value basis in accordance with a documented investment strategy. Under IFRS 9, portfolios of these assets are mandatorily measured at FVTPL as the business model assessment concludes that they are managed and evaluated on a fair value basis and consequently the classification as FVTPL remains unchanged upon adoption of IFRS 9.

All other financial assets that are not actively managed such as certain cash and cash equivalents, receivables and loans and deposits, are typically held to collect cash flows and therefore continue to be classified as amortised cost under IFRS 9.

The Group has not elected to measure any equity securities financial assets at fair value through other comprehensive income ('FVOCI'). Further, no other debt securities financial assets are classified as FVOCI on adoption of IFRS 9.

Financial liabilities

IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities as the classification and measurement of financial liabilities remains largely unchanged from IAS 39. Financial liabilities are either classified as amortised cost or at FVTPL.

Investment contracts without DPF, which do not transfer significant insurance risk, continue to be accounted for as a financial liability and designated at FVTPL on the basis that these liabilities are both managed on a fair value basis and are designated as such to avoid an accounting mismatch with the assets held to back them.

On transition to IFRS 17 and IFRS 9, deposits from reinsurers are no longer classified as financial liabilities under IFRS 9 in accordance with the IFRS 17 requirements for 'premium withheld' arrangements. The premiums withheld have now become a component of fulfilment cash flows and for contracts with deposit back arrangements, the presentation of the deposit back liability has now changed to be shown as an offset to the reinsurance asset.

The Group has assessed the IFRS 9 requirement that changes in fair value of financial liabilities relating to credit risk be presented in OCI, with the balance of the change in fair value to be presented in profit and loss, unless this treatment would create or enlarge an accounting mismatch in profit and loss. Based on this assessment, no financial liabilities were identified as requiring split presentation of movements between OCI and profit and loss as this would create an accounting mismatch as the assets held to back these liabilities are at FVTPL.

The valuation of investment contract liabilities without DPF are measured at the fair value of the related assets and liabilities. The liability is the sum of the investment contract liabilities plus an additional amount to cover the present value of the excess of future policy costs over future charges.

The application of the classification and measurement requirements in IFRS 9 at 1 January 2023 resulted in the following reclassification adjustments:

	IAS 39		IFRS 9	
Financial assets	Measurement category	Carrying amount £m	Measurement category	Carrying amount £m
Loans and deposits[1]	Amortised cost	254	FVTPL	254
Cash and cash equivalent[1]	Amortised cost	8,423	FVTPL	8,423

1 Actively managed investment assets.

A2.2.2 Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets held at amortised cost by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ('ECL') approach. The new impairment model applies to the Group's financial assets carried at amortised cost.

A significant portion of Group's financial assets are carried at FVTPL under IFRS 9 and are therefore not subject to ECL assessment. The other 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.

Notes to the consolidated financial statements continued

A. Significant accounting policies continued

A2.2.2 Impairment continued
In accordance with IFRS 9, the Group has applied the ECL model to financial assets measured at amortised cost. For these 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 at transition 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.

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 no history of default. The impact to the net carrying amount stated in the table above is therefore considered not 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.

A2.2.3 Hedge accounting
The Group has applied IFRS 9's hedge accounting requirements. The Group uses cross currency swaps to hedge the currency risk arising from borrowings denominated in foreign currencies. The Group has carried over the current hedging relationships as cash flow hedges under IFRS 9. The IFRS 9 hedge accounting model requires the extended documentation of each hedging relationship. The Group has updated the existing hedging documentation to reflect the changes to the effectiveness testing process to include qualitative testing on a prospective basis including the analysis of the economic relationship between the hedged item and hedging instrument, analysis of source of hedge ineffectiveness, determining the hedge ratio and assessment of whether the effect of credit risk dominates the value changes that result from the economic relationship. The current hedging relationships are straightforward arrangements whereby the cross currency swaps fully hedge the underlying hedged item and they are all fully collateralised.

A3. Accounting policies
The principal accounting policies have been consistently applied in these consolidated financial statements. An exception to this is where IFRS 9 has been adopted prospectively from 1 January 2023 and IAS 39 has been applied in the comparative period. 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.

A3.1 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 translation. 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.

A3.2 Other operating income
Other operating income includes income from all other operating activities which are incidental to the principal activities of the Group.

A4. 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 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, the determination of adjusted operating profit, the recognition of an investment as an associate and determination of control with regard to underlying entities.

Details of all critical accounting estimates and judgements are included below.

A4.1 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.

Amortisation of the CSM
The Group applies judgements when determining the amount of the 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 the benefits provided and its 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').

In addition, the sections noted below are areas where significant judgement and estimation has been required on transition to IFRS 17.

Determination of transition method and its application
The Group exercised significant judgement in determining which transition method was applied for each group of insurance contracts, considering the impracticability assessment for the application of the FRA, including determining whether sufficient reasonable and supportable information was available to apply the FRA. Where it was assessed that a FRA was impracticable, the Group determined, in line with the options available in IFRS 17, to use the FVA.

Notes to the consolidated financial statements continued

A. Significant accounting policies continued

A4.1 Insurance contract and investment contract with DPF liabilities continued

Amortisation of the CSM continued

In applying the FVA, the Group has used reasonable and supportable information at the transition date in order to identify groups of insurance contracts and to determine whether any contracts are considered to be direct participating contracts, which meet the VFA eligibility criteria. For groups of contracts measured using the FVA, the Group has aggregated contracts issued more than one year apart.

In estimating the fair value, the Group has used significant judgement to determine adjustments required to reflect a market participant's view, and also to allocate fair value between groups of insurance contracts as follows:

- only relevant future cash flows within the boundaries of the insurance contracts were included in the fair value estimation;
- assumptions about BEL were adjusted and simplified by applying IFRS 17 parameters i.e. discount rate, expenses, contract boundary plus incorporating the risk premium to reflect the view of a market participant;
- discount rates were determined at the transition date, based on the risk-free rate with an allowance for illiquid premium taken into account;
- the risk premium was calibrated to a market participant view of an appropriate cost of capital rate; and
- a proportional approach was used to allocate the risk premium to each group of insurance contracts.

Eligibility assessment for use of VFA

The Group has issued unit-linked and with-profits contracts, which fall within the scope of IFRS 17, where the return on the underlying items is shared with policyholders. Underlying items comprise mainly specified portfolios of investment assets for unit-linked contracts and the net assets of a with-profits fund for with-profits policies that determine amounts payable to policyholders. The Group has exercised significant judgement to assess whether the amounts expected to be paid to the policyholder constitute a substantial share of the fair value returns on the underlying items. The policyholder's share of the fair value returns on underlying items includes amounts deducted to cover non-investment services, e.g. administration and risk charges. The fair value returns assumed on the underlying items also reflect the expected real world returns over the duration of the contract or group of insurance contracts being tested.

Determination of contract boundaries

The assessment of the contract boundary defines which future cash flows are included in the measurement of a contract. This requires judgement and consideration of the Group's substantive rights and obligations under the contract. The Group exercises significant judgement in determining the appropriate contract boundaries, taking into consideration a number of factors, including: features and terms and conditions of products; any implied substantive obligations and rights arising from the features of the product or policyholder needs it is meeting; pricing practices; and administrative practices.

Cash flows are within the boundaries of investment contracts with DPF if they result from a substantive obligation of the Group to deliver cash at a present or future date.

Separating distinct investment components from insurance and reinsurance contracts

When assessing whether an 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. reduced asset management charges based on total size of contract; and
- other interacting features, e.g. insurance risk from premium waivers, return of premium covering both elements of the policy.

Where the investment component is non-distinct, the whole contract is measured under IFRS 17. Distinct investment components are separated from the host insurance contract and measured under IFRS 9.

A4.2 Fair value of financial assets and liabilities

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.

A4.3 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.

A4.4 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'.

A4.5 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.

A4.6 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 44 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. At 31 December 2023 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.

A5. 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.

Classification of Liabilities as Current and Non-current Liabilities with Covenants (Amendments to IAS 1 *Presentation of Financial Statements*) (1 January 2024)
The initial amendments clarify rather than change existing requirements and aim to assist entities in determining whether debt and other liabilities with an uncertain settlement date should be classed as current or non-current. It is currently not expected that there will be any reclassifications as a result of this clarification.

Non-current Liabilities with Covenants (Amendments to IAS 1 *Presentation of Financial Statements*) (1 January 2024)
Further amendments were then made which specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date. The amendments also introduce additional disclosure requirements. When an entity classifies a liability arising from a loan arrangement as non-current and that liability is subject to the covenants which an entity is required to comply with within 12 months of the reporting date, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liability could become repayable within 12 months of the reporting period. These amendments are not expected to have any impact on the Group.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 *Leases*) (1 January 2024)
The amendments relate to how a seller-lessee accounts for variable lease payments that arise in a sale and leaseback transaction. On initial recognition, the seller-lessee is required to include variable lease payments when measuring a lease liability arising from a sale-and-leaseback transaction. After initial recognition, they are required to apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognised. Seller-lessees are required to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation. These amendments are not expected to have any impact on the Group.

Supplier Finance Arrangements (Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*) (1 January 2024)
The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk These amendments are not expected to have any impact on the Group.

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.

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:

- Classification of Liabilities as Current and Non-current (Amendments to IAS 1);
- Non-current Liabilities with Covenants (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 *Leases*); and
- Supplier Finance Arrangements (Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*).

Notes to the consolidated financial statements continued

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. During the period the Group reassessed its reportable segments to reflect its transition to a purpose-led retirement specialist and the commencement of the grow, optimise and enhance stage of our strategic journey. The Group now has five operating segments comprising Retirement Solutions, Pensions & Savings, With-Profits, SunLife & Protection, and Europe & Other. The comparative information has been restated to reflect this change. 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-Profit 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 abrdn plc. 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-Profit 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-profit funds, with the exception of Standard Life Heritage With-Profit 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 now 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 and other one-off items.

The Group's adjusted operating profit methodology has been updated since it was disclosed in the 2022 consolidated financial statements following the transition to IFRS 17 *Insurance Contracts*.

The following sets out the adjusted operating profit methodology:

For unit-linked business accounted for under IFRS 9, adjusted operating profit reflects 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 reflects 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 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-profit fund (noted above) and the change in fair value of this business included within the measurement of the with-profit 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 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.

Revisions to methodology
The methodology to determine adjusted operating profit has been revised, compared to that disclosed in the Interim Financial Report 2023, for the following items:

- A 1-year (rather than a 15-year) risk-free rate has been used to derive the expected investment return assumption on assets backing insurance contract liabilities to reduce unintended economic volatility (see note B2.1);
- an adjustment to remove mismatches between the discount rate used within the valuation of the Group's pension scheme liabilities and the returns on the underlying assets, as noted within Economic Variances above; and
- a refinement to the approach used to quantify the level of trading profits.

The segmental result for the year ended 31 December 2022 presented in note B1.1 incorporates these revisions. The impact of these revisions is to reduce total segmental adjusted operating profit by £26 million, and correspondingly to increase economic variances by £26 million. There is no impact on the loss before the tax attributable to owners of the parent.

Notes to the consolidated financial statements continued

B. Earnings performance continued

B1.1 Segmental result

	Notes	2023 £m	2022 restated[1] £m
Adjusted operating profit			
Retirement Solutions		378	349
Pensions & Savings		190	150
With-Profits		10	54
Europe & Other		132	60
Corporate Centre		(93)	(69)
Total segmental adjusted operating profit		617	544
Economic variances	B2.2	147	(3,309)
Amortisation and impairment of acquired in-force business		(316)	(347)
Amortisation and impairment of other intangibles and goodwill	G2	(6)	(6)
Other non-operating items		(439)	(262)
Finance costs on borrowing attributable to owners		(195)	(199)
Loss before the tax attributable to owners of the parent		(192)	(3,579)
Profit before tax attributable to non-controlling interests		28	67
Loss before the tax attributable to owners		(164)	(3,512)

1 Prior period comparatives have been restated on transition to IFRS 17 *Insurance Contracts* (see note A2.1 for further details).

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 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.

Other non-operating items in respect of the year ended 31 December 2022 include:

- £73 million of costs associated with a strategic initiative to enhance capabilities to support the move towards the Group's strategic asset allocation alongside growth delivered through bulk purchase annuity transactions, investment in digital capability and transformation of operating model to support efficient growth;
- £47 million related to the increase in expected costs associated with the delivery of the Group Target Operating Model for IT and Operations, following a strategic decision to re-phase the programme, together with the costs of migrating policyholder administration onto the TCS platform for certain legacy portfolios of business;
- costs of £31 million associated with the ongoing ReAssure integration programme;
- costs of £15 million associated with the implementation of IFRS 17;
- £15 million of past service costs in relation to a Group pension scheme. Further details are included in note G1.1;
- £14 million relating to a support package to help colleagues navigate cost of living challenges, which included giving all colleagues, except the most senior staff, a one-off net of tax payment of £1,000 in August 2022;
- £12 million costs associated with the acquisition of SLF of Canada UK Limited; and
- Corporate project costs and net other one-off items totalling a cost of £55 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

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

2022 restated[1]	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Revenue from external customers:					
Insurance revenue	3,544	307	636	655	5,142
Fees and commissions	–	733	35	90	858
Total segmental revenue	3,544	1,040	671	745	6,000

1 Prior period comparatives have been restated on transition to IFRS 17 *Insurance Contracts* (see note A2.1 for further details).

Of the revenue from external customers presented in the table above, £5,583 million (2022: £5,792 million) is attributable to customers in the United Kingdom ('UK') and £245 million (2022: £208 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 £3,622 million (2022: £3,622 million) located in the UK and £299 million (2022: £352 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-Profit 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 has been revised, compared to that disclosed in the Interim Financial Report 2023, to use the 1-year (rather than 15-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 information below for the year ended 31 December 2022 includes these revisions and is presented on a consistent basis to that at 31 December 2023.

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 380 bps is added to the risk-free yield for equities (31 December 2022: 370 bps), 50 bps for properties (31 December 2022: 280 bps) and 130bps for debt securities (31 December 2022: 80 bps).

The principal assumptions, determined as at 1 January of each reporting period, underlying the calculation of the long-term investment return for surplus assets are:

	2023 %	2022 %
Equities	7.4	4.6
Properties	4.1	3.7
Debt securities	4.9	1.7

During 2022 UK interest rates increased significantly, this had the impact of increasing the risk-free yield at the 15-year point by 271bps from 0.91% to 3.62%.

B2.2 Life assurance business

The economic variances excluded from the long-term business operating profit are as follows:

	2023 £m	2022 £m
Economic variances	147	(3,309)

The net favourable economic variances of £147 million (2022: adverse £3,309 million) have primarily arisen as a result of a more stable market environment compared with the significant volatility experience during 2022. The impact of positive changes to discount rates, primarily on annuities and including the impact of methodology refinements (see note B2.1), more than offsets the losses arising from the impact of positive equity market movements on the hedges the Group holds to protect the Solvency II position. As the full value of future profits impacted by equity markets is not held on the IFRS balance sheet, this results in volatility in the Group's IFRS results.

Notes to the consolidated financial statements continued

B. Earnings performance continued

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 and other one-off 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.

2023	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	617	(195)	422	(586)	(164)
Tax (charge)/credit attributable to owners	(119)	46	(73)	149	76
Profit/(loss) for the year attributable to owners	498	(149)	349	(437)	(88)
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	498	(171)	327	(465)	(138)

2022 (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	544	(199)	345	(3,857)	(3,512)
Tax (charge)/credit attributable to owners	(119)	43	(76)	931	855
Profit/(loss) for the year attributable to owners	425	(156)	269	(2,926)	(2,657)
Coupon paid on Tier 1 notes, net of tax relief	–	(22)	(22)	–	(22)
Deduct: Share of result attributable to non-controlling interests	–	–	–	(67)	(67)
Profit/(loss) for the year attributable to ordinary equity holders of the parent	425	(178)	247	(2,993)	(2,746)

1 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

The weighted average number of ordinary shares outstanding during the period is calculated as follows:

	2023 Number million	2022 Number million
Issued ordinary shares at beginning of the year	1,000	1,000
Effect of ordinary shares issued	1	–
Effect of non-contingently issuable shares in respect of Group's long-term incentive plan	2	1
Own shares held by the employee benefit trust	(2)	(2)
Weighted average number of ordinary shares	1,001	999

The diluted weighted average number of ordinary shares outstanding during the period is 1,003 million (2022: 1,001 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 2,259,377 shares for the year ended 31 December 2023 (2022: 1,841,988 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 either of the years ended 31 December 2022 or 31 December 2023.

Earnings per share disclosures are as follows:

	2023 pence	2022 restated pence
Basic earnings per share	(13.8)	(274.9)
Diluted earnings per share	(13.8)	(274.9)
Basic adjusted operating earnings net of financing costs per share	32.7	24.7
Diluted adjusted operating earnings net of financing costs per share	32.6	24.7

B4. Dividends

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.

	2023 £m	2022 £m
Dividends declared and paid in the year	520	496

On 10 March 2023, the Board recommended a final dividend of 26.0p per share in respect of the year ended 31 December 2022. The dividend was approved at the Group's Annual General Meeting, which was held on 4 May 2023. The dividend amounted to £260 million and was paid on 10 May 2023.

On 15 September 2023, the Board declared an interim dividend of 26.0p per share for the half year ended 30 June 2023. The dividend amounted to £260 million and was paid on 23 October 2023.

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;
- experience adjustments arising from premiums received in the period other than those that relate to future service;
- 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.

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

C1. Insurance Revenue continued

2022	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	207	13	99	67	386
Change in risk adjustment for non-financial risk	76	11	8	7	102
Expected incurred claims and other insurance service expenses	3,260	300	546	564	4,670
Policyholder tax charges	–	(17)	(17)	1	(33)
Amounts relating to recovery of insurance acquisition cash flows	1	–	–	16	17
Insurance revenue	3,544	307	636	655	5,142
Comprising contracts measured using:					
Fair value approach at transition	1,828	307	602	479	3,216
Fully retrospective approach at transition and new contracts	1,716	–	34	176	1,926

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.

The table below disaggregates fees and commissions by segment.

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

2022 restated[1]	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Fee income from investment contracts without DPF	–	727	35	72	834
Initial fees deferred during the year	–	–	–	(9)	(9)
Revenue from investment contracts without DPF	–	727	35	63	825
Other revenue from contracts with customers	–	6	–	27	33
Fees and commissions	–	733	35	90	858

1. Prior period comparatives have been restated on transition to IFRS17 Insurance Contracts (see note A2.1 for further details).

Remaining performance obligations

The practical expedient under IFRS 15 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.

	2023 £m	2022 restated[1] £m
Investment income		
Interest income on financial assets at amortised cost	37	21
Interest income on financial assets at FVTPL	3,901	2,888
Dividend income	5,923	5,409
Rental income	324	343
Net interest expense on Group defined benefit pension scheme (liability)/asset	(109)	(64)
	10,076	8,597
Fair value gains/(losses)		
Financial assets and financial liabilities at FVTPL:		
Designated upon initial recognition	11,117	(38,539)
Mandatorily held	9	(6,707)
Investment property	(362)	(1,363)
	10,764	(46,609)
Net investment income	20,840	(38,012)

1 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

C4. Net finance (expense)/income 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.

2023	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	–	(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	31	(117)	45	(96)	(137)
Insurance finance expense	(1,961)	(1,590)	(1,914)	(1,517)	(6,982)
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	(1,839)	(1,590)	(1,869)	(1,505)	(6,803)

Notes to the consolidated financial statements continued

C. Other Income Statement notes continued

C4. Net finance (expense)/income from insurance contracts continued

2022	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	–	2,066	3,235	4,402	9,703
Unwind of discount on fulfilment cash flows	(698)	(9)	(144)	(8)	(859)
Interest accreted on the CSM	(44)	–	(6)	(5)	(55)
Effect of changes in interest rates and other financial assumptions	10,328	8	2,373	1,182	13,891
Policyholder tax	–	(42)	(15)	256	199
Insurance finance income	9,586	2,023	5,443	5,827	22,879
					–
Reinsurance contracts held					–
Unwind of discount on fulfilment cash flows	87	–	43	12	142
Interest accreted on the CSM	15	–	3	–	18
Effect of changes in interest rates and other financial assumptions	(423)	–	(439)	(351)	(1,213)
Reinsurance finance expense	(321)	–	(393)	(339)	(1,053)
Net insurance finance income	9,265	2,023	5,050	5,488	21,826

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 BEL and risk adjustment.

Mismatches between net investment income and insurance finance expense arises for the following reason:

- the annuity business within the Retirement Solutions segment uses the General Model for measurement. As a result, the 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 the Strategic Asset Allocation as set out in Note F11.2.1, and therefore insurance finance expenses are impacted by changes to this reference portfolio where the asset mix is based on the strategic investment objectives of the Group. 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 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 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-profit 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-profit fund where profits from these contracts accrue to the with-profit policyholders or to the with-profit fund estate, the non-profit contracts and their backing assets are considered to be an underlying item of the with-profit contracts and therefore changes in their fair value are included within insurance finance (expense)/income.

The non-profit contracts are 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-profit policyholders and therefore a mismatch arises. For unit-linked business which falls within the scope of IFRS 9 it is measured in line with the Group's accounting policy for investment contracts with this impact being taken through 'change in investment contract liabilities' and therefore is not included in net investment income. The assets backing the non-profit business in the with-profit 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:

	2023 £m	2022 restated[1] £m
Claim and benefits	1,441	2,290
(Reversal of losses)/losses on onerous insurance contracts	(22)	531
Cost of retroactive cover on reinsurance contracts held	3	2
Employee costs	664	611
Outsourcer expenses	308	247
Professional fees	571	441
Commission expenses	155	145
Office and IT costs	260	172
Investment management expenses and transaction costs	413	569
Direct costs of collective investment schemes	20	25
Depreciation	21	19
Pension past service costs	13	15
Pension administrative expenses	7	7
Advertising and sponsorship	66	63
Other	78	26
	3,998	5,163
Amounts attributed to Insurance acquisition cash flows incurred during the year	(154)	(128)
Amortisation of insurance acquisition cash flows	15	17
Total expenses	3,859	5,052
Reported within:		
Insurance service expenses	4,354	5,248
Net expenses from reinsurance contracts[2]	(2,169)	(1,617)
Administrative expenses	1,674	1,421
Total expenses	3,859	5,052

1 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

2 Reported as part of the 'Net expenses from reinsurance contracts' balance in the consolidated income statement.

Notes to the consolidated financial statements continued

C. Other Income Statement notes continued

C5. Expenses continued

Employee costs comprise:

	2023 £m	2022 £m
Wages and salaries	603	554
Social security contributions	61	57
	664	611

	2023 Number	2022 Number
Average number of persons employed	7,512	8,165

C6. Auditor's remuneration

During the year the Group obtained the following services from its auditor at costs as detailed in the table below.

	2023 £m	2022 £m
Audit of the consolidated financial statements	12.7	4.8
Audit of the Company's subsidiaries	12.9	10.7
	25.6	15.5
Audit-related assurance services	2.8	2.4
Total fee for assurance services	28.4	17.9
Total auditor's remuneration	28.4	17.9

No services were provided by the Company's auditors to the Group's pension schemes in either 2023 or 2022.

The increase in the audit fee during 2023 principally reflects the additional work undertaken in connection with the transition to IFRS 17.

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.

There were no other non-audit services provided during the year (2022: £nil).

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 92-99.

C7. Finance costs

Interest payable is recognised in the consolidated income statement as it accrues and is calculated using the effective interest method.

	2023 £m	2022 £m
Interest expense		
On financial liabilities at amortised cost	256	227
On leases	2	3
	258	230
Attributable to:		
– policyholders	8	3
– owners	250	227
	258	230

C8. Tax charge/(credit)

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. This allocation is calculated based on an assessment of the effective rate of tax that is applicable to owners for the year.

C8.1 Current year tax charge/(credit)

	2023 £m	2022 restated[1] £m
Current tax:		
UK corporation tax	28	36
Overseas tax	110	86
	138	122
Adjustment in respect of prior years	(16)	(23)
Total current tax charge	122	99
Deferred tax:		
Origination and reversal of temporary differences	(14)	(1,348)
Change in the rate of UK corporation tax	(6)	(206)
Write down/(up) of deferred tax assets	6	23
Total deferred tax credit	(14)	(1,531)
Total tax charge/(credit)	108	(1,432)
Attributable to:		
– policyholders	184	(577)
– owners	(76)	(855)
Total tax charge/(credit)	108	(1,432)

1 Prior period comparatives have been restated on transition to IFRS 17 *Insurance Contracts* (see note A2.1 for further details).

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 £184 million (2022: £577 million credit).

The 2023 current tax prior year adjustment arises principally from the carry back of tax losses arising from adverse market movements in 2022. The carry back of losses reduces the tax charge relating to prior periods and is broadly offset by a reduction in tax losses carried forward to future periods, on which a deferred tax asset is recognised. This is partially offset by true-ups from the tax reporting provisions in various entities within the group.

The 2022 current tax prior year adjustment relates principally to a tax dispute with HMRC in relation to the tax treatment of an asset formerly held by Guardian Assurance Limited (before the business was transferred to ReAssure Limited) was resolved in the period in favour of the Group. The 2021 current tax liability included an accrual for the total tax under dispute. The matter was heard before the First Tier Tribunal in May 2022 and the Court found in favour of ReAssure Limited. HMRC did not appeal against this decision and so the accrual for the potential tax liability was released.

C8.2 Tax (credited)/charged to other comprehensive income

	2023 £m	2022 £m
Current tax credit	(8)	–
Deferred tax (credit)/charge on defined benefit schemes	(13)	283
	(21)	283

C8.3 Tax credited to equity

	2023 £m	2022 restated £m
Current and deferred tax credit on Tier 1 Notes	(7)	(7)
Deferred tax credit on unrealised gains and other items	(1)	(10)
Deferred tax charge on share schemes	–	2
Total tax credit	(8)	(15)

Notes to the consolidated financial statements continued

C. Other Income Statement notes continued

C8.4 Reconciliation of tax charge/(credit)

	2023 £m	2022 restated £m
Profit/(loss) for the year before tax	20	(4,089)
Policyholder tax (charge)/credit	(184)	577
Loss before the tax attributable to owners	**(164)**	(3,512)
Tax credit at standard UK rate of 23.5% (2022:19%)[1]	(39)	(668)
Non-taxable gains[2]	(16)	(4)
Disallowable expenses	1	3
Prior year tax charge/(credit) for shareholders[3]	12	(7)
Movement on acquired in-force amortisation at rates other than 23.5% (2022: 19%)	12	20
Profits taxed at rates other than 23.5% (2022: 19%)[4]	(25)	12
Derecognition of previously recognised deferred tax assets[5]	(39)	10
Deferred tax rate change[6]	(6)	(206)
Current year losses not valued[7]	18	(17)
Other	6	2
Owners' tax charge/(credit)	(76)	(855)
Policyholder tax charge/(credit)	184	(577)
Total tax charge/(credit) for the year	**108**	(1,432)

1 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.
2 Relates principally to a profit arising on consolidation due to the purchase of the SLF of Canada UK Limited, not subject to deferred tax.
3 The 2023 prior year tax charge relates to true-ups from the tax reporting provisions in various entities within the group.
4 Profits taxed at rates other than 23.5% relates to overseas profits, consolidated fund investments and UK life company profits subject to marginal shareholder tax rates
5 Relates principally to increases in the recognised value of tax attributes in SLIDAC offset by a reduction in the future value of capital losses in ReAssure Limited.
6 Deferred tax rate change relates primarily to movements in deferred tax liabilities which are expected to unwind at rates in excess of the current year rate of 23.5%.
7 Relates to losses accruing in Phoenix Life Assurance Europe DAC in relation to which a deferred tax asset cannot be recognised.

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.

	2023 £m	2022 £m
Issued and fully paid:		
1,001.5 million ordinary shares of £0.10 each (2022: 1,000.4 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:

	2023 Number	2023 £	2022 Number	2022 £
Shares in issue at 1 January	1,000,352,477	100,035,247	999,536,058	99,953,605
Ordinary shares issued in the year	1,185,942	118,594	816,419	81,642
Shares in issue at 31 December	**1,001,538,419**	**100,153,841**	1,000,352,477	100,035,247

During the year, 1,185,942 shares (2022: 816,419) were issued at a premium of £6 million (2022: £4 million) in order to satisfy obligations to employees under the Group's sharesave schemes (see note I1).

The balance in the merger 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 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.

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.

	2023 £m	2022 £m
At 1 January	13	12
Shares acquired by the EBT	14	13
Shares awarded to employees by the EBT	(12)	(12)
At 31 December	15	13

During the year 1,942,979 (2022: 1,764,660) shares were awarded to employees by the EBT and 2,477,897 (2022: 1,970,764) shares were purchased. The number of shares held by the EBT at 31 December 2023 was 2,626,940 (2022: 2,092,022).

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.

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

2022	Owner-occupied property revaluation reserve £m	Cash flow hedging reserve £m	Total other reserves £m
At 1 January 2022	5	51	56
Other comprehensive expense for the year	(5)	(5)	(10)
At 31 December 2022	–	46	46

In June 2021, the Group entered into 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 (see note E5). Hedge accounting has been adopted effective from the date of designation of the hedging relationship. 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.

Notes to the consolidated financial statements continued

D. Equity continued

D4. Tier 1 notes

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.

	2023 £m	2022 £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 (2022: £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. If such redemption occurs prior to the fifth anniversary of the Issue Date, such redemption must be funded out of the proceeds of a new issuance of, or exchanged into, Tier 1 Own Funds of the same or a higher quality than the Tier 1 Notes. 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.

	APEOT 2023 £m	APEOT 2022 £m
At 1 January	**532**	460
Profit for the year	**28**	67
Dividends paid	**(11)**	(10)
Increase in non-controlling interests	**–**	15
At 31 December	**549**	532

The non-controlling interests of £549 million (2022: £532 million) reflects third party ownership of abrdn Private Equity Opportunities Trust plc ('APEOT') determined at the proportionate value of the third party interest in the underlying assets and liabilities. APEOT is a UK Investment Trust listed and traded on the London Stock Exchange. As at 31 December 2023, the Group held 53.6% (2022: 53.6%) of the issued share capital of APEOT.

The Group's interest in APEOT is held in the With-Profit and unit-linked funds of the Group's life companies. Therefore, the shareholder exposure to the results of APEOT is limited to the impact of those results on the shareholder share of distributed profits of the relevant fund.

Summary financial information showing the interest that non-controlling interests have in the Group's activities and cash flows is shown below:

APEOT	2023 £m	2022 £m
Statement of financial position:		
Financial assets	**586**	554
Other assets	**10**	12
Total assets	**596**	566
Total liabilities	**47**	34
Income statement:		
Net income	**37**	74
Profit after tax	**28**	67
Comprehensive income	**28**	67
Cash flows:		
Net decrease in cash and cash equivalents	**(1)**	(7)

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 and cash and cash equivalents 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, 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* for the current period (2022: IAS 39 *Financial Instruments: Recognition and Measurement*) as permitted by IAS 28 *Investments in Associates and Joint Ventures*. These are measured at fair value through profit or loss. There are no investments in associates which are of a strategic nature.

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).

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

E1. Fair values continued

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.

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 as at 31 December 2023:

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]	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 £m	Carrying value Amounts due for settlement after 12 months £m	Fair value £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]	162,784	–	162,784
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	173,946		173,838
Less amounts classified as financial liabilities held for sale (see note H3)[3]	(4,782)		(4,782)
Total financial liabilities less financial liabilities held for sale	169,164		169,056

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 Amounts classified as financial liabilities held for sale include derivative liabilities of £2 million and investment contract liabilities of £4,780 million.

2022 restated[1]	Carrying value Total £m	Carrying value Amounts due for settlement after 12 months £m	Fair value £m
Financial assets			
Financial assets mandatorily held at FVTPL:			
Held for trading – derivatives	4,071	3,353	4,071
Financial assets designated at FVTPL upon initial recognition:			
Equities[2]	76,780	–	76,780
Investment in associate (see note H4)[2]	329	–	329
Debt securities	84,710	70,115	84,710
Collective investment schemes[2]	78,353	–	78,353
Reinsurers' share of investment contract liabilities[2]	9,090	–	9,090
Financial assets measured at amortised cost:			
Loans and deposits	268	89	268
Total financial assets	253,601		253,601
Less amounts classified as financial assets held for sale (see note H3)[3]	(4,629)		(4,629)
Total financial assets less financial assets classified as held for sale	248,972		248,972

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

E1.1 Fair value analysis continued

2022 restated[1]	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:			
Held for trading – derivatives	5,879	5,118	5,879
Financial liabilities designated upon initial recognition:			
Borrowings	64	64	64
Net asset value attributable to unitholders[2]	3,042	–	3,042
Investment contract liabilities[2]	149,481	–	149,481
Financial liabilities measured at amortised cost:			
Borrowings	3,916	3,648	3,644
Obligations for repayment of collateral received	1,706	–	1,706
Total financial liabilities	164,088		163,816
Less amounts classified as financial liabilities held for sale(see note H3)[4]	(8,316)		(8,316)
Total financial liabilities less financial liabilities held for sale	155,772		155,500

1 Prior period comparatives have been restated on transition to IFRS 17 *Insurance Contracts* (see note A2.1 for further details).

2 These assets and liabilities have no specified settlement date.

3 Amounts classified as financial assets held for sale include derivatives of £3 million, equities of £43 million, debt securities of £1,594 million, collective investment schemes of £2,964 million and reinsurers' share of investment contract liabilities of £25 million.

4 Amounts classified as financial liabilities held for sale include derivative liabilities of £4 million and investment contract liabilities of £8,312 million.

E1.2 impairment of financial assets held at amortised cost

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets held at amortised cost by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ('ECL') approach. The new impairment model applies to the Group's financial assets carried at amortised cost.

A significant portion of the Group's financial assets are carried at FVTPL under IFRS 9 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 at transition 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.

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. 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 applicable. 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 re-assessing 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.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

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.

2023	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets measured at fair value				
Financial assets mandatorily held at FVTPL				
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	45,529	35,438	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	217,089	41,392	16,946	275,427
Less amounts classified as held for sale	(1,639)	(181)	(678)	(2,498)
Total financial assets measured at fair value, excluding amounts classified as held for sale	215,450	41,211	16,268	272,929
Financial assets measured at amortised cost for which fair values are disclosed				
Loans and deposits	–	17	–	17
	215,450	41,228	16,268	272,946

2023	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial liabilities measured at fair value				
Financial liabilities designated at FVTPL				
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	–	162,784	–	162,784
	2,921	162,784	45	165,750
Total financial liabilities measured at fair value	3,073	165,770	251	169,094
Less amounts classified as held for sale	–	(4,782)	–	(4,782)
Total financial liabilities measured at fair value, excluding amounts classified as held for sale	3,073	160,988	251	164,312
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	165,732	251	169,056

2022 restated[1]	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets measured at fair value				
Financial assets mandatorily held at FVTPL				
Derivatives	165	3,754	152	4,071
Financial assets designated at FVTPL upon initial recognition:				
Equities	74,464	124	2,192	76,780
Investment in associate	329	–	–	329
Debt securities	48,151	25,094	11,465	84,710
Collective investment schemes	75,962	2,079	312	78,353
Reinsurers' share of investment contract liabilities	9,090	–	–	9,090
	207,996	27,297	13,969	249,262
Total financial assets measured at fair value	208,161	31,051	14,121	253,333
Less amounts classified as held for sale	(3,661)	(179)	(789)	(4,629)
Total financial assets measured at fair value, excluding amounts classified as held for sale	204,500	30,872	13,332	248,704
Financial assets measured at amortised cost for which fair values are disclosed				
Loans and deposits	–	261	7	268
	204,500	31,133	13,339	248,972

2022 restated[1]	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial liabilities measured at fair value				
Financial liabilities mandatorily at FVTPL				
Derivatives	98	5,538	243	5,879
Financial liabilities designated at FVTPL upon initial recognition:				
Borrowings	–	–	64	64
Net asset value attributable to unitholders	3,042	–	–	3,042
Investment contract liabilities	–	149,481	–	149,481
	3,042	149,481	64	152,587
Total financial liabilities measured at fair value	3,140	155,019	307	158,466
Less amounts classified as held for sale	–	(8,316)	–	(8,316)
Total financial liabilities measured at fair value, excluding amounts classified as held for sale	3,140	146,703	307	150,150
Financial liabilities measured at amortised cost for which fair values are disclosed				
Borrowings	–	3,644	–	3,644
Obligations for repayment of collateral received	–	1,706	–	1,706
Total financial liabilities measured at amortised cost for which fair values are disclosed	–	5,350	–	5,350
	3,140	152,053	307	155,500

1. Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

E2.3 Significant inputs and input values for Level 3 financial instruments

Description	Valuation technique	Significant inputs	Key unobservable input value 2023	Key unobservable input value 2022
Equities	Single broker[1] and net asset value[2]	Single broker indicative price	**N/A**	N/A
Debt securities (see E2.3.1 for further details)				
Loans guaranteed by export credit agencies & supranationals	DCF model[3]	Credit spread	**78bps (weighted average)**	111bps (weighted average)
Private corporate credit	DCF model[3]	Credit spread	**145bps (weighted average)**	169bps (weighted average)
Infrastructure loans	DCF model[3]	Credit spread	**160bps (weighted average)**	220bps (weighted average)
Loans to housing associations	DCF model[3]	Credit spread	**139bps (weighted average)**	164bps (weighted average)
Local authority loans	DCF model[3]	Credit spread	**130bps (weighted average)**	137bps (weighted average)
Equity Release Mortgage loans ('ERM')	DCF model and Black-Scholes model[4]	Spread	**256bps over Sonia plus 36bps**	260bps over the IFRS reference curve
		House price inflation	**+75bps adjustment to RPI**	+75bps adjustment to RPI
		House prices	**£280,316 (average)**	£304,088 (average)
		Mortality	**Average life expectancy of a male and female currently aged 75 is 14.1 years and 15.6 years respectively**	Average life expectancy of a male and female currently aged 75 is 14.5 years and 15.9 years respectively
		Voluntary redemption rate	**190bps to 650bps**	150bps to 700bps
Commercial real estate loans	DCF model[3]	Credit spread	**253bps (weighted average)**	253bps (weighted average)
Income strips[5]	Income capitalisation	Credit spread	**613bps**	661bps
Collective investment schemes	Net asset value statements[2]	N/A	**N/A**	N/A
Borrowings				
Property reversions loans (see note E5)	Internally developed model	Mortality rate	**130% IFL92C15 (Female)[6]**	130% IFL92C15 (Female)[6]
			130% IML92C15 (Male)[6]	130% IML92C15 (Male)[6]
		House price inflation	**3-year RPI rate plus 75bps**	3-year RPI rate plus 75bps
		Discount rate	**3-year swap rate plus 170 bps**	3-year swap rate plus 170 bps
		Deferred possession rate	**370bps**	370bps
Derivative assets and liabilities				
Forward private placements, infrastructure and local authority loans[7]	DCF model[3]	Credit spread	**111bps (weighted average)**	145bps (weighted average)
Longevity swaps[8]	DCF model[3]	Swap curve	**swap curve**	swap curve + 36bps
Equity Release Income Plan total return swap[9]	DCF model[3]	Credit spread	**500bps**	500bps

1 Broker indicative prices: Although such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

2 Net asset value statements: Net asset statements are provided by independent third parties, and therefore no significant non-observable input or sensitivity information has been prepared for those instruments valued on this basis.

3 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.

4 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.

5 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.

6 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).

7 Derivative liabilities include forward investments of £54 million (2022: £146 million) which include a commitment to acquire or provide funding for fixed rate debt instruments at specified future dates.

8 Included within derivative assets and liabilities are longevity swap contracts with corporate pension schemes with a fair value of £230 million (2022: £152 million) and £100 million (2022: £34 million) respectively.

9 Included within derivative liabilities is the Equity Release Income Plan ('ERIP') total return swap with a value of £50 million (2022: £63 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	2023 £m	2022 £m
Unquoted corporate bonds:		
Loans guaranteed by export credit agencies & supranationals	486	402
Private corporate credit	1,829	1,422
Infrastructure loans – project finance	1,097	882
Infrastructure loans – corporate	1,493	1,175
Loans to housing associations	1,186	691
Local authority loans	932	596
Equity release mortgages	4,486	3,934
Commercial real estate loans	1,147	1,104
Income strips	674	786
Bridging loans to private equity funds	470	462
Other	18	11
Total Level 3 debt securities	**13,818**	**11,465**
Less amounts classified as held for sale	(674)	(786)
Total Level 3 debt securities excluding amounts classified as held for sale	**13,144**	**10,679**

E2.4 Sensitivities of Level 3 instruments

	2023 £m	2022 £m
Debt securities – Loans guaranteed by export credit agencies & supranationals		
65 bps increase in spread	(13)	(9)
65 bps decrease in spread	14	11
Debt securities – Private corporate credit		
65 bps increase in spread	(103)	(98)
65 bps decrease in spread	116	112
Debt securities – Infrastructure loans		
65 bps increase in spread	(129)	(103)
65 bps decrease in spread	134	107
Debt securities – Loans to housing associations		
65 bps increase in spread	(93)	(54)
65 bps decrease in spread	105	58
Debt securities – Local authority loans		
65 bps increase in spread	(82)	(51)
65 bps decrease in spread	90	55
Debt securities – ERM loans		
100bps increase in spread	(373)	(329)
100bps decrease in spread	410	370
5% increase in mortality	16	13
5% decrease in mortality	(18)	(14)
15% increase in voluntary redemption rate	44	49
15% decrease in voluntary redemption rate	(47)	(52)
1% increase in house price inflation	52	27
1% decrease in house price inflation	(74)	(42)
10% increase in house prices	38	22
10% decrease in house prices	(59)	(38)
Debt securities – CRELs		
65 bps increase in spread	(44)	(18)
65 bps decrease in spread	48	19
Debt securities – Income strips		
65bps increase in spread (2022: 35 bps increase in spread)	(89)	(76)
65bps decrease in spread (2022: 35 bps decrease in spread)	109	88
Derivatives – Forward private placements, infrastructure and local authority loans		
65 bps increase in spread	(6)	(30)
65 bps decrease in spread	7	31
Derivatives – Longevity swap contracts		
100bps increase in swap curve	(20)	(17)
100bps decrease in swap curve	25	21
Derivatives – Equity Release Income Plan total return swap		
100bps increase in spread	1	2
100bps decrease in spread	(1)	(2)

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

E2.4 Sensitivities of Level 3 instruments continued

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.

For those assets valued using net asset value statements (equities and collective investment schemes) no sensitivity information has been prepared as the net asset statements are provided by independent third parties.

E2.5 Transfers of financial instruments between Level 1 and Level 2

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
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.

2022	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	48	–
Financial assets designated at FVTPL upon initial recognition:		
Equities	73	5
Debt securities	1,478	1,267
Collective investment schemes	28	–

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

2023	At 1 January 2023 £m	Reclassification of balances on transition to IFRS 9[1] £m	At 1 January 2023 (restated) £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[2] £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	7	(1)	–	(6)	–	–	–	–
Derivatives	152	–	152	80	–	–	–	–	232	80
Equities	2,192	–	2,192	163	433	(293)	2	(2)	2,495	14
Debt securities	11,465	–	11,465	416	7,011	(5,224)	150	–	13,818	475
Collective investment schemes	312	–	312	46	47	(5)	1	–	401	46
Total financial assets measured at fair value	14,121	7	14,128	704	7,491	(5,528)	153	(2)	16,946	615

1 See note A2.2.1 for further details.

2 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

2022	At 1 January 2022 £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 2022[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	237	(85)	–	–	–	–	152	(85)
Financial assets designated at FVTPL upon initial recognition:								
Equities	1,899	177	438	(369)	47	–	2,192	12
Debt securities	12,452	(3,544)	6,838	(4,277)	2	(6)	11,465	(3,595)
Collective investment schemes	286	(79)	108	(3)	–	–	312	(73)
	14,637	(3,446)	7,384	(4,649)	49	(6)	13,969	(3,656)
Total financial assets measured at fair value	14,874	(3,531)	7,384	(4,649)	49	(6)	14,121	(3,741)

1 Total financial assets of £14,121 million includes £789 million classified as held for sale.

2022	At 1 January 2022 £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 2022[1] £m	Unrealised losses on liabilities held at end of period £m
Financial liabilities measured at fair value								
Financial liabilities mandatorily held at FVTPL:								
Derivatives	125	130	–	(12)	–	–	243	123
Financial liabilities designated at FVTPL upon initial recognition:								
Borrowings	70	9	–	(15)	–	–	64	9
Total financial liabilities measured at fair value	195	139	–	(27)	–	–	307	132

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

E3.1 Summary

The fair values of derivative financial instruments are as follows:

	Assets 2023 £m	Liabilities 2023 £m	Assets 2022 £m	Liabilities 2022 £m
Forward currency	265	97	327	221
Credit default swaps	9	2	4	18
Contracts for difference	2	1	3	3
Interest rate swaps	1,456	2,290	2,281	4,313
Swaptions	164	65	187	46
Inflation swaps	187	142	295	104
Equity options	107	106	334	147
Stock index futures	18	87	162	36
Fixed income futures	84	124	95	231
Longevity swap contracts	230	100	152	34
Currency futures	15	5	4	8
Cross currency swaps	232	274	227	653
Equity Release Income Plan total return swap	–	50	–	63
Other	–	1	–	2
	2,769	3,344	4,071	5,879
Less amounts classified as held for sale	(3)	(2)	(3)	(4)
	2,766	3,342	4,068	5,875

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 £230 million and derivative liabilities of £100 million have been recognised as at 31 December 2023 (2022: £152 million and £34 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 2023 (2022: 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.

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

	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

2022	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	3,747	1,055	2,293	399
Exchange traded derivatives	324	193	28	103
Stock lending	1,451	1,451	–	–
Total	5,522	2,699	2,321	502

	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	5,606	2,206	2,293	1,107
Exchange traded derivatives	273	36	28	209
Total	5,879	2,242	2,321	1,316

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

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 £505 million (2022: £471 million).

The amounts recognised as financial assets and liabilities from cash collateral received at 31 December 2023 are set out below.

	OTC derivatives	
	2023 £m	2022 £m
Financial assets	971	1,513
Financial liabilities	(971)	(1,513)

The maximum exposure to credit risk in respect of OTC derivative assets is £2,629 million (2022: £3,747 million) of which credit risk of £2,434 million (2022: £3,348 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 £137 million (2022: £324 million) is mitigated through regular margining and the protection offered by the exchange.

Assets pledged

The Group pledges collateral in respect of its OTC derivative liabilities. The value of assets pledged at 31 December 2023 in respect of OTC derivative liabilities of £3,126 million (2022: £5,606 million) amounted to £1,936 million (2022: £3,228 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 £897 million (2022: £1,586 million).

The maximum exposure to credit risk in respect of stock lending transactions is £836 million (2022: £1,451 million) of which credit risk of £833 million (2022: £1,451 million) is mitigated through the use of collateral arrangements.

E4.4 Other collateral arrangements

At 31 December 2023, 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 £100 million (2022: £nil).

The maximum exposure to credit risk in respect of reverse repurchase transactions is £100 million (2022: £ nil) of which credit risk of £100 million (2022: £ nil) 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-profit operations.

E5.1 Analysis of borrowings

	Carrying value		Fair value	
	2023 £m	2022 £m	2023 £m	2022 £m
£300 million multi-currency revolving credit facility (note a)	90	62	90	62
Property reversions loan (note b)	45	64	45	64
Total policyholder borrowings	135	126	135	126
£428 million Tier 2 subordinated notes (note c)	197	427	202	429
US $500 million Tier 2 notes (note d)	391	413	377	390
€500 million Tier 2 bonds (note e)	430	439	419	416
US $750 million Contingent Convertible Tier 1 notes (note f)	587	618	563	580
£500 million Tier 2 notes (note g)	489	487	476	445
US $500 million Fixed Rate Reset Tier 2 notes (note h)	274	412	262	382
£500 million 5.867% Tier 2 subordinated notes (note i)	536	543	493	465
£250 million Fixed Rate Reset Callable Tier 2 subordinated notes (note j)	254	259	239	244
£250 million 4.016% Tier 3 subordinated notes (note k)	253	256	250	231
£350 million Fixed Rate Reset Callable Tier 2 subordinated notes (note l)	346	–	368	–
Total shareholder borrowings	3,757	3,854	3,649	3,582
Total borrowings	3,892	3,980	3,784	3,708
Amount due for settlement after 12 months	3,802	3,918		

a abrdn Private Equity Opportunities Trust plc ('APEOT') has in place a syndicated multi-currency revolving credit facility, of which £90 million (2022: £62 million) had been drawn down as at 31 December 2023. During 2022 the amount of the facility was increased from £200 million to £300 million and its term maturity was extended to December 2025. Interest accrues on this facility at a margin over the reference rate of the currency drawn.

b 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 2023, repayments totalling £21 million were made (2022: £15 million). Note G4 contains details of the assets that support this loan.

c On 23 January 2015, PGH Capital plc ('PGHC') issued £428 million of subordinated notes due 2025 at a coupon of 6.625%. Fees associated with these notes of £3 million were deferred and are being amortised over the life of the notes in the statement of consolidated financial position. Upon exchange £32 million of these notes were held by Group companies. During 2017, the internal holdings were sold to third parties, thereby increasing external borrowings by £32 million. On 20 March 2017, Old PGH (the Group's ultimate parent company up to December 2018) was substituted in place of PGHC as issuer of the £428 million subordinated notes and then on 12 December 2018 the Company was substituted in place of Old PGH as issuer. On 7 December 2023, the Company repurchased £231 million of the principal amount of the notes via a tender offer. The remaining principal amount of the notes at 31 December 2023 is £197 million.

d On 6 July 2017, Old PGH issued US $500 million Tier 2 bonds due 2027 with a coupon of 5.375%. Fees associated with these notes of £2 million were deferred and are being amortised over the life of the notes. On 12 December 2018 the Company was substituted in place of Old PGH as issuer.

e On 24 September 2018, Old PGH issued €500 million Tier 2 notes due 2029 with a coupon of 4.375%. Fees associated with these notes of £7 million were deferred and are being amortised over the life of the notes. On 12 December 2018 the Company was substituted in place of Old PGH as issuer.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

E5.1 Analysis of borrowings continued

f On 29 January 2020, the Company issued US $750 million fixed rate reset perpetual restricted Tier 1 contingent convertible notes (the 'Contingent Convertible Tier 1 Notes') which are unsecured and subordinated. The Contingent Convertible Tier 1 Notes have no fixed maturity date and interest is payable only at the sole and absolute discretion of the Company. The Contingent Convertible Tier 1 Notes bear interest on their principal amount at a fixed rate of 5.625% per annum up to the 'First Reset Date' of 26 April 2025. Thereafter the fixed rate of interest will be reset on the First Reset Date and on each fifth anniversary of this date by reference to the sum of the yield of the Constant Maturity Treasury ('CMT') rate (based on the prevailing five-year US Treasury yield) plus a margin of 4.035%, being the initial credit spread used in pricing the notes. Interest is payable on the Contingent Convertible Tier 1 Notes semi-annually in arrears on 26 April and 26 October. If an interest payment is not made it is cancelled and it shall not accumulate or be payable at any time thereafter.

The terms of the Contingent Convertible Tier 1 Notes contain a contingent settlement provision which is linked to the occurrence of a 'Capital Disqualification Event'. Such an event is deemed to have taken place where, as a result of a change to the Solvency II regulations, the Contingent Convertible Tier 1 Notes are fully excluded from counting as own funds. On the occurrence of such an event and where the Company has chosen not to use its corresponding right to redeem the notes the Company shall no longer be able to exercise its discretion to cancel any interest payments due on such Contingent Convertible Tier 1 Notes on any interest payment date following the occurrence of this event. Accordingly the Contingent Convertible Tier 1 Notes are considered to meet the definition of a financial liability for financial reporting purposes.

The Contingent Convertible Tier 1 Notes may be redeemed at par on the First Reset Date or on any interest payment date thereafter at the option of the Company and also in other limited circumstances. If such redemption occurs prior to the fifth anniversary of the Issue Date such redemption must be funded out of the proceeds of a new issuance of, or exchanged into, Tier 1 Own Funds of the same or a higher quality than the Contingent Convertible Tier 1 Notes. In respect of any redemption or purchase of the Contingent Convertible Tier 1 Notes, such redemption or purchase is subject to the receipt of permission to do so from the PRA. Furthermore, on occurrence of a trigger event, linked to the Solvency II capital position and as documented in the terms of the Contingent Convertible Tier 1 Notes, the Contingent Convertible Tier 1 Notes will automatically be subject to conversion to ordinary shares of the Company at the conversion price of US $1,000 per share, subject to adjustment in accordance with the terms and conditions of the notes and all accrued and unpaid interest will be cancelled. Following such conversion there shall be no reinstatement of any part of the principal amount of, or interest on, the Contingent Convertible Tier 1 Notes at any time.

g On 28 April 2020, the Company issued £500 million fixed rate Tier 2 Notes (the 'Tier 2 Notes') which are unsecured and subordinated. The Tier 2 Notes have a maturity date of 28 April 2031 and include an issuer par call right for the three-month period prior to maturity. The Tier 2 Notes bear interest on the principal amount at a fixed rate of 5.625% per annum payable annually in arrears on 28 April each year.

h On 4 June 2020, the Company issued US $500 million fixed rate reset callable Tier 2 notes (the 'Fixed Rate Reset Tier 2 Notes') which are unsecured and subordinated. The Fixed Rate Reset Tier 2 notes have a maturity date of 4 September 2031 with an optional issuer par call right on any day in the three-month period up to and including 4 September 2026. The Fixed Rate Reset Tier 2 Notes bear interest on the principal amount at a fixed rate of 4.75% per annum up to the interest rate reset date of 4 September 2026. If the Fixed Rate Reset Tier 2 Notes are not redeemed before that date, the interest rate resets to the sum of the applicable CMT rate (based on the prevailing five-year US Treasury yield) plus a margin of 4.276%, being the initial credit spread used in pricing the notes. Interest is payable on the Fixed Rate Reset Tier 2 Notes semi-annually in arrears on 4 March and 4 September each year. On 7 December 2023, the Company repurchased US $150 million of the principal amount of the Fixed Rate Reset Tier 2 Notes via a tender offer. The remaining principal amount of the notes at 31 December 2023 is US $350 million.

i On 22 July 2020, as part of the acquisition of ReAssure Group plc, the Group assumed the £500 million 5.867% Tier 2 subordinated notes. On the same date, the Company was substituted in place of ReAssure Group plc as issuer of the notes. The £500 million 5.867% Tier 2 subordinated notes have a maturity date of 13 June 2029 and were initially recognised at their fair value as at the date of acquisition of £559 million. The fair value adjustment is being amortised over the remaining life of the notes. Interest is payable semi-annually in arrears on 13 June and 13 December.

j On 22 July 2020, as part of the acquisition of ReAssure Group plc, the Group assumed the £250 million fixed rate reset callable Tier 2 subordinated notes. On the same date, the Company was substituted in place of ReAssure Group plc as issuer of the notes. The £250 million fixed rate reset callable Tier 2 subordinated notes have a maturity date of 13 June 2029 and were initially recognised at their fair value as at the date of acquisition of £275 million. The fair value adjustment is being amortised over the remaining life of the notes. The notes include an issuer par call right exercisable on 13 June 2024. Interest is payable semi-annually in arrears on 13 June and 13 December. These notes initially bear interest at a rate of 5.766% on the principal amount and the rate of interest will reset on 13 June 2024, and on each interest payment date thereafter, to a margin of 5.17% plus the yield of a UK Treasury Bill of similar term.

k On 22 July 2020, as part of the acquisition of ReAssure Group plc, the Group assumed the £250 million 4.016% Tier 3 subordinated notes. On the same date, the Company was substituted in place of ReAssure Group plc as issuer of the notes. The £250 million 4.016% Tier 3 subordinated notes have a maturity date of 13 June 2026 and were initially recognised at their fair value as at the date of acquisition of £259 million. The fair value adjustment is being amortised over the remaining life of the notes. Interest is payable semi-annually in arrears on 13 June and 13 December.

l On 6 December 2023, the Company issued £350 million fixed rate reset callable Tier 2 notes which are unsecured and subordinated. The notes have a maturity date of 6 December 2053 with an optional issuer par call right on any day in the six-month period up to and including 6 December 2033. The notes bear interest on the principal amount at a fixed rate of 7.75% per annum up to the interest rate reset date of 6 December 2033. If the notes are not redeemed before that date, the interest rate resets to the sum of the 5 year benchmark Gilt rate plus a margin of 4.65%, being the sum of the initial credit spread used in pricing the notes and a 1% margin step-up. Interest is payable on the notes semi-annually in arrears on 6 June and 6 December each year.

m The Group has in place a £1.75 billion unsecured revolving credit facility (the 'revolving facility'), maturing in June 2026. The facility accrues interest at a margin over SONIA that is based on credit rating. The facility remains undrawn as at 31 December 2023.

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 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 subordinated notes	427	–	(231)	–	–	1	197
US $500 million Tier 2 bonds	413	–	–	–	(22)	–	391
€500 million Tier 2 notes	439	–	–	–	(10)	1	430
US $750 million Contingent Convertible Tier 1 notes	618	–	–	–	(32)	1	587
£500 million Tier 2 notes	487	–	–	–	–	2	489
US $500 million Fixed Rate Reset Tier 2 notes	412	–	(119)	–	(20)	1	274
£500 million 5.867% Tier 2 subordinated notes	543	–	–	–	–	(7)	536
£250 million Fixed Rate Reset Callable Tier 2 subordinated notes	259	–	–	–	–	(5)	254
£250 million 4.016% Tier 3 subordinated notes	256	–	–	–	–	(3)	253
£350 million Fixed Rate Reset Callable Tier 2 subordinated notes	–	346	–	–	–	–	346
Derivative assets[2]	(225)	–	–	108	–	(1)	(118)
	3,755	410	(408)	110	(84)	(9)	3,774

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.

		Cash movements		Non-cash movements			
	At 1 January 2022 £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 2022 £m
£300 million multi-currency revolving credit facility	17	61	(17)	–	1	–	62
Property Reversions loan	70	–	(15)	9	–	–	64
£428 million Tier 2 subordinated notes	427	–	–	–	–	–	427
£450 million Tier 3 subordinated notes	450	–	(450)	–	–	–	–
US $500 million Tier 2 bonds	368	–	–	–	45	–	413
€500 million Tier 2 notes	416	–	–	–	22	1	439
US $750 million Contingent Convertible Tier 1 notes	551	–	–	–	66	1	618
£500 million Tier 2 notes	485	–	–	–	–	2	487
US $500 million Fixed Rate Reset Tier 2 notes	368	–	–	–	44	–	412
£500 million 5.867% Tier 2 subordinated notes	550	–	–	–	–	(7)	543
£250 million Fixed Rate Reset Callable Tier 2 subordinated notes	266	–	–	–	–	(7)	259
£250 million 4.016% Tier 3 subordinated notes	257	–	–	–	–	(1)	256
Derivative assets[2]	(48)	–	–	(177)	–	–	(225)
Derivative liabilities[2]	5	–	–	(5)	–	–	–
	4,182	61	(482)	(173)	178	(11)	3,755

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.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

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-profit 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 the New 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-profit business funds (which include all of the Group's participating business), non-linked non-profit funds and unit-linked funds.

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 take into account the impact on the Group's pension schemes, including any impact arising as a result of the elimination of intra-group buy-in transactions between the life companies and the Group's pension schemes. It also 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 Climate Report and Task Force for Climate-related Financial Disclosures ('TCFD').

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-profit 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-profit funds (where risks and rewards fall wholly to shareholders), non-profit funds and shareholders' funds.

The Group holds £18,479 million (2022: £15,977 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 £388 million (2022: £305 million) to fund against the risk of default.

A 100bps widening of credit spreads, with all other variables held constant and no change in assumed expected defaults, would result in a decrease in the profit after tax in respect of a full financial year, and in equity, of £357 million (2022: £480 million), and a decrease in CSM of £5 million (2022: £6 million).

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, and in equity, of £485 million (2022: £626 million), and an increase in CSM of £6 million (2022: £10 million).

Credit risk is managed by the monitoring of aggregate Group exposures to individual counterparties and by appropriate credit risk diversification. The Group manages the level of credit risk it accepts through credit risk tolerances and limits (including asset class, industry and geography limits). Additional controls for illiquid asset concentration risk are set out via specific risk limits within the risk appetite 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.

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.

2022 restated	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	–	4	–	–	–	193	71	268	–	268
Derivatives	–	1,500	1,060	28	–	1,370	113	4,071	(3)	4,068
Debt securities[2,3]	6,834	26,095	19,045	16,238	1,929	7,182	7,387	84,710	(1,594)	83,116
Reinsurance contract assets	–	2,418	1,579	–	–	74	–	4,071	–	4,071
Reinsurers' share of investment contract liabilities	–	–	–	–	–	–	9,090	9,090	(25)	9,065
Cash and cash equivalents	339	1,160	5,749	63	–	5	1,556	8,872	(33)	8,839
	7,173	31,177	27,433	16,329	1,929	8,824	18,217	111,082	(1,655)	109,427

1 Prior period comparatives have been restated on transition of IFRS17 Insurance Contracts (see note A2.1 for further details).

2 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. £149 million of AAA, £1,083 million of AA, £1,742 million of A, £2,766 million of BBB and £367 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'.

3 Non-rated debt securities includes equity release mortgages with a value of £3,934 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.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

E6.2.1 Credit risk continued

Credit quality of assets continued

The Group operates an Asset Management Risk Committee, a Rating Committee and a Portfolio Credit Committee to monitor and perform 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 do not have a public rating from an external credit assessment institution or from external asset managers. 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 2023, the Group has taken de-risking action to increase the overall credit quality of its asset portfolio and mitigate the impact of future downgrades on risk capital. Further details are included in the Risk Management section of the Strategic Report.

The Group has increased exposure to an array of illiquid credit assets such as equity release mortgages, local authority loans, social housing, infrastructure and commercial real estate loans with the aim of achieving greater diversification and investment returns, consistent with the Strategic Asset Allocation 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.

Credit risk 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 value of credit risk associated with financial liabilities designated at FVTPL is not considered to be significant.

Concentration of credit risk

Concentration of credit risk might exist where the Group 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 Counterparty Credit Risk 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 OTC 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 (minimum rating requirement of A-). The Group restricts concentration with individual external reinsurers by specifying limits on ceding and minimum conditions for acceptance and retention of reinsurers. In recent years 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 and the asset is not fully secured and is not carried at fair value. See note E4 for further information on collateral arrangements.

E6.2.2 Market risk

Market risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable market movements. 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 surplus assets including shareholder reserves yet to be distributed, surplus assets within the with-profit 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 remain volatile particularly given geopolitical tensions, heightened inflation, and action by central banks to reduce inflationary pressures on economies whilst balancing the need to aid post-pandemic recovery. This is noted in the Strategic Report principal risk section.

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. For unsupported participating business, some element of investment mismatching is permitted where it is consistent with the principles of treating customers fairly. The with-profit funds of the Group provide capital to allow such mismatching to be effected. 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. Changes in the value of the Group's holdings in swaptions as a result of time decay or changes to interest rate volatility are not captured in the sensitivity analysis.

With-profit business and non-participating business within the with-profit 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-profit 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-profit 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 sensitivity analysis results for IFRS are based on a combination of modelled results and Solvency II adjusted sensitivity results. Sensitivity results include an allowance for estate distribution absorption on with-profit business and the second-order impact on Risk Adjustment but excludes the impact on the Group's pension schemes.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

E6.2.2 Market risk continued

Interest rate and inflation risk continued

	Change in interest rate	2023 Impact on profit after tax and equity £m	2023 Impact on CSM £m	2022 restated[1] Impact on profit after tax and equity £m	2022 restated[1] Impact on CSM £m
Insurance contract and reinsurance contract balances	+1%	3,682	(51)	3,321	(52)
Investment contract without DPF balances	+1%	1,551	–	1,451	–
Financial assets subject to interest rate risk backing insurance and reinsurance contract balances	+1%	(3,988)	–	(3,599)	–
Financial assets subject to interest rate risk backing investment contract without DPF balances	+1%	(1,550)	–	(1,451)	–
Other financial assets subject to interest rate risk	+1%	(222)	–	(317)	–
Insurance contract and reinsurance contract balances	-1%	(4,873)	103	(4,503)	123
Investment contract without DPF balances	-1%	(2,051)	–	(1,921)	–
Financial assets subject to interest rate risk backing insurance and reinsurance contract balances	-1%	5,253	–	4,927	–
Financial assets subject to interest rate risk backing investment contract without DPF balances	-1%	2,049	–	1,921	–
Other financial assets subject to interest rate risk	-1%	222	–	317	–

	Change in inflation	2023 Impact on profit after tax and equity £m	2023 Impact on CSM £m	2022 restated[1] Impact on profit after tax and equity £m	2022 restated[1] Impact on CSM £m
Insurance contract and reinsurance contract balances	+1%	(944)	(7)	(683)	(7)
Investment contract without DPF balances	+1%	(173)	–	(165)	–
Financial assets subject to inflation risk backing insurance and reinsurance contract balances	+1%	983	–	692	–
Financial assets subject to inflation risk backing investment contract without DPF balances	+1%	173	–	165	–
Other financial assets subject to inflation risk	+1%	9	–	22	–
Insurance contract and reinsurance contract balances	-1%	840	37	598	35
Investment contract without DPF balances	-1%	145	–	135	–
Financial assets subject inflation risk backing insurance and reinsurance contract balances	-1%	(868)	–	(597)	–
Financial assets subject to inflation risk backing investment contract without DPF balances	-1%	(145)	–	(135)	–
Other financial assets subject to inflation risk	-1%	(7)	–	(18)	–

1 Prior period comparatives have been restated on transition to IFRS17 Insurance Contracts (see note A2.1 for further details).

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-profit 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-profit 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-profit 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 treating customers fairly. 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 but excludes the impact on the Group's pension schemes.

		2023		2022 restated[1]	
	Change in equity prices	Impact on profit after tax and equity £m	Impact on CSM £m	Impact on profit after tax and equity £m	Impact on CSM £m
Insurance contract and reinsurance contract balances	+10%	(2,079)	117	(2,082)	124
Investment contract without DPF balances	+10%	(7,636)	–	(7,031)	–
Financial assets subject to equity price risk backing insurance and reinsurance contract balances	+10%	2,159	–	2,205	–
Financial assets subject to equity price risk backing Investment contract without DPF balances	+10%	7,636	–	7,031	–
Other financial assets subject to equity price risk	+10%	(335)	–	(299)	–
Insurance contract and reinsurance contract balances	-10%	2,039	(30)	2,040	(31)
Investment contract without DPF balances	-10%	7,740	–	7,121	–
Financial assets subject to equity price risk backing insurance and reinsurance contract balances	-10%	(2,128)	–	(2,169)	–
Financial assets subject to equity price risk backing Investment contract without DPF balances	-10%	(7,740)	–	(7,121)	–
Other financial assets subject to equity price risk	-10%	335	–	299	–

		2023		2022 restated[1]	
	Change in property prices	Impact on profit after tax and equity £m	Impact on CSM £m	Impact on profit after tax and equity £m	Impact on CSM £m
Insurance contract and reinsurance contract balances	+10%	(199)	5	(201)	3
Investment contract without DPF balances	+10%	(431)	–	(410)	–
Financial assets subject to property price risk backing insurance and reinsurance contract balances	+10%	205	–	199	–
Financial assets subject to property price risk backing Investment contract without DPF balances	+10%	431	–	410	–
Other financial assets subject to property price risk	+10%	3	–	11	–
Insurance contract and reinsurance contract balances	-10%	191	(3)	194	(2)
Investment contract without DPF balances	-10%	407	–	388	–
Financial assets subject to property price risk backing insurance and reinsurance contract balances	-10%	197	–	(192)	–
Financial assets subject to property price risk backing Investment contract without DPF balances	-10%	(407)	–	(388)	–
Other financial assets subject to property price risk	-10%	(2)	–	(10)	–

1 Prior period comparatives have been restated on transition to IFRS17 Insurance Contracts (see note A2.1 for further details).

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.

Some of the Group's with-profit funds have an 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 which are subject to the oversight of the investment committees of the Boards of each life company. Fluctuations in exchange rates from certain holdings in overseas assets are hedged against currency risks.

During 2021, the Group entered into four hedging relationships to hedge the currency risk on its Euro and US dollar denominated hybrid debt (US $500 million Tier 2 bonds, €500 million Tier 2 notes, US $750 million contingent convertible Tier 1 notes and US $500 million Fixed Rate Reset Tier 2 notes as set out in note E5) through cross currency rate swaps.

Notes to the consolidated financial statements continued

E. Financial assets & liabilities continued

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 failure of the Group, or one of its separately regulated subsidiaries, 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 requirements of the Solvency II capital regime, as implemented by the PRA, to calculate regulatory capital adequacy at a Group level. The Group's UK life subsidiaries have exposure to capital management risk through the Solvency II regulatory capital requirements mandated by the PRA at the solo level. 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 Solvency II 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.

2023	1 year or less or on demand £m	1–5 years £m	Greater than 5 years £m	No fixed term £m	Total £m	Less amounts classified as held for sale (see note H3) £m	Total £m
Investment contracts	162,784	–	–	–	162,784	(4,780)	158,004
Borrowings[1]	298	2,065	2,563	45	4,971	–	4,971
Derivatives[1]	366	403	5,718	–	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	63	–	107	–	107
Accruals and deferred income	536	29	14	–	579	–	579
Other payables	2,272	–	–	–	2,272	–	2,272

2022 restated[2]	1 year or less or on demand £m	1–5 years £m	Greater than 5 years £m	No fixed term £m	Total £m	Less amounts classified as held for sale (see note H3) £m	Total £m
Investment contracts	149,481	–	–	–	149,481	(8,312)	141,169
Borrowings[1]	268	1,326	2,357	64	4,015	–	4,015
Derivatives[1]	757	794	9,335	–	10,886	(4)	10,882
Net asset value attributable to unitholders	3,042	–	–	–	3,042	–	3,042
Obligations for repayment of collateral received	1,706	–	–	–	1,706	–	1,706
Lease liabilities[1]	11	37	95	–	143	–	143
Accruals and deferred income	527	42	12	–	581	(37)	544
Other payables	1,373	–	–	–	1,373	–	1,373

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 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

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.

2023	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	8,468	4,987	4,959	5,292	5,633	80,447	109,786

2022 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	7,381	4,470	4,486	4,720	5,956	75,551	102,564

1 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

The following table sets out the amounts that are payable on demand and the carrying value of the related portfolios of contracts.

	2023		2022 restated[1]	
	Amounts payable on demand £m	Carrying value of portfolio £m	Amounts payable on demand £m	Carrying value of portfolio £m
With-profits	(44,076)	(51,709)	(44,319)	(52,026)
Annuities	(5,163)	(34,217)	(2,094)	(29,277)
Unit-linked	(15,820)	(16,431)	(13,442)	(13,740)
Protection	(612)	(1,947)	(330)	(1,474)
Other	–	225	–	297
Short-term payables and receivables (including deposits from reinsurers)	(3,541)	(3,541)	(4,067)	(4,067)
	(69,212)	(107,620)	(64,252)	(100,287)

1 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

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

E6.2.4 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, including in the following areas: Product Design & Development, Communication & Guidance, Customer Support & Understanding, Monitoring & Oversight, Customer Feedback, and Culture & standards.
- Customer Transformation: 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 (both of which apply to the Company). 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 detect where our customers are at risk of poor outcomes, minimise conduct risks, and respond with timely and appropriate mitigating actions.

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-profit 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 are determined at initial recognition and are not subsequently reassessed. Therefore, a contract will remain within the assigned aggregation group until it is derecognised, either by expiry or modification.

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued

F1. Liabilities under insurance contracts continued

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.

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-profit 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-profit 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, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, 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-profit estate
The Group has a number of with-profit 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 services insurance	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 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).

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued

F1. Liabilities under insurance contracts continued

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 income statement.

Insurance contracts measured under VFA model

The Group's unit-linked and with-profit 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-profit 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-profit policy in a 90:10 fund is determined based on the performance of the with-profit 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-profit 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-profit 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 include 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.

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.

2023	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	(35,036)	(22,041)	(29,880)	(22,829)	(109,786)
Risk adjustment	(767)	(84)	(104)	(217)	(1,172)
CSM	(3,741)	(201)	(597)	(244)	(4,783)
Net insurance contract liabilities issued	(39,544)	(22,326)	(30,581)	(23,290)	(115,741)
Insurance contract liabilities	(39,544)	(22,326)	(30,581)	(23,290)	(115,741)
Insurance contract assets	–	–	–	–	–
Net insurance contract liabilities issued	(39,544)	(22,326)	(30,581)	(23,290)	(115,741)
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

2022	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	(30,779)	(21,302)	(28,282)	(22,201)	(102,564)
Risk adjustment	(681)	(89)	(158)	(169)	(1,097)
CSM	(2,821)	(94)	(565)	(419)	(3,899)
Net insurance contract liabilities issued	(34,281)	(21,485)	(29,005)	(22,789)	(107,560)
Insurance contract liabilities	(34,281)	(21,533)	(29,005)	(22,789)	(107,608)
Insurance contract assets	–	48	–	–	48
Net insurance contract liabilities issued	(34,281)	(21,485)	(29,005)	(22,789)	(107,560)
Reinsurance contracts held					
Estimates of present value of future cash flows	1,132	–	869	276	2,277
Risk adjustment	379	–	38	61	478
CSM	952	–	142	215	1,309
Net reinsurance contract assets held	2,463	–	1,049	552	4,064
Reinsurance contract assets	2,463	–	1,056	552	4,071
Reinsurance contract liabilities	–	–	(7)	–	(7)
Net reinsurance contract assets held	2,463	–	1,049	552	4,064

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.

	2023				2022			
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 £m	Risk adjustment £m	Contractual service margin £m	Total £m
Insurance contract liabilities as at 1 January	30,779	681	2,821	34,281	39,028	1,161	2,671	42,860
Insurance contract assets as at 1 January	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 1 January	30,779	681	2,821	34,281	39,028	1,161	2,671	42,860
Changes in profit or loss:								
CSM recognised for services provided	–	–	(260)	(260)	–	–	(207)	(207)
Risk adjustment for the risk expired	–	(39)	–	(39)	–	(76)	–	(76)
Experience adjustments	(8)	–	–	(8)	(13)	–	–	(13)
Policyholder tax charges	(1)	–	–	(1)	–	–	–	–
Total change relating to current service	(9)	(39)	(260)	(308)	(13)	(76)	(207)	(296)
Contracts initially recognised in the period	(602)	167	435	–	(357)	128	232	3
Changes in estimates that adjust the CSM	(566)	(92)	658	–	(88)	7	81	–
Changes in estimates that do not adjust the CSM	1	–	–	1	4	(1)	–	3
Total change relating to future service	(1,167)	75	1,093	1	(441)	134	313	6
Adjustments to liabilities for incurred claims (past service)	106	–	–	106	–	–	–	–
Impairment of assets for insurance acquisition cash flows	(1)	–	–	(1)	–	–	–	–
Insurance service result	(1,071)	36	833	(202)	(454)	58	106	(290)
Insurance finance expense/(income)	1,895	4	62	1,961	(9,096)	(534)	44	(9,586)
Total changes in profit or loss	824	40	895	1,759	(9,550)	(476)	150	(9,876)
Cash flows:								
Premiums received	6,421	–	–	6,421	4,596	–	–	4,596
Claims and other expenses paid	(4,380)	–	–	(4,380)	(3,272)	–	–	(3,272)
Insurance acquisition cash flows	(38)	–	–	(38)	(26)	–	–	(26)
Total cash flows	2,003	–	–	2,003	1,298	–	–	1,298
Other movements[1]	1,430	46	25	1,501	3	(4)	–	(1)
Net insurance contract liabilities as at 31 December	35,036	767	3,741	39,544	30,779	681	2,821	34,281
Insurance contract liabilities as at 31 December	35,036	767	3,741	39,544	30,779	681	2,821	34,281
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December	35,036	767	3,741	39,544	30,779	681	2,821	34,281

1 £1,514 million included in 'estimates of the present value of future cash flows' relates to the fair value of insurance contracts acquired as part of the acquisition of SLF of Canada UK Limited in the period (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

	2023				2022			
Pensions & Savings	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 £m	Risk adjustment £m	Contractual service margin £m	Total £m
Insurance contract liabilities as at 1 January	21,350	89	94	21,533	25,059	88	96	25,243
Insurance contract assets as at 1 January	(48)	–	–	(48)	(65)	–	–	(65)
Net insurance contract liabilities as at 1 January	21,302	89	94	21,485	24,994	88	96	25,178
Changes in profit or loss:								
CSM recognised for services provided	–	–	(25)	(25)	–	–	(13)	(13)
Risk adjustment for the risk expired	–	(8)	–	(8)	–	(11)	–	(11)
Experience adjustments	10	–	–	10	33	–	–	33
Policyholder tax charges	(6)	–	–	(6)	18	–	–	18
Total change relating to current service	4	(8)	(25)	(29)	51	(11)	(13)	27
Contracts initially recognised in the period	(67)	33	34	–	–	–	–	–
Changes in estimates that adjust the CSM	(103)	(1)	104	–	(9)	(2)	11	–
Changes in estimates that do not adjust the CSM	(10)	2	–	(8)	119	13	–	132
Total change relating to future service	(180)	34	138	(8)	110	11	11	132
Adjustments to liabilities for incurred claims (past service)	14	–	–	14	5	–	–	5
Insurance service result	(162)	26	113	(23)	166	–	(2)	164
Insurance finance expense/(income)	1,593	1	(4)	1,590	(2,024)	1	–	(2,023)
Total changes in profit or loss	1,431	27	109	1,567	(1,858)	1	(2)	(1,859)
Cash flows:								
Premiums received	389	–	–	389	443	–	–	443
Claims and other expenses paid	(3,488)	–	–	(3,488)	(2,277)	–	–	(2,277)
Total cash flows	(3,099)	–	–	(3,099)	(1,834)	–	–	(1,834)
Other movements[1]	2,407	(32)	(2)	2,373	–	–	–	–
Net insurance contract liabilities as at 31 December	22,041	84	201	22,326	21,302	89	94	21,485
Insurance contract liabilities as at 31 December	22,041	84	201	22,326	21,350	89	94	21,533
Insurance contract assets as at 31 December	–	–	–	–	(48)	–	–	(48)
Net insurance contract liabilities as at 31 December	22,041	84	201	22,326	21,302	89	94	21,485

1 £2,411 million included in 'estimates of the present value of future cash flows' relates to the fair value of insurance contracts acquired as part of the acquisition of SLF of Canda UK Limited (see note H2).

With-Profits	2023 Estimates of the present value of future cash flows £m	2023 Risk adjustment £m	2023 Contractual service margin £m	2023 Total £m	2022 Estimates of the present value of future cash flows £m	2022 Risk adjustment £m	2022 Contractual service margin £m	2022 Total £m
Insurance contract liabilities as at 1 January	28,282	158	565	29,005	35,838	252	433	36,523
Insurance contract assets as at 1 January	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 1 January	28,282	158	565	29,005	35,838	252	433	36,523
Changes in profit or loss:								
CSM recognised for services provided	–	–	(77)	(77)	–	–	(99)	(99)
Risk adjustment for the risk expired	–	(4)	–	(4)	–	(8)	–	(8)
Experience adjustments	23	–	–	23	4	–	–	4
Policyholder tax charges	(17)	–	–	(17)	17	–	–	17
Total change relating to current service	6	(4)	(77)	(75)	21	(8)	(99)	(86)
Changes in estimates that adjust the CSM	(99)	(20)	119	–	(182)	(43)	225	–
Changes in estimates that do not adjust the CSM	(52)	(12)	–	(64)	354	27	–	381
Total change relating to future service	(151)	(32)	119	(64)	172	(16)	225	381
Adjustments to liabilities for incurred claims (past service)	(33)	–	–	(33)	(41)	–	–	(41)
Insurance service result	(178)	(36)	42	(172)	152	(24)	126	254
Insurance finance expense/(income)	1,891	13	10	1,914	(5,379)	(70)	6	(5,443)
Total changes in profit or loss	1,713	(23)	52	1,742	(5,227)	(94)	132	(5,189)
Cash flows:								
Premiums received	121	–	–	121	136	–	–	136
Claims and other expenses paid	(694)	–	–	(694)	(2,468)	–	–	(2,468)
Total cash flows	(573)	–	–	(573)	(2,332)	–	–	(2,332)
Other movements[1]	458	(31)	(20)	407	3	–	–	3
Net insurance contract liabilities as at 31 December	29,880	104	597	30,581	28,282	158	565	29,005
Insurance contract liabilities as at 31 December	29,880	104	597	30,581	28,282	158	565	29,005
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December	29,880	104	597	30,581	28,282	158	565	29,005

1 £349 million included in 'estimates of the present value of future cash flows' relates to the fair value of insurance contracts acquired as part of the acquisition of SLF of Canada 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

	2023				2022			
Europe & Other	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 £m	Risk adjustment £m	Contractual service margin £m	Total £m
Insurance contract liabilities as at 1 January	22,201	169	419	22,789	27,394	220	257	27,871
Insurance contract assets as at 1 January	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 1 January	22,201	169	419	22,789	27,394	220	257	27,871
Changes in profit or loss:								
CSM recognised for services provided	–	–	(47)	(47)	–	–	(67)	(67)
Risk adjustment for the risk expired	–	(12)	–	(12)	–	(7)	–	(7)
Experience adjustments	18	–	–	18	36	–	–	36
Policyholder tax charges	(1)	–	–	(1)	(1)	–	–	(1)
Total change relating to current service	17	(12)	(47)	(42)	35	(7)	(67)	(39)
Contracts initially recognised in the period	(57)	8	53	4	(47)	4	46	3
Changes in estimates that adjust the CSM	116	27	(143)	–	(134)	(21)	155	–
Changes in estimates that do not adjust the CSM	10	25	–	35	21	(15)	–	6
Total change relating to future service	69	60	(90)	39	(160)	(32)	201	9
Adjustments to liabilities for incurred claims (past service)	(104)	–	–	(104)	8	–	–	8
Impairment of assets for insurance acquisition cash flows	(3)	–	–	(3)	–	–	–	–
Insurance service result	(21)	48	(137)	(110)	(117)	(39)	134	(22)
Insurance finance expense/(income)	1,550	(13)	(20)	1,517	(5,820)	(12)	5	(5,827)
Total changes in profit or loss	1,529	35	(157)	1,407	(5,937)	(51)	139	(5,849)
Cash flows:								
Premiums received	1,673	–	–	1,673	1,731	–	–	1,731
Claims and other expenses paid	(2,259)	–	–	(2,259)	(1,666)	–	–	(1,666)
Insurance acquisition cash flows	(116)	–	–	(116)	(102)	–	–	(102)
Total cash flows	(702)	–	–	(702)	(37)	–	–	(37)
Other movements[1]	(199)	13	(18)	(204)	781	–	23	804
Net insurance contract liabilities as at 31 December	22,829	217	244	23,290	22,201	169	419	22,789
Insurance contract liabilities as at 31 December	22,829	217	244	23,290	22,201	169	419	22,789
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December	22,829	217	244	23,290	22,201	169	419	22,789

1 £112 million included in 'estimates of the present value of future cash flows' relates to the fair value of insurance contracts acquired as part of the acquisition of SLF of Canada 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.

	2023				2022			
	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 £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January	34,189	56	36	34,281	42,742	54	64	42,860
Insurance contract assets as at 1 January	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 1 January	34,189	56	36	34,281	42,742	54	64	42,860
Insurance revenue (note C1)	(3,751)	–	–	(3,751)	(3,544)	–	–	(3,544)
Insurance service expenses								
Incurred claims and other expenses	–	(4)	3,446	3,442	–	(3)	3,252	3,249
Amortisation of insurance acquisition cash flows	1	–	–	1	1	–	–	1
Losses on onerous contracts and reversals of those losses	–	1	–	1	–	4	–	4
Changes to liabilities for incurred claims (past service)	–	–	106	106	–	–	–	–
Impairment of assets for insurance acquisition cash flows	(1)	–	–	(1)	–	–	–	–
Insurance service result	(3,751)	(3)	3,552	(202)	(3,543)	1	3,252	(290)
Insurance finance expense/(income)	1,960	1	–	1,961	(9,587)	1	–	(9,586)
Total changes in the consolidated income statement	(1,791)	(2)	3,552	1,759	(13,130)	2	3,252	(9,876)
Investment components	(160)	–	160	–	7	–	(7)	–
Cash flows:								
Premiums received	6,421	–	–	6,421	4,596	–	–	4,596
Claims and other expenses paid	–	–	(4,380)	(4,380)	–	–	(3,272)	(3,272)
Insurance acquisition cash flows	(38)	–	–	(38)	(26)	–	–	(26)
Total cash flows	6,383	–	(4,380)	2,003	4,570	–	(3,272)	1,298
Other movements[1]	1,429	–	72	1,501	–	–	(1)	(1)
Net insurance contract liabilities as at 31 December	40,050	54	(560)	39,544	34,189	56	36	34,281
Insurance contract liabilities as at 31 December	40,050	54	(560)	39,544	34,189	56	36	34,281
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December	40,050	54	(560)	39,544	34,189	56	36	34,281

1 £1,514 million relates to the fair value of insurance contracts acquired as part of the acquisition of SLF Canada UK Limited (see note H2).

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

Pensions & Savings	2023 Liabilities for remaining coverage Excluding loss component £m	2023 Liabilities for remaining coverage Loss component £m	2023 Liabilities for incurred claims £m	2023 Total £m	2022 Liabilities for remaining coverage Excluding loss component £m	2022 Liabilities for remaining coverage Loss component £m	2022 Liabilities for incurred claims £m	2022 Total £m
Insurance contract liabilities as at 1 January	21,359	131	43	21,533	25,117	–	126	25,243
Insurance contract assets as at 1 January	(50)	2	–	(48)	(65)	–	–	(65)
Net insurance contract liabilities as at 1 January	21,309	133	43	21,485	25,052	–	126	25,178
Insurance revenue (note C1)	(272)	–	–	(272)	(307)	–	–	(307)
Insurance service expenses								
Incurred claims and other expenses	–	(14)	257	243	–	–	333	333
Amortisation of insurance acquisition cash flows	–	–	–	–	–	–	–	–
Losses on onerous contracts and reversals of those losses	–	(8)	–	(8)	–	133	–	133
Changes to liabilities for incurred claims (past service)	–	–	14	14	–	–	5	5
Insurance service result	(272)	(22)	271	(23)	(307)	133	338	164
Insurance finance expense/(income)	1,576	5	9	1,590	(2,025)	–	2	(2,023)
Total changes in the consolidated income statement	1,304	(17)	280	1,567	(2,332)	133	340	(1,859)
Investment components	(2,207)	–	2,207	–	(1,854)	–	1,854	–
Cash flows:								
Premiums received	389	–	–	389	443	–	–	443
Claims and other expenses paid	–	–	(3,488)	(3,488)	–	–	(2,277)	(2,277)
Total cash flows	389	–	(3,488)	(3,099)	443	–	(2,277)	(1,834)
Other movements[1]	2,097	(1)	277	2,373	–	–	–	–
Net insurance contract liabilities as at 31 December	22,892	115	(681)	22,326	21,309	133	43	21,485
Insurance contract liabilities as at 31 December	22,892	115	(681)	22,326	21,359	131	43	21,533
Insurance contract assets as at 31 December	–	–	–	–	(50)	2	–	(48)
Net insurance contract liabilities as at 31 December	22,892	115	(681)	22,326	21,309	133	43	21,485

1 £2,411 million relates to the fair value of insurance contracts acquired as part of the acquisition of SLF Canada UK Limited (see note H2).

With-Profits	2023 Liabilities for remaining coverage Excluding loss component £m	2023 Liabilities for remaining coverage Loss component £m	2023 Liabilities for incurred claims £m	2023 Total £m	2022 Liabilities for remaining coverage Excluding loss component £m	2022 Liabilities for remaining coverage Loss component £m	2022 Liabilities for incurred claims £m	2022 Total £m
Insurance contract liabilities as at 1 January	27,812	397	796	29,005	35,908	17	598	36,523
Insurance contract assets as at 1 January	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 1 January	27,812	397	796	29,005	35,908	17	598	36,523
Insurance revenue (note C1)	(267)	–	–	(267)	(636)	–	–	(636)
Insurance service expenses								
Incurred claims and other expenses	–	(61)	253	192	–	(1)	551	550
Losses on onerous contracts and reversals of those losses	–	(64)	–	(64)	–	381	–	381
Changes to liabilities for incurred claims (past service)	–	–	(33)	(33)	–	–	(41)	(41)
Insurance service result	(267)	(125)	220	(172)	(636)	380	510	254
Insurance finance expense/(income)	1,883	14	17	1,914	(5,447)	–	4	(5,443)
Total changes in the consolidated income statement	1,616	(111)	237	1,742	(6,083)	380	514	(5,189)
Investment components	(2,360)	–	2,360	–	(2,148)	–	2,148	–
Cash flows:								
Premiums received	121	–	–	121	136	–	–	136
Claims and other expenses paid	–	–	(694)	(694)	–	–	(2,468)	(2,468)
Total cash flows	121	–	(694)	(573)	136	–	(2,468)	(2,332)
Other movements[1]	402	26	(21)	407	(1)	–	4	3
Net insurance contract liabilities as at 31 December	27,591	312	2,678	30,581	27,812	397	796	29,005
Insurance contract liabilities as at 31 December	27,591	312	2,678	30,581	27,812	397	796	29,005
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December	27,591	312	2,678	30,581	27,812	397	796	29,005

1 £349 million relates to the fair value of insurance contracts acquired as part of the acquisition of SLF Canada UK Limited (see note H2).

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

	2023				2022			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
Europe & Other	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 £m	Total £m
Insurance contract liabilities as at 1 January	22,271	72	446	22,789	27,488	64	319	27,871
Insurance contract assets as at 1 January	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 1 January	22,271	72	446	22,789	27,488	64	319	27,871
Insurance revenue (note C1)	(571)	–	–	(571)	(655)	–	–	(655)
Insurance service expenses								
Incurred claims and other expenses	–	(11)	526	515	–	(3)	603	600
Amortisation of insurance acquisition cash flows	14	–	–	14	16	–	–	16
Losses on onerous contracts and reversals of those losses	–	39	–	39	–	9	–	9
Changes to liabilities for incurred claims (past service)	–	–	(104)	(104)	–	–	8	8
Impairment of assets for insurance acquisition cash flows	(3)	–	–	(3)	–	–	–	–
Insurance service result	(560)	28	422	(110)	(639)	6	611	(22)
Insurance finance income/expense	1,488	14	15	1,517	(5,830)	2	1	(5,827)
Total changes in the consolidated income statement	928	42	437	1,407	(6,469)	8	612	(5,849)
Investment components	(1,483)	–	1,483	–	(1,172)	–	1,172	–
Cash flows:								
Premiums received	1,673	–	–	1,673	1,731	–	–	1,731
Claims and other expenses paid	–	–	(2,259)	(2,259)	–	–	(1,666)	(1,666)
Insurance acquisition cash flows	(116)	–	–	(116)	(102)	–	–	(102)
Total cash flows	1,557	–	(2,259)	(702)	1,629	–	(1,666)	(37)
Other movements[1]	(218)	28	(14)	(204)	795	–	9	804
Net insurance contract liabilities as at 31 December	23,055	142	93	23,290	22,271	72	446	22,789
Insurance contract liabilities as at 31 December	23,055	142	93	23,290	22,271	72	446	22,789
Insurance contract assets as at 31 December	–	–	–	–	–	–	–	–
Net insurance contract liabilities as at 31 December	23,055	142	93	23,290	22,271	72	446	22,789

1 £112 million relates to the fair value of insurance contracts acquired as part of the acquisition of SLF Canada UK Limited (see note H2).

F4. Movements in present value of future cash flows, risk adjustment and CSM of 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.

	2023				2022			
	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 £m	Risk adjustment £m	Contractual service margin £m	Total £m
Reinsurance contract liabilities as at 1 January	(8)	–	1	(7)	–	–	–	–
Reinsurance contract assets as at 1 January	2,285	478	1,308	4,071	3,032	659	1,028	4,719
Net reinsurance contract assets as at 1 January	2,277	478	1,309	4,064	3,032	659	1,028	4,719
Changes in profit or loss:								
CSM recognised for services received	–	–	(168)	(168)	–	–	(113)	(113)
Risk adjustment for the risk expired	–	(30)	–	(30)		(42)		(42)
Experience adjustments	27	–	–	27	(13)		–	(13)
Total change relating to current service	27	(30)	(168)	(171)	(13)	(42)	(113)	(168)
Contracts initially recognised in the period	(351)	229	122	–	(193)	120	73	–
Changes in estimates that adjust the CSM	(610)	(49)	659	–	(285)	9	276	–
Changes in estimates that do not adjust the CSM	(17)	7	–	(10)	–	(5)	–	(5)
Reversal of impairment of assets for reinsurance acquisition cash flows	2	–	–	2	–	–	–	–
Total change relating to future service	(976)	187	781	(8)	(478)	124	349	(5)
Changes in amounts recoverable arising from changes in liabilities for incurred claims (past service)	(1)	–	–	(1)	11	–	–	11
Net expenses from reinsurance contracts	(950)	157	613	(180)	(480)	82	236	(162)
							–	
Reinsurance finance (expense)/income	156	(3)	26	179	(808)	(263)	18	(1,053)
Total changes in the profit or loss	(794)	154	639	(1)	(1,288)	(181)	254	(1,215)
Cash flows:								
Premiums paid	3,085	–	–	3,085	1,656	–	–	1,656
Claims recovered and other expenses paid	(2,280)	–	–	(2,280)	(1,090)	–	–	(1,090)
Total cash flows	805	–	–	805	566	–	–	566
Other movements[1]	(122)	1	(18)	(139)	(33)	–	27	(6)
Net reinsurance contract assets as at 31 December	2,166	633	1,930	4,729	2,277	478	1,309	4,064
Reinsurance contract liabilities as at 31 December	(244)	37	60	(147)	(8)		1	(7)
Reinsurance contract assets as at 31 December	2,410	596	1,870	4,876	2,285	478	1,308	4,071
Net reinsurance contract assets as at 31 December	2,166	633	1,930	4,729	2,277	478	1,309	4,064
Analysed by segment as follows:								
Retirement Solutions	935	537	1,604	3,076	1,132	379	952	2,463
Pensions & Savings	20	2	–	22	–	–	–	–
With-profits	820	46	147	1,013	869	38	142	1,049
Europe & Other	391	48	179	618	276	61	215	552
Net reinsurance contract assets as at 31 December	2,166	633	1,930	4,729	2,277	478	1,309	4,064

1 £(153) million included in 'estimates of the present value of future cash flows' relates to the fair value of reinsurance contracts acquired as part of the acquisition of SLF of Canada 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.

	2023				2022			
	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	(7)	–	–	(7)	–	–	–	–
Reinsurance contract assets as at 1 January	6,705	47	(2,681)	4,071	7,915	52	(3,248)	4,719
Net reinsurance contract assets as at 1 January	6,698	47	(2,681)	4,064	7,915	52	(3,248)	4,719
Reinsurance expenses	(2,349)	–	–	(2,349)	(1,779)	–	–	(1,779)
Claims recoverable and other expenses incurred	–	–	2,181	2,181	–	–	1,612	1,612
Changes in the CSM due to recognition and reversal of a loss-recovery component from onerous underlying contracts	–	(10)	–	(10)	–	(4)	–	(4)
Changes to assets for incurred claims (past service)	–	–	(1)	(1)	–	–	11	11
Cost of retroactive cover on reinsurance contracts held	–	(3)	–	(3)	–	(2)	–	(2)
Reversal of impairment of assets for insurance acquisition cash flows	2	–	–	2	–	–	–	–
Net income/(expenses) from reinsurance contracts held	(2,347)	(13)	2,180	(180)	(1,779)	(6)	1,623	(162)
Reinsurance finance income/expense	179	–	–	179	(1,054)	1	–	(1,053)
Total changes in the consolidated income statement	(2,168)	(13)	2,180	(1)	(2,833)	(5)	1,623	(1,215)
Investment components	(35)	–	35	–	(32)	–	32	–
Cash flows:								–
Premiums paid	3,085	–	–	3,085	1,656	–	–	1,656
Claims recovered and other expenses paid	–	–	(2,280)	(2,280)	–	–	(1,090)	(1,090)
Reinsurance acquisition cash flows	–	–	–	–	–	–	–	–
Total cash flows	3,085	–	(2,280)	805	1,656	–	(1,090)	566
Other movements[1]	(585)	3	443	(139)	(8)	–	2	(6)
Net reinsurance contract assets as at 31 December	6,995	37	(2,303)	4,729	6,698	47	(2,681)	4,064
Reinsurance contract liabilities as at 31 December	(152)	–	5	(147)	(7)	–	–	(7)
Reinsurance contract assets as at 31 December	7,147	37	(2,308)	4,876	6,705	47	(2,681)	4,071
Net reinsurance contract assets as at 31 December	6,995	37	(2,303)	4,729	6,698	47	(2,681)	4,064
Analysed by segment as follows:								
Retirement Solutions	5,421	36	(2,381)	3,076	5,148	46	(2,731)	2,463
Pensions & Savings	6	–	16	22	–	–	–	–
With-Profits	984	–	29	1,013	1,025	–	24	1,049
Europe & Other	584	1	33	618	525	1	26	552
Net reinsurance contract assets as at 31 December	6,995	37	(2,303)	4,729	6,698	47	(2,681)	4,064

1 £(153) million relates to the fair value of insurance contracts acquired as part of the acquisition of SLF of Canada 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

Retirement Solutions	2023 Fair value approach at transition £m	2023 Fully retrospective approach at transition and new contracts £m	2023 Total £m	2022 Fair value approach at transition £m	2022 Fully retrospective approach at transition and new contracts £m	2022 Total £m
CSM as at 1 January	784	2,037	2,821	817	1,854	2,671
Changes that relate to current service:						
CSM recognised for services provided	(103)	(157)	(260)	(77)	(130)	(207)
Changes that relate to future service:						
Contracts initially recognised in the period	–	435	435	–	232	232
Changes in estimates that adjust the CSM	438	220	658	30	51	81
Insurance service result	335	498	833	(47)	153	106
Insurance finance expenses	18	44	62	14	30	44
Total changes in profit or loss	353	542	895	(33)	183	150
Other movements	25	–	25	–	–	–
CSM as at 31 December	1,162	2,579	3,741	784	2,037	2,821

Pensions & Savings	2023 Fair value approach at transition £m	2023 Fully retrospective approach at transition and new contracts £m	2023 Total £m	2022 Fair value approach at transition £m	2022 Fully retrospective approach at transition and new contracts £m	2022 Total £m
CSM as at 1 January	94	–	94	96	–	96
Changes that relate to current service:						
CSM recognised for services provided	(17)	(8)	(25)	(13)	–	(13)
Changes that relate to future service:						
Contracts initially recognised in the period	–	34	34	–	–	–
Changes in estimates that adjust the CSM	54	50	104	11	–	11
Insurance service result	37	76	113	(2)	–	(2)
Insurance finance income	–	(4)	(4)	–	–	–
Total changes in profit or loss	37	72	109	(2)	–	(2)
Other movements	(2)	–	(2)	–	–	–
CSM as at 31 December	129	72	201	94	–	94

With-Profits	2023 Fair value approach at transition £m	2023 Fully retrospective approach at transition and new contracts £m	2023 Total £m	2022 Fair value approach at transition £m	2022 Fully retrospective approach at transition and new contracts £m	2022 Total £m
CSM as at 1 January	514	51	565	417	16	433
Changes that relate to current service:						
CSM recognised for services provided	(69)	(8)	(77)	(89)	(10)	(99)
Changes that relate to future service:						
Contracts initially recognised in the period	–	–	–	–	–	–
Changes in estimates that adjust the CSM	90	29	119	180	45	225
Insurance service result	21	21	42	91	35	126
Insurance finance expenses	9	1	10	6	–	6
Total changes in profit or loss	30	22	52	97	35	132
Other movements	(19)	(1)	(20)	–	–	–
CSM as at 31 December	525	72	597	514	51	565

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued

F6.1 Insurance contracts continued

Europe & Other	2023 Fair value approach at transition £m	2023 Fully retrospective approach at transition and new contracts £m	2023 Total £m	2022 Fair value approach at transition £m	2022 Fully retrospective approach at transition and new contracts £m	2022 Total £m
CSM as at 1 January	306	113	419	214	43	257
Changes that relate to current service:						
CSM recognised for services provided	(27)	(20)	(47)	(56)	(11)	(67)
Changes that relate to future service:						
Contracts initially recognised in the period	–	53	53	5	41	46
Changes in estimates that adjust the CSM	(85)	(58)	(143)	130	25	155
Insurance service result	(112)	(25)	(137)	79	55	134
Insurance finance (income)/expenses	(22)	2	(20)	(3)	8	5
Total changes in profit or loss	(134)	(23)	(157)	76	63	139
Other movements	(3)	(15)	(18)	16	7	23
CSM as at 31 December	169	75	244	306	113	419

F6.2 Reinsurance contracts held

	2023 Fair value approach at transition £m	2023 Fully retrospective approach at transition and new contracts £m	2023 Total £m	2022 Fair value approach at transition £m	2022 Fully retrospective approach at transition and new contracts £m	2022 Total £m
CSM as at 1 January	697	612	1,309	498	530	1,028
Changes that relate to current service:						
CSM recognised for services received	(99)	(69)	(168)	(67)	(46)	(113)
Changes that relate to future service:						
Contracts initially recognised in the period	–	122	122	–	73	73
Changes in estimates that adjust the CSM	254	405	659	219	56	275
Net expenses from reinsurance contracts	155	458	613	152	83	235
Reinsurance finance income	10	16	26	9	9	18
Total changes in profit or loss	165	474	639	161	92	253
Other movements	(39)	21	(18)	38	(10)	28
CSM as at 31 December	823	1,107	1,930	697	612	1,309
Analysed by segment as follows:						
Retirement Solutions	497	1,107	1,604	339	613	952
With-Profits	147	–	147	143	(1)	142
Europe & Other	179	–	179	215	–	215
CSM as at 31 December	823	1,107	1,930	697	612	1,309

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.

2023	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	243	236	225	214	205	877	1,741	3,741
Pensions & Savings	26	21	18	16	14	49	57	201
With-Profits	66	56	50	44	37	126	218	597
Europe & Other	33	25	23	20	18	64	61	244
Total CSM	368	338	316	294	274	1,116	2,077	4,783
Reinsurance contracts held								
Retirement Solutions	(116)	(111)	(105)	(99)	(93)	(383)	(697)	(1,604)
Pensions & Savings	–	–	–	–	–	–	–	–
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)

2022	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	216	200	186	173	162	668	1,216	2,821
Pensions & Savings	10	9	8	7	7	24	29	94
With-profits	81	63	54	46	39	123	159	565
Europe & Other	52	41	32	29	26	97	142	419
Total CSM	359	313	280	255	234	912	1,546	3,899
Reinsurance contracts held								
Retirement Solutions	(73)	(68)	(63)	(59)	(55)	(225)	(409)	(952)
Pensions & Savings	–	–	–	–	–	–	–	–
With-profits	(17)	(15)	(14)	(12)	(11)	(35)	(38)	(142)
Europe & Other	(14)	(14)	(14)	(15)	(15)	(67)	(76)	(215)
Total CSM	(104)	(97)	(91)	(86)	(81)	(327)	(523)	(1,309)

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 year relate to the acquisition of SLF of Canada UK Limited (see note H2).

F8.1 Insurance contracts

	2023					2022				
	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	39	–	–	–	39	2	1	–	–	3
Claims and other directly attributable expenses	5,710	–	1,443	–	7,153	3,881	106	–	–	3,987
Estimates of present value of future cash outflows	5,749	–	1,443	–	7,192	3,883	107	–	–	3,990
Estimates of present value of future cash inflows	(6,280)	–	(1,514)	–	(7,794)	(4,238)	(109)	–	–	(4,347)
Risk adjustment incurred	132	–	35	–	167	123	5	–	–	128
CSM	399	–	36	–	435	232	–	–	–	232
Losses on onerous contracts at initial recognition	–	–	–	–	–	–	3	–	–	3

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued

F8.1 Insurance contracts continued

Pension & Savings	2023 Contracts issued Profitable £m	2023 Contracts issued Onerous £m	2023 Contracts acquired Profitable £m	2023 Contracts acquired Onerous £m	2023 Total £m	2022 Contracts issued Profitable £m	2022 Contracts issued Onerous £m	2022 Contracts acquired Profitable £m	2022 Contracts acquired Onerous £m	2022 Total £m
Estimate of present value of future cash outflows:										
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	–	–	33	–	33	–	–	–	–	–
CSM	–	–	34	–	34	–	–	–	–	–
Losses on onerous contracts at initial recognition	–	–	–	–	–	–	–	–	–	–

With-Profits	2023 Contracts issued Profitable £m	2023 Contracts issued Onerous £m	2023 Contracts acquired Profitable £m	2023 Contracts acquired Onerous £m	2023 Total £m	2022 Contracts issued Profitable £m	2022 Contracts issued Onerous £m	2022 Contracts acquired Profitable £m	2022 Contracts acquired Onerous £m	2022 Total £m
Estimate of present value of future cash outflows:										
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	–	–	–	–	–	–	–	–	–	–
CSM	–	–	–	–	–	–	–	–	–	–
Losses on onerous contracts at initial recognition	–	–	–	–	–	–	–	–	–	–

Europe & Other	2023 Contracts issued Profitable £m	2023 Contracts issued Onerous £m	2023 Contracts acquired Profitable £m	2023 Contracts acquired Onerous £m	2023 Total £m	2022 Contracts issued Profitable £m	2022 Contracts issued Onerous £m	2022 Contracts acquired Profitable £m	2022 Contracts acquired Onerous £m	2022 Total £m
Estimate of present value of future cash outflows:										
Insurance acquisition cash flows	80	–	–	–	80	86	–	–	–	86
Claims and other directly attributable expenses	172	270	109	–	551	423	215	–	–	638
Estimates of present value of future cash outflows	252	270	109	–	631	509	215	–	–	724
Estimates of present value of future cash inflows	(308)	(268)	(112)	–	(688)	(559)	(212)	–	–	(771)
Risk adjustment	5	2	1	–	8	4	–	–	–	4
CSM	51	–	2	–	53	46	–	–	–	46
Losses on onerous contracts at initial recognition	–	4	–	–	4	–	3	–	–	3

F8.2 Reinsurance contracts

	2023					2022				
	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
Estimates of present value of future cash inflows	8,287	–	153	–	8,440	3,650	–	–	–	3,650
Estimates of present value of future cash outflows	(8,584)	–	(207)	–	(8,791)	(3,843)	–	–	–	(3,843)
Risk adjustment incurred	195	–	34	–	229	120	–	–	–	120
CSM	102	–	20	–	122	73	–	–	–	73
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.

	2023				2022			
	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Collective investment schemes	17,572	17,027	15,549	50,148	17,068	17,442	14,268	48,778
Debt securities	2,860	8,095	3,910	14,865	2,711	7,956	3,605	14,272
Equities	2,390	5,846	966	9,202	1,562	5,824	942	8,328
Investment property	319	798	18	1,135	277	872	19	1,168
Derivative assets	3	263	1,019	1,285	5	295	1,287	1,587
Cash and cash equivalents	47	81	329	457	48	122	365	535
Loans and deposits	–	3	199	202	–	2	238	240
Other assets	81	633	174	888	67	1,026	382	1,475
Derivative liabilities	(1)	(459)	(430)	(890)	(6)	(613)	(536)	(1,155)
Obligation for repayment of collateral received	(1)	(125)	(231)	(357)	(3)	(127)	(254)	(384)
Insurance contract liabilities	–	(2,034)	(4)	(2,038)	–	(2,148)	–	(2,148)
Investment contract liabilities	–	(6,628)	–	(6,628)	–	(6,907)	–	(6,907)
Other liabilities	(31)	(703)	(550)	(1,284)	(12)	(617)	(186)	(815)
	23,239	22,797	20,949	66,985	21,717	23,127	20,130	64,974

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 which it is not permitted to sell or re-pledge except in the case of default, it is not recognised in the statement of consolidated financial position. The fair value of financial assets accepted as collateral for reinsurance transactions but not recognised in the statement of consolidated financial position amounts to £4,880 million (2022: £4,002 million).

Where the Group receives collateral on reinsurance transactions in the form of cash it is recognised in the statement of consolidated financial position along with a corresponding liability to repay the amount of collateral received, disclosed as part of 'Reinsurance contract assets'. Where there is interest payable on such collateral, it is recognised within Net finance income/(expense) from reinsurance contracts. The amounts recognised as financial assets and liabilities from cash collateral received at 31 December 2023 are set out below.

	Reinsurance transactions	
	2023 £m	2022 £m
Financial assets	208	267
Financial liabilities	208	267

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued

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 fluctuations in the timing, frequency and severity of insured/underwritten events and to fluctuations in the timing and amount of claim settlements. This includes fluctuations in profits due to customer behaviour. The Life businesses are exposed to the following elements of insurance risk:

Mortality	higher than expected death claims on assurance products, lower than expected improvements in mortality or adverse movement in mortality rates on Equity Release Mortgages;
Longevity	lower than expected number of deaths experienced on annuity products or greater than expected improvements in annuitant mortality;
Morbidity/Disability	higher than expected number of inceptions on critical illness or income protection policies and lower than expected termination rates on income protection policies or adverse movements in morbidity rates on Equity Release Mortgages;
Expenses	unexpected timing or value of expenses incurred;
Persistency	adverse movement in surrender rates, premium paying rates, premium indexation rates, cash withdrawal/drawdown rates, GAO surrender rates, GAO take-up rates, policyholder retirement dates, propensity to commute benefits, transfer out rates or the occurrence of a mass lapse event or adverse change in mortgage prepayment rates leading to losses;
New business pricing	inappropriate pricing of new business that is not in line with the underlying risk factors for that business.
Concentration of risk	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 Annual Operating Plan and permit concentrations of certain risks only where the strategy can be demonstrated as affordable within risk appetite.

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 Annual Operating 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 closed book of business within the Group 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. New business growth driven by product segments such as Workplace unit-linked pensions, within the Pensions and Savings business, exposes the Group to persistency and expense risks.

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.

		Impact on profit after tax and equity		Impact on CSM	
2023	Change in risk variable	Gross of reinsurance £m	Net of reinsurance £m	Gross of reinsurance £m	Net of reinsurance £m
Assurance mortality	+5%	(33)	(49)	(112)	(54)
	-5%	(24)	(6)	211	149
Annuitant longevity	+5%	91	(30)	(946)	(230)
	-5%	(101)	10	896	236
Lapse rates	+10%	(5)	–	33	20
	-10%	(8)	(13)	(11)	4
Expenses	+10%	(68)	(67)	(302)	(302)
	-10%	32	32	349	349

		Impact on profit after tax and equity		Impact on CSM	
2022	Change in risk variable	Gross of reinsurance £m	Net of reinsurance £m	Gross of reinsurance £m	Net of reinsurance £m
Assurance mortality	+5%	(9)	(13)	(180)	(118)
	-5%	(16)	8	216	147
Annuitant longevity	+5%	54	(62)	(835)	(250)
	-5%	(108)	–	845	304
Lapse rates	+10%	1	5	20	8
	-10%	(12)	(16)	–	12
Expenses	+10%	(57)	(57)	(275)	(274)
	-10%	27	27	315	314

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 the reference portfolio based on the strategic asset allocation ('SAA') which aligns to the strategic investment objectives of the Group. The SAA sets out the target level of investment in a range of asset classes and the yield for these asset classes is determined based on the fair value of assets in that class held at the valuation date.

Adjustments are 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 approach to determining unexpected defaults is based on a percentage of spread less the expected default allowance. The percentage of spread was set using a top-down view that took into consideration management's best estimate as to the allocation of the spread between illiquidity factors and the risk of default. Given the widening of spreads during 2022 resulting from macro-economic conditions driven by the war in Ukraine and resulting food and energy crises, surging inflation and the Mini Budget, this judgement became more material. Since the beginning of 2022, the Group has been developing 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. The new model applies a stress to long-term historical actual default data to determine the variability of defaults. From 30 June 2022, the new model has been used as an input in determining the assumption for unexpected credit defaults as it is considered to provide a more refined view of the variability of defaults, particularly in volatile market conditions.

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued

F11.2.1 Discount rates continued

The top-down approach was further 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.

	Risk-free rate (bps)				
2023	1 year	5 years	10 years	20 years	30 years
GBP	474	336	328	343	336
Euro	336	232	239	240	218

	Risk-free rate (bps)				
2022	1 year	5 years	10 years	20 years	30 years
GBP	446	406	371	354	335
Euro	318	313	309	276	229

	Liquidity premium over risk-free rate	
	2023 bps	2022 bps
Annuities GBP	173	151
Annuities Euro	49	44
With-Profits GBP – liquid liabilities	20	10
With-Profits Euro – liquid liabilities	20	10
With-Profits GBP – illiquid liabilities	107 – 173	100 – 151

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-profit 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-profit 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:

	2023	2022
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	2023	2022
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-profit 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.

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-profit 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-profit 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-profit 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-profit bonds it is often a specified anniversary of commencement, in some cases with further dates thereafter. Annual bonuses when added to with-profit contracts usually increase the guaranteed amount.

There are guaranteed surrender values on a small number of older contracts.

Some pensions contracts include guaranteed annuity options. The total amounts provided in the with-profit and non-profit funds in respect of the future costs of guaranteed annuity options are £860 million (2022: £922 million) and £61 million (2022: £61 million) respectively.

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-profit funds and non-profit funds in respect of the review and possible redress relating to pension policies, including associated costs, are £191 million (2022: £195 million) and £2 million (2022: £2 million) respectively.

With-profit 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	**(Decrease)/ increase in loss component**	Increase/ (decrease) in CSM	(Decrease)/ increase in loss component
For insurance contracts:				
Change in longevity assumptions	**918**	**(1)**	239	(17)
Change in persistency assumptions	**(6)**	**17**	–	5
Change in mortality assumptions	**(102)**	**12**	127	(1)
Change in expenses assumptions	**(170)**	**(35)**	(172)	59
For reinsurance contracts:				
Change in longevity assumptions	**(598)**	**–**	(122)	–
Change in persistency assumptions	**–**	**–**	(10)	–
Change in mortality assumptions	**15**	**–**	(40)	–
Change in expenses assumptions	**(13)**	**–**	(33)	–

Notes to the consolidated financial statements continued

F. Insurance contracts, investment contracts with DPF and reinsurance continued

F11.2.3 Other assumptions continued

Assumption changes continued

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 net of reinsurance decrease in loss component are due to changes in expense assumptions is 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 Tata Consultancy Services ('TCS') platform together with Group expense provisions and an increase in modelled maintenance expenses assumptions. This is partly offset due to changes in modelled investment expenses and release of an investment manual.

2022:

The £117 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. The £17 million gross increase in loss component is driven by longevity assumption changes on Phoenix BPA business.

Persistency assumptions have been updated to reflect latest experience analyses, leading to a £17 million impact on loss component.

The £87 million net of reinsurance increase in CSM due to changes in mortality assumptions is driven by changes in morbidity assumption for German morbidity riders.

The £(205) million net of reinsurance decrease in CSM and £59 million net of reinsurance increase in loss component due to changes in expense assumptions primarily reflects an increase in the anticipated costs associated with the implementation of IFRS 17 and the delivery of the Group Target Operating Model for IT and Operations.

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-Profit:		
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.

£12,966 million (2022: £11,753 million) of liabilities are subject to longevity swap arrangements.

With-profit fund (unitised and traditional)

The Group operates a number of with-profit funds in which the with-profit 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-profit 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-profit funds is set out in the PPFM for each with-profit fund and is overseen by with-profit committees. Advice is also taken from the with-profit actuary of each with-profit 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-profit 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-profit policies are exposed to equivalent risks, the main difference being that unitised with-profit policies purchase notional units in a with-profit fund whereas traditional with-profit 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-profit fund price is typically guaranteed not to fall and increases in line with any discretionary bonus payments over the course of one year.

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 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.

As required by IFRIC 14, IAS 19 – 'The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', to the extent that the economic surplus (prior to the elimination of the insurance policies issued by Group entities) will be available as a refund, the economic surplus is stated after a provision for tax that would be borne by the scheme administrators when the refund is made. 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.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G1. Pension schemes continued

Additionally under IFRIC 14 pension funding contributions are considered to be a minimum funding requirement and, to the extent that the contributions payable will not be available to the Group after they are paid into the Scheme, a liability is recognised when the obligation arises. The net pension scheme asset/liability represents the economic surplus net of all adjustments noted above.

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.

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:

	2023 £m	2022 £m
Pearl Group Staff Pension Scheme		
Economic surplus	**50**	46
Adjustment for insurance policies eliminated on consolidation	**(1,507)**	(1,501)
Net pension scheme liability, as reported	**(1,457)**	(1,455)
Reimbursement right in respect of reinsurance, as reported	**202**	205
Add: value attributed to assets held by PLL within financial assets[1]	**1,506**	1,576
Adjusted net pension scheme liabilities	**251**	326
PGL Pension Scheme		
Economic surplus	**20**	23
Adjustment for insurance policies eliminated on consolidation	**(1,093)**	(1,079)
Amounts due from subsidiary eliminated on consolidation	**(18)**	–
Net pension scheme liability, as reported	**(1,091)**	(1,056)
Add: assets held by PLL within financial assets[1]	**1,206**	1,246
Adjusted net pension scheme asset	**115**	190
Abbey Life Staff Pension Scheme		
Economic deficit	**(7)**	(5)
Minimum funding requirement obligation	**(2)**	(3)
Net pension scheme liability	**(9)**	(8)
ReAssure Staff Pension Scheme		
Economic surplus	**14**	22
Provision for tax on that part of the economic surplus available as a refund on a winding-up of the Scheme	**(5)**	(8)
Net pension scheme asset	**9**	14
Sun Life of Canada Scheme		
Net pension scheme asset	**17**	–
Reimbursement right	**2**	–

1 The Pearl Scheme and the PGL Pension Scheme have both executed buy-in transactions with a Group life company and subsequently assets supporting the Group's actuarial liabilities are 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.

In the current and prior periods an adjusted net pension scheme asset has been presented in relation to both these pension schemes. The value of the assets held by PLL within financial assets in respect of the PGL Pension Scheme buy-ins is 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.

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).

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. While the ruling only applied to the specific pension scheme in question, if it stands it will form part of case law and can therefore be expected to apply across other pension schemes. The ruling is subject to appeal and it may take some time for the outcome of the appeal to be known. The Group has not assessed the extent of any likely impacts from this ruling and considers that there is sufficient uncertainty not to warrant recognition of any potential obligation in respect of this in the consolidated statement of financial position at 31 December 2023. Any subsequent developments following this ruling will be monitored by the Group.

Information on each of the Group's pension schemes is set out below.

G1.1 Pearl Group Staff Pension Scheme

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 2023, 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.

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.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G1.1 Pearl Group Staff Pension Scheme continued

Pension Scheme Commitment Agreement and buy-in transactions continued

Upon completion of each buy-in transaction the Scheme transferred the following plan assets to PLL:

- In November 2020, £731 million of plan assets were transferred to PLL in satisfaction of the premium of £735 million and was net of a £4 million payment by PLL to the Scheme in respect of members' benefits for October and November 2020.
- In July 2021, £1,049 million of plan assets were transferred to PLL in satisfaction of the premium and a further £12 million cash payment was paid by the Scheme in August 2021. PLL paid £5 million to the Scheme in respect of members' benefits for June and July 2021; and
- In October 2021, £433 million of plan assets were transferred to PLL in satisfaction of the premium of £435 million and was net of a £2 million payment by PLL to the Scheme in respect of members' benefits for September and October 2021. A further £1 million cash payment in respect of the premium was paid by the Scheme in December 2021.
- In November 2022, £556 million of plan assets were transferred to PLL in satisfaction of the premium of £560 million and was net of a £4 million payment by PLL to the Scheme in respect of members' benefits for October and November 2022.

The assets transferred to PLL 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 2023 was £1,507 million (2022: £1,501 million) which includes an amount owed by PLL of £nil million (2022: £2 million).

The Commitment agreement contained provisions under which payments by PGH2 to the Scheme were required in the event that the Group did not meet the minimum buy-in completion schedule. Following completion of the last buy-in transaction in 2022 the Group no longer has an obligation to pay gilts deficit recovery contributions.

The new agreement also introduced a new form of security provided by PGH2 to the trustee. The share charges over certain Group entities were replaced by a new surety bond arrangement, whereby two external third-party insurers, each provided £100 million of cover payable to the Scheme following certain trigger events. This cover provided by the surety bond guarantee was fully released upon completion of the final buy-in transaction in November 2022.

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 the current period, the financial impact of the 1.3% uplift has been to recognise an increase in the defined benefit obligation of £12 million and a past service cost in the consolidated income statement (at 31 December 2022, the financial impact of the 1.6% uplift was £15 million).

Reimbursement right asset in respect of Reinsurance arrangement

In March 2022, PLL entered into a quota share reinsurance arrangement with an external insurer to reinsure a further 27% of the risks transferred to PLL as part of the third buy-in transaction with the Pearl Scheme. A total of approximately 91% of these liabilities have now been reinsured. A premium of £104 million was paid by PLL to the reinsurer. 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 £202 million (31 December 2022: £205 million).

Summary of amounts recognised in the consolidated financial statements

The amounts recognised in the consolidated financial statements are as follows:

2023	Fair value of scheme assets £m	Defined benefit obligation £m	Pension Scheme Liability £m	Reimburse-ment right £m
At 1 January	46	(1,501)	(1,455)	205
Interest income/(expense)	2	(72)	(70)	10
Past service cost	–	(12)	(12)	–
Included in profit or loss	2	(84)	(82)	10
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	–
Included in other comprehensive income	2	(24)	(22)	–
Income received from insurance policies	102	–	102	–
Benefit payments	(102)	102	–	(13)
At 31 December	50	(1,507)	(1,457)	202

2022	Fair value of scheme assets £m	Defined benefit obligation £m	Provision for tax on the economic surplus available as a refund £m	Pension Scheme Liability £m	Reimbursement right asset £m
At 1 January	807	(2,224)	(92)	(1,509)	212
Interest income/(expense)	16	(52)	(2)	(38)	4
Past service cost	–	(15)	–	(15)	–
Included in profit or loss	16	(67)	(2)	(53)	4
Remeasurements:					
Return on plan assets excluding amounts included in interest income	(208)	–	–	(208)	(101)
Gain from changes in demographic assumptions	–	3	–	3	–
Gain from changes in financial assumptions	–	805	–	805	–
Experience loss	–	(116)	–	(116)	–
Change in provision for tax on economic surplus available as a refund	–	–	94	94	–
Included in other comprehensive income	(208)	692	94	578	(101)
Income received from insurance policies	89	–	–	89	–
Benefit payments	(98)	98	–	–	(14)
Assets transferred as premium for Scheme buy-in	(560)	–	–	(560)	–
Assets transferred as premium for reinsurance arrangement	–	–	–	–	104
At 31 December	46	(1,501)	–	(1,455)	205

Scheme assets
The distribution of the scheme assets at the end of the year was as follows:

	2023		2022	
	Total £m	**Of which not quoted in an active market £m**	Total £m	Of which not quoted in an active market £m
Properties	–	–	5	5
Private equities	**5**	**5**	4	4
Hedge funds	**3**	**3**	3	3
Cash and other	**42**	–	34	–
Obligations for repayment of stock lending collateral received	–	–	–	–
Reported scheme assets	**50**	**8**	46	12
Add back:				
Insurance policies eliminated on consolidation	**1,507**	**1,507**	1,501	1,501
Economic value of assets	**1,557**	**1,515**	1,547	1,513

Defined benefit obligation
The calculation of the defined benefit obligation can be allocated to the scheme's members as follows:

- Deferred scheme members: 33% (2022: 40%); and
- Pensioners: 67% (2022: 60%)

The weighted average duration of the defined benefit obligation at 31 December 2023 is 13.5 years (2022: 13.5 years).

Principal assumptions
The principal financial assumptions of the Pearl Scheme are set out in the table below:

	2023 %	2022 %
Rate of increase for pensions in payment (5% per annum or RPI if lower)	**2.90**	3.05
Rate of increase for deferred pensions ('CPI')	**2.60**	2.70
Discount rate	**4.60**	4.95
Inflation – RPI	**3.10**	3.30
Inflation – CPI	**2.60**	2.70

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.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G1.1 Pearl Group Staff Pension Scheme continued

Principal assumptions continued

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 2021 are based on amended CMI 2022 Core Projections (2022: From 1 January 2021 based on amended CMI 2021 Core Projections) and a long-term rate of improvement of 1.5% (2022: 1.5%) per annum for males and 1.2% (2022: 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 29.0 years and 30.3 years for male and female members respectively (2022: 29.2 years and 30.5 years respectively).

A quantitative sensitivity analysis for significant actuarial assumptions is shown below:

2023	Base	Discount rate		RPI		Life expectancy	
Assumptions 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)

2022	Base	Discount rate		RPI		Life expectancy	
Assumptions Sensitivity level		25bps increase	25bps decrease	25bps increase	25bps decrease	1 year increase	1 year decrease
Impact on the defined benefit obligation (£m)	1,501	(40)	42	26	(25)	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 pension asset recognised within the statement of consolidated financial position.

G1.2 PGL Pension Scheme

The PGL Pension Scheme comprises a final salary section and a defined contribution section.

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 is a final salary arrangement which is closed to new entrants and has no active members.

The PGL 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 is responsible for the day to day administration of the benefits.

The valuation has been based on an assessment of the liabilities of the PGL Pension Scheme as at 31 December 2023, undertaken by independent qualified actuaries.

To the extent that an economic surplus will be available as a refund, the economic surplus is stated after a provision for tax that would be borne by the scheme administrators when the refund is made.

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. The IFRS valuation cash flows reflect the latest available data and are not limited to being updated following the completion of each funding valuation.

There are no further committed contributions to pay in respect of the defined benefit section of the Scheme.

Insurance policies with Group entities

In March 2019, the PGL Pension Scheme entered into a buy-in agreement with PLL which covered the remaining pensioner and deferred members of the Scheme not covered by the first such agreement concluded in December 2016. The plan assets transferred to PLL as premium are held in a collateral account and are recognised in the relevant line within financial assets in the statement of consolidated financial position. The economic effect of these transactions in the Scheme is to replace the plan assets transferred with a single line insurance policy reimbursement asset which is eliminated on consolidation along with the relevant insurance contract liabilities in PLL.

The value of the insurance policies with Group entities at 31 December 2023 is £1,093 million (2022: £1,079 million).

During the year, £18 million of scheme assets were transferred to PLL as premium for the buy-out transaction which completed in January 2024. A debtor of £18 million, to reflect the prepayment of this premium at 31 December 2023 (2022: £nil), has been eliminated on consolidation. Further details of this transaction are included in note I7.

Summary of amounts recognised in the consolidated financial statements
The amounts recognised in the consolidated financial statements are as follows:

2023	Fair value of scheme assets £m	Defined benefit obligation £m	Total £m
At 1 January	27	(1,083)	(1,056)
Interest income/(expense)	1	(52)	(51)
Administrative expenses	(3)	–	(3)
Included in profit or loss	(2)	(52)	(54)
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)
Included in other comprehensive income	(1)	(31)	(32)
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)

2022	Fair value of scheme assets £m	Defined benefit obligation £m	Total £m
At 1 January	31	(1,623)	(1,592)
Interest income/(expense)	1	(32)	(31)
Administrative expenses	(4)	–	(4)
Included in profit or loss	(3)	(32)	(35)
Remeasurements:			
Return on plan assets excluding amounts included in interest income	(1)	–	(1)
Gain from changes in demographic assumptions	–	5	5
Gain from changes in financial assumptions	–	531	531
Experience loss	–	(36)	(36)
Included in other comprehensive income	(1)	500	499
Income received from insurance policies	72	–	72
Benefit payments	(72)	72	–
At 31 December	27	(1,083)	(1,056)

Scheme assets
The distribution of the scheme assets at the end of the year was as follows:

	2023		2022	
	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	–	27	–
Reported scheme assets	6	–	27	–
Add back:				
Insurance policies eliminated on consolidation	1,093	1,093	1,079	1,079
Amounts due from subsidiary eliminated on consolidation	18	18	–	–
Economic value of assets	1,117	1,111	1,106	1,079

Defined benefit obligation
The calculation of the defined benefit obligation can be allocated to the scheme's members as follows:

- Deferred scheme members: 36% (2022: 36%); and
- Pensioners: 64% (2022: 64%)

The weighted average duration of the defined benefit obligation at 31 December 2023 is 13.5 years (2022: 13.5 years).

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G1.2 PGL Pension Scheme continued

Principal assumptions

The principal financial assumptions of the PGL Pension Scheme are set out in the table below:

	2023 %	2022 %
Rate of increase for pensions in payment (7.5% per annum or RPI if lower)	3.10	3.30
Rate of increase for deferred pensions ('CPI')	2.60	2.70
Discount rate	4.60	4.95
Inflation – RPI	3.10	3.30
Inflation – CPI	2.60	2.70

The discount rate and inflation assumptions have been determined by considering the shape of the appropriate yield curves and the duration of the PGL Pension Scheme 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 from 1 January 2021 are based on amended CMI 2022 Core Projections (2022: From 1 January 2021 based on amended CMI 2021 Core Projections) with a long-term rate of improvement of 1.5% (2022: 1.5%) per annum for males and 1.2% (2022: 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 is 27.4 years (2022: 27.7 years) and 28.8 years (2022: 29.1 years) for male and female members respectively.

A quantitative sensitivity analysis for significant actuarial assumptions is shown below:

2023 Assumptions Sensitivity level	Base	Discount rate 25bps increase	Discount rate 25bps decrease	RPI 25bps increase	RPI 25bps decrease	Life expectancy 1 year increase	Life expectancy 1 year decrease
Impact on the defined benefit obligation (£m)	1,097	(32)	33	22	(21)	31	(31)

2022 Assumptions Sensitivity level	Base	Discount rate 25bps increase	Discount rate 25bps decrease	RPI 25bps increase	RPI 25bps decrease	Life expectancy 1 year increase	Life expectancy 1 year decrease
Impact on the defined benefit obligation (£m)	1,083	(31)	33	23	(22)	30	(30)

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.

G1.3 Abbey Life Staff Pension Scheme

Scheme details

On 30 June 2017, the Abbey Life Scheme was transferred from Abbey Life to PeLHL, a fellow subsidiary. PeLHL assumed the scheme covenant together with all obligations of the scheme following implementation of the transfer. The Abbey Life Scheme is a registered occupational pension scheme, set up under trust, and legally separate from the 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 2023 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. 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 next payment being made on 31 July 2022, and 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.

An additional liability of £2 million (2022: £3 million) has been recognised reflecting a charge on any refund of the resultant IAS 19 surplus that arises after adjustment for discounted future contributions of £11 million (2022: £15 million) in accordance with the minimum funding requirement. A deferred tax asset of £3 million (2022: £3 million) has also been recognised to reflect tax relief at a rate of 25% that is expected to be available on the contributions once paid into the Scheme.

Summary of amounts recognised in the consolidated financial statements
The amounts recognised in the consolidated financial statements are as follows:

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)	–	–
Administration 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 financial 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)

2022	Fair value of scheme assets £m	Defined benefit obligation £m	Provision for tax on the economic surplus available as a refund £m	Minimum funding requirement obligation £m	Total £m
At 1 January	330	(318)	(4)	(7)	1
Interest income/(expense)	7	(6)	–	–	1
Administrative expenses	(2)	–	–	–	(2)
Included in profit or loss	5	(6)	–	–	(1)
Remeasurements:					
Return on plan assets excluding amounts included in interest income	(123)	–	–	–	(123)
Experience loss	–	(9)	–	–	(9)
Gain from changes in financial assumptions	–	110	–	–	110
Change in minimum funding requirement obligation	–	–	–	4	4
Change in provision for tax on economic surplus available as a refund	–	–	4	–	4
Included in other comprehensive income	(123)	101	4	4	(14)
Employer's contributions	6	–	–	–	6
Benefit payments	(12)	12	–	–	–
At 31 December	206	(211)	–	(3)	(8)

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G1.3 Abbey Life Staff Pension Scheme continued

Scheme assets

The distribution of the scheme assets at the end of the year was as follows:

	2023 Total £m	2023 Of which not quoted in an active market £m	2022 Total £m	2022 Of which not quoted in an active market £m
Diversified income fund	45	–	44	–
Fixed interest government bonds	148	–	86	–
Corporate bonds	97	–	87	–
Derivatives	(85)	(85)	(15)	(15)
Cash and cash equivalents	6	–	4	–
Pension scheme assets	211	(85)	206	(15)

Defined benefit obligation

The calculation of the defined benefit obligation can be allocated to the Abbey Life Scheme's members as follows:

- Deferred scheme members: 44% (2022: 44%); and
- Pensioners: 56% (2022: 56%)

The weighted average duration of the defined benefit obligation at 31 December 2023 is 13.5 years (2022: 13.5 years).

Principal assumptions

The principal financial assumptions of the Abbey Life Scheme are set out in the table below:

	2023 %	2022 %
Rate of increase for pensions in payment (5% per annum or RPI if lower)	2.90	3.05
Rate of increase for deferred pensions ('CPI' subject to caps)	2.60	2.70
Discount rate	4.60	4.95
Inflation – RPI	3.10	3.30
Inflation – CPI	2.60	2.70

The discount rate and inflation assumptions have been determined by considering the shape of the appropriate yield curves and the duration of the Abbey Life Scheme 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 2021, using the SAPS S3 'Light' tables for males and for females based on year of use. Future longevity improvements from 1 January 2021 are based on amended CMI 2022 Core Projections (2022: From 1 January 2021 based on amended CMI 2021 Core Projections) and a long-term rate of improvement of 1.5% (2022: 1.5%) per annum for males and 1.2% (2022: 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 24.5 years and 25.6 years for male and female members respectively (2022: 24.8 years and 25.9 years respectively).

A quantitative sensitivity analysis for significant actuarial assumptions is shown below:

2023	Base	Discount rate		RPI		Life expectancy	
Assumptions 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)

2022	Base	Discount rate		RPI		Life expectancy	
Assumptions Sensitivity level		25bps increase	25bps decrease	25bps increase	25bps decrease	1 year increase	1 year decrease
Impact on the defined benefit obligation (£m)	211	(7)	7	4	(4)	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

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 2023 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.

Following the 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. It is anticipated that these payments will be sufficient to cover the difference between the funding shortfall and the balance of the Custody Account at 31 December 2020 and 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 the cost of the death-in-service benefits for those members of the scheme entitled to those benefits. Payments of £2 million (2022:£2 million) have been made during the year to cover these costs.

Summary of amounts recognised in the consolidated financial statements

The amounts recognised in the consolidated financial statements are as follows:

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

2022	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	492	(438)	(19)	35
Interest income/(expense)	9	(9)	–	–
Administrative expenses	(1)	–	–	(1)
Included in profit or loss	8	(9)	–	(1)
Remeasurements:				
Return on plan assets excluding amounts included in interest income	(203)	–	–	(203)
Gain from changes in financial assumptions	–	188	–	188
Experience loss	–	(19)	–	(19)
Change in provision for tax on economic surplus available as a refund	–	–	11	11
Included in other comprehensive income	(203)	169	11	(23)
Employer's contributions	3	–	–	3
Benefit payments	(12)	12	–	–
At 31 December	288	(266)	(8)	14

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G1.4 ReAssure Life Staff Pension Scheme continued

Scheme assets

The distribution of the scheme assets at the end of the year was as follows:

	2023 Total £m	2023 Of which not quoted in an active market £m	2022 Total £m	2022 Of which not quoted in an active market £m
Equities	32	–	31	–
Government bonds	118	–	121	–
Corporate bonds	92	–	83	–
Managed funds	–	–	–	–
Other quoted securities	41	–	45	–
Cash and cash equivalents	4	–	8	–
Pension scheme assets	287	–	288	–

Defined benefit obligation

The calculation of the defined benefit obligation can be allocated to the ReAssure Scheme's members as follows:

- Deferred scheme members: 66% (2022: 66%); and
- Pensioners: 34% (2022: 34%)

The weighted average duration of the defined benefit obligation at 31 December 2023 is 17 years (2022: 17 years).

Principal assumptions

The principal assumptions of the ReAssure Scheme are set out in the table below:

	2023 %	2022 %
Rate of increase for pensions in payment (5% per annum or RPI if lower)	2.90	3.05
Rate of increase for deferred pensions	2.60	2.70
Rate of increase in salaries	3.60	3.70
Discount rate	4.60	4.95
Inflation – RPI	3.10	3.30
Inflation – CPI	2.60	2.70

The discount rate and inflation assumptions have been determined by considering the shape of the appropriate yield curves and the duration of the ReAssure Scheme 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% (2022: 102%) multiplier for males and a 95% (2022: 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 2022 Core Projections (2022: from 1 January 2021 in line with amended CMI 2021 Core Projections) with a long-term trend of 1.5% pa (2022: 1.5%) for males and 1.2% (2022: 1.2%) for females.

Under these assumptions the average life expectancy from retirement for a member currently aged 45 retiring at age 60 is 29.7 years and 31.3 years for male and female members respectively (2022: 30.0 years and 31.6 years for male and female members respectively).

A quantitative sensitivity analysis for significant actuarial assumptions 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)	273	(11)	11	9	(9)	7	(7)

2022 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)	266	(10)	11	8	(8)	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

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 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 2023 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.

Summary of amounts recognised in the consolidated financial statements

The amounts recognised in the consolidated financial statements are as follows:

2023	Fair value of scheme assets £m	Defined benefit obligation £m	Total £m	Reimbursement right £m
On acquisition of 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

Scheme assets

The distribution of the scheme assets at the end of the year was as follows:

	2023	
	Total £m	Of which not quoted in an active market £m
Debt securities	36	–
Cash and cash equivalents	4	–
Qualifying insurance contracts[1]	257	257
Pension scheme assets	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.

Defined benefit obligation

The calculation of the defined benefit obligation can be allocated to the Sun Life of Canada Scheme's members as follows:

- Deferred scheme members: 40%; and
- Pensioners: 60%.

The weighted average duration of the defined benefit obligation at 31 December 2023 is 12.8 years.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G1.5 Sun Life Assurance Company of Canada 1988 UK and Irish Employee Benefits scheme continued

Principal assumptions

The principal assumptions of the Sun Life of Canada Scheme are set out in the table below:

	2023 %
Rate of increase for pensions in payment	3.05
Rate of increase for deferred pensions	2.15
Discount rate	4.60
Inflation – RPI	3.10
Inflation – CPI	2.30

The discount rate and inflation assumptions have been determined by considering the shape of the appropriate yield curves and the duration of the Sun Life of Canada Scheme 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. Future longevity improvements are in line with the 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 and 1.5% p.a. for females.

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.

A quantitative sensitivity analysis for significant actuarial assumptions is shown below:

2023 Assumptions Sensitivity level	Base	Discount rate 25bps increase	 25bps decrease	RPI 25bps increase	 25bps decrease	Life expectancy 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

Investment contracts without DPF acquired in business combinations and portfolio transfers are measured at fair value at the time of acquisition. The difference between the fair value of the contractual rights acquired and obligations assumed and the liability 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. 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.

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.

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 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

2022 restated[1]	Goodwill £m	Acquired in-force business £m	Brands £m	Total £m
Cost or valuation at 1 January and 31 December	57	4,180	131	4,368
Amortisation and impairment				
At 1 January	(47)	(1,617)	(13)	(1,677)
Amortisation charge for the year	–	(332)	(6)	(338)
Impairment charge for the year	–	(17)	–	(17)
At 31 December	(47)	(1,966)	(19)	(2,032)
Carrying amount	10	2,214	112	2,336
Less amounts classified as held for sale (see note H3)	–	(37)	–	(37)
Carrying amount at 31 December	10	2,177	112	2,299
Amount recoverable after 12 months	10	1,912	106	2,028

1 Prior period comparatives have been restated on transition to IFRS 17 *Insurance Contracts* (see note A2.1 for further details).

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 (2022: £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 14% (2022: 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.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G2.2 Acquired in-force business

Acquired in-force business ('AVIF') on investment contracts without DPF represents the difference between the fair value of the contractual rights under these contracts and the liability 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. AVIF on these investment contracts 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.

AVIF of £16 million was recognised during the year upon acquisition of SLF of Canada UK Limited. Further details are included in note H2.

On 23 February 2021, the Group entered into an agreement with abrdn plc to simplify the arrangements of their Strategic Partnership. Under the terms of the transaction, the Group will sell its UK investment and platform related products, comprising Wrap SIPP, Onshore bond and UK TIP to abrdn plc and this will be effected through a Part VII transfer. Since 2021, the balances in the statement of consolidated financial position relating to this business have been 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 relates to the SIPP and Onshore business, was £122 million and an impairment charge of £67 million was recognised in 2021. A further impairment of £28 million has been recognised during the year (2022: £17 million). The AVIF balance classified as held for sale has not been amortised up to 31 December 2023.

As at 31 December 2023, the insured funds element of the Wrap SIPP and Onshore Bond businesses will no longer transfer to abrdn (see note H3 for further details). As a result, this business no longer meets the requirements to be classified as held for sale. Consequently, the AVIF, which has a carrying value of £9 million at 31 December 2023, will be classified within the AVIF line in the consolidated statement of financial position. The AVIF will be amortised in line with the transfer of the economic risk and rewards for this business to abrdn 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 2023 is £6 million (2022: £8 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 abrdn 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 2023 is £100 million (2022: £104 million).

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 and losses on owner-occupied property are recognised in other comprehensive income.

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 11 years (2022: 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.

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

2022	Owner-occupied properties £m	Right-of-use assets – property £m	Equipment £m	Total £m
Cost or valuation				
At 1 January	29	94	61	184
Additions	9	3	8	20
Revaluation losses	(6)	–	–	(6)
Disposals	–	(1)	(2)	(3)
At 31 December	32	96	67	195
Depreciation				
At 1 January	–	(24)	(30)	(54)
Depreciation	–	(9)	(10)	(19)
Disposals	–	1	2	3
At 31 December	–	(32)	(38)	(70)
Carrying amount at 31 December	32	64	29	125

Owner-occupied properties have been valued by accredited independent valuers at 31 December 2023 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 £28 million (2022: £32 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 £5 million (2022: £6 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).

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.

	2023 £m	2022 £m
At 1 January	**6,233**	8,592
Additions	**49**	104
Acquisition of SLF of Canada UK Limited (note H2)	**283**	–
Improvements	**27**	27
Disposals	**(484)**	(1,141)
Remeasurement of right-of-use asset	**–**	2
Movement in foreign exchange	**(4)**	12
Losses on adjustments to fair value (recognised in consolidated income statement)	**(362)**	(1,363)
	5,742	6,233
Less amounts classified as held for sale (see note H3)	**(2,044)**	(2,506)
At 31 December	**3,698**	3,727
Unrealised losses on properties held at end of year	**(180)**	(1,582)

As at 31 December 2023, a property portfolio including amounts classified held for sale of £5,621 million (2022: £6,070 million) is held by the life companies in a mix of commercial sectors, spread geographically throughout the UK and Europe.

Investment properties also includes £42 million (2022: £62 million) of property reversions arising from sales of the NPI Extra Income Plan (see note E5 for further details) and £64 million (2022: £80 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 2023 was £15 million (2022: £21 million). The remeasurement resulted in no change in value of the ground rent right-of-use asset (2022: increase of £2 million). There were no additions (2022: £2 million) and £6 million disposals (2022: £4 million) of ground rent right-of-use assets during the period.

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G4. Investment property continued

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 3 year swap rate plus 1.7% margin (2022: 3 year swap rate plus 1.7% margin), and adjusted for the deferred possession rate of 3.7% (2022: 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% (2022: 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 2023	Weighted average 2022
Commercial Investment Property	RICS valuation	Expected income per sq. ft.	£23.41	£22.41
		Estimated rental value per hotel room	£7,156	£7,043
		Estimated rental value per parking space	£1,123	£1,115
		Capitalisation rate	5.13%	5.01%

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 £36 million (2022: £27 million). The direct operating expenses arising from investment property that did not generate rental income during the year amounted to £5 million (2022: £5 million).

Future minimum lease rental receivables in respect of non-cancellable operating leases on investment properties were as follows:

	2023 £m	2022 £m
Not later than 1 year	278	356
Later than 1 year and not later than 5 years	919	1,131
Later than 5 years	2,903	3,345

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.

	2023 £m	2022 restated[1] £m
Investment broker balances	115	312
Cash collateral pledged and initial margins posted	1,728	3,698
Property related receivables	165	145
Deferred acquisition costs relating to investment contracts without DPF	8	7
Other debtors	562	293
At 31 December	**2,578**	4,455
Amount recoverable after 12 months	13	6

1 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

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.

	2023 £m	2022 £m
Bank and cash balances	2,751	2,716
Short-term deposits (including notice accounts and term deposits)	4,469	6,156
	7,220	8,872
Less amounts classified as held for sale	(52)	(33)
At 31 December	**7,168**	8,839

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 £6,994 million (2022: £8,597 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.

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			
2023	Leasehold properties £m	Staff related £m	Known incidents £m	Indirect tax provisions £m	Transition and Transformation provision £m	Transfer of policy administration provision £m	Other £m	Total £m
At 1 January restated[1]	9	7	48	29	72	8	11	184
Additions in the year	2	1	9	43	6	1	10	72
Acquisition of SLF of Canada UK Limited (note H2)	–	4	–	–	–	–	1	5
Utilised during the year	–	–	(24)	(3)	(20)	(4)	(9)	(60)
Released during the year	(2)	(1)	(18)	(10)	(11)	–	(4)	(46)
At 31 December	9	11	15	59	47	5	9	155

1 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G7. Provisions continued

Leasehold properties

The leasehold properties provision includes a £9 million (2022: £7 million) dilapidations provision in respect of obligations under operating leases and £nil (2022: £2 million) in respect of the excess of lease rentals and other payments on properties that are currently vacant or are expected to become vacant, over the amounts to be recovered from subletting these properties.

Staff related

Staff related provisions include provisions for unfunded pensions of £8 million (2022: £4 million), and private medical and other insurance costs for former employees of £3 million (2022: £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 2023, £18 million (2022: £nil) was utilised and £7 million was released. The remaining balance at 31 December 2023 is £4 million (2022: £29 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. During 2023, £4 million (2022: £4 million) was released and the remaining balance at 31 December 2023 is £3 million (2022: £7 million). These provisions will be utilised within one to four years.

In 2020, following completion of the Part VII transfer of the Legal & General business, a £12 million provision was recognised in respect of amounts owed to customers due to various system and processing errors resulting in incorrect rules having been applied to policies. During the year, the provision was increased by £2 million (2022: £nil) and a further £1 million (2022: £4 million) was released. The remaining balance at 31 December 2023 is £3 million (2022: £2 million). A new provision of £5 million was created during 2023 in relation to a pricing error within the same business transfer caused by incorrect static data. During the year, £4 million was utilised and the remaining balance at 31 December 2023 is £1 million. These provisions will be utilised within one to two years.

The remaining provisions of £4 million as at 31 December 2023 (2022: £10 million) are expected to be utilised within one to four years. As at 31 December 2023, 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 tax provision

The indirect tax provision relates to various indirect tax matters across operational taxes, employment taxes and VAT. During the year, the provision was strengthened by £43 million (2022: £nil). £3 million (2022: £nil) was utilised and a further £10 million (2022: £nil) was released. The remaining balance at 31 December 2023, of £59 million (2022: £29 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 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. There was an increase in costs during 2022 following on from a strategic decision to re-phase the programme. 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.

During the year, the provision was increased by £6 million (2022: £33 million), a further £20 million (2022: £19 million) was utilised and £11 million (2022: nil) was released. The remaining £47 million (2022: £72 million) is expected to be utilised within one to three years.

Transfer of policy administration

A significant proportion of the Group's policy administration is outsourced to Diligenta Limited ('Diligenta'), a UK-based subsidiary of Tata Consultancy Services ('TCS'). Diligenta provide life and pension business process services to a large number of the Group's policyholders. 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 Diligenta.

An initial provision was recognised in 2018 for the expected cost of the platform migration and for severance and other costs associated with exiting from the current arrangements. Migration costs are 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. The migration elements of the provision are subject to limited uncertainty as a consequence of the signed agreements that are in place. The uncertainty in relation to the severance and associated exit costs is limited as the restructuring programme is nearing completion. During the year the provision was increased by £1 million (2022: £4 million) and a further £4 million (2022: £4 million) was utilised. The remaining provision of £5 million (2022: £8 million) is expected to be utilised within one year.

Other provisions

Other provisions includes £3 million (2022: £4 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.

Another provision of £1 million was also recognised during the year upon acquisition of SLF of Canada UK Limited in relation to restructuring and litigation.

The remaining other provisions of £5 million (2022: £7 million) consist of a number of small balances, all of which are less than £3 million in value.

Discounting

The impact of discounting on all provisions during the year from either the passage of time or from a change in the discount rate is not 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 temporary differences arising from 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.

	2023 £m	2022 restated[1] £m
Current tax:		
Current tax receivable	502	519
Current tax payable	(41)	(34)
Deferred tax:		
Deferred tax assets	143	158
Deferred tax liabilities	(257)	(309)

1 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

Movement in deferred tax liabilities

2023	1 January £m	Recognised in consolidated income statement £m	Recognised in other comprehensive income £m	SLF of Canada UK Limited acquisition £m	Other movements £m	Less amounts previously classified as held for sale £m	31 December £m
Trading losses	196	132	–	27	–	–	355
Capital losses	24	(22)	–	–	–	–	2
Expenses and deferred acquisition costs carried forward	397	6	–	19	–	–	422
Provisions and other temporary differences	32	(28)	–	–	–	–	4
Non-refundable pension scheme surplus	(151)	34	12	(4)	1	–	(108)
Committed future pension contributions	9	(5)	(1)	–	–	–	3
Transitional adjustment relating to IFRS 17	–	(1)	2	9	–	–	10
Accelerated capital allowances	17	4	–	1	–	1	23
Intangibles	14	17	–	–	–	–	31
Acquired in-force business	(405)	55	–	(4)	–	(7)	(361)
Customer relationships	(28)	1	–	–	–	–	(27)
Unrealised gains	(261)	(77)	–	(23)	–	–	(361)
Actuarial liability differences between local GAAP and IFRS 17	2	(110)	–	(16)	6	–	(118)
Other	3	8	–	–	–	–	11
	(151)	14	13	9	7	(6)	(114)

G. Other statement of consolidated financial position notes continued

G8. Tax assets and liabilities continued

Movement in deferred tax liabilities continued

2022 (restated)	1 January £m	Recognised in consolidated income statement £m	Recognised in other comprehensive income £m	SLF of Canada UK Limited acquisition £m	Other movements £m	Less amounts classified as held for sale £m	31 December £m
Trading losses	103	86	–	–	7	–	196
Capital losses	32	(8)	–	–	–	–	24
Expenses and deferred acquisition costs carried forward	81	318	–	–	(2)	–	397
Provisions and other temporary differences	28	6	–	–	(2)	–	32
Non-refundable pension scheme surplus	(255)	392	(288)	–	–	–	(151)
Committed future pension contributions	–	5	4	–	–	–	9
Accelerated capital allowances	16	1	–	–	–	–	17
Intangibles	2	11	–	–	1	–	14
Acquired in-force business	(445)	43	–	–	–	(3)	(405)
Actuarial liability differences between local GAAP and IFRS 17	(341)	339	–	–	4	–	2
Customer relationships	(30)	2	–	–	–	–	(28)
Unrealised gains	(593)	333	1	–	(2)	–	(261)
IFRS transitional adjustments	(5)	5	–	–	–	–	–
Other	–	1	–	–	2	–	3
	(1,407)	1,534	(283)	–	8	(3)	(151)

The standard rate of UK corporation tax for the year ended 31 December 2023 is 23.5% (2022: 19%).

An increase from the 19% UK corporation tax rate to 25%, effective from 1 April 2023, was announced in the Budget on 3 March 2021, and substantively enacted on 24 May 2021. Accordingly, 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.

	2023 £m	2022 £m
Deferred tax assets have not been recognised in respect of:		
Tax losses carried forward	**110**	82
Excess expenses and deferred acquisition costs	**9**	116
Actuarial liability differences between local GAAP and IFRS 17	**14**	27
Intangibles	**12**	29
Deferred tax assets not recognised on capital losses	**312**	40

The Group also has £635 million of BLAGAB trading losses carried forward as at 31 December 2023 in Phoenix Life Limited, ReAssure Limited and Sun Life Assurance Company of Canada (UK) Limited (2022: £ 456 million of losses across Phoenix Life Limited, ReAssure Limited and Phoenix Life Assurance Limited). Of the £635 million, a deferred tax asset was recognised in respect of £623 million of losses (2022:£164 million of losses). The remaining £12 million of gross losses are projected to be utilised, however no value has been attributed to these deferred tax assets given the interaction with other deductible temporary differences (2022: £158 million of losses). In 2022 deferred tax assets were not recognised in respect of the remaining £134 million of losses due to the uncertainty of future trading profits against which the losses could be offset.

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.

A tax dispute with HMRC in relation to the tax treatment of an asset formerly held by Guardian Assurance Limited (before the business was transferred to ReAssure Limited) was resolved in the period in favour of the Group. The 2021 current tax liability included an accrual for the total tax under dispute on the basis that there was sufficient risk that the tax treatment of the Group would not then be accepted. In 2022 this tax liability was released.

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 YE20, the tax refund for the benefit of the Group's with-profit and unit linked funds increased to £45 million and £23 million respectively. In the case of the with-profit 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.

In January 2020, HMRC issued a communication to taxpayers who are affected by the dividend GLO but are not direct participants of it, setting out HMRC's intended approach to settling enquiries into the amount of double tax relief available for statutory protective or other claims. The Group has been discussing the claims with HMRC during the course of 2022 and 2023, but due to the significant number of cases and years affected, no amounts have as yet been repaid. The level of tax refund expected is currently unchanged as at the end of 2023.

Some companies of the Group were late joiners or not members of the GLO but have made statutory protective tax claims totalling circa £14 million for the benefit of unit linked life funds based on the Supreme Court decision. HMRC has challenged the validity of such claims and is currently considering further tax litigation in this area against other third parties. Some progress through the courts has been made in the course of 2022 and 2023, but it is expected that the litigation will continue to run. Due to the uncertainty around the potential success of the claims a tax asset has not been recognised in respect of these claims.

The Group is continuing to monitor developments in relation to the G20-OECD Inclusive Framework "Pillar Two" rules, as the Group expects to be within the 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.

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 is expected to apply 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.

As at year end 2023, the main other overseas jurisdictions where we operate and which have enacted local Pillar Two legislation are Germany, Ireland, Luxembourg, the Netherlands and the United Kingdom.

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance. Based on the work completed to date on most recent historical financial information, the Group does not expect a material exposure to Pillar Two income taxes. Nonetheless, the Group 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. Further that historical financial performance is not necessarily indicative of future performance, so the actual impact that the Pillar Two income taxes legislation may have on the Group's future financial performance may be different from expectations.

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.

	2023 £m	2022 £m
At 1 January	92	99
Leases incepted during the year	1	6
Termination of leases following the disposal of associated investment properties	(7)	(4)
Interest expense	2	3
Lease payments	(14)	(14)
Remeasurement of leases	–	2
At 31 December	74	92
Amount due within twelve months	9	11
Amount due after twelve months	65	81

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.

	2023 £m	2022 restated[1] £m
Accruals	545	476
Deferred income	34	105
Accruals and deferred income including amounts classified as held for sale	579	581
Less amounts classified as held for sale	–	(37)
At 31 December	579	544
Amount due for settlement after 12 months	42	35

1 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

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.

	2023 £m	2022 restated[1] £m
Investment broker balances	727	513
Property related payables	51	53
Investment management fees	16	48
Other payables	1,478	759
At 31 December	**2,272**	1,373
Amount due for settlement after 12 months	–	–

1 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

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 between the net proceeds, plus the fair value of any retained interest, and 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 UK life 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 2023, PeLHL held £9 million (2022: £9 million) within debt securities and £24 million (2022: £18 million) within cash and cash equivalents in respect of these charged accounts. Further details of when the remaining amounts may become payable to the pensions 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 2023, RML held £44 million (2022: £40 million) within debt securities in respect of this account. Further details of when these amounts may become payable to the pensions scheme are included in note G1.4.

H2. Acquisition of SLF of Canada UK Limited
On 3 April 2023, the Group acquired 100% of the issued share capital of 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.

SLF of Canada UK Limited and its subsidiaries are a closed book life insurance business that has a portfolio of pension, life and annuity products.

The acquisition is 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 table below summarises the fair value of identifiable assets and acquired liabilities assumed as at the date of acquisition.

	Notes	Fair value £m
Assets		
Acquired in-force business	G2	16
Pension scheme asset	G1	16
Reimbursement rights	G1	2
Investment property	G4	283
Financial assets		7,552
Deferred tax assets		12
Prepayments and accrued income		47
Other receivables		64
Cash and cash equivalents		230
Total assets		8,222
Liabilities		
Insurance contract liabilities	F1	4,386
Reinsurance contract liabilities	F1	153
Investment contract liabilities		3,190
Other financial liabilities		75
Provisions	G7	5
Deferred tax liabilities		3
Current tax		4
Other payables		90
Total liabilities		7,906
Fair value of net assets acquired		316
Gain arising on acquisition		(66)
Purchase consideration transferred		250
Analysis of cash flows on acquisition:		
Net cash acquired with the subsidiaries (included in cash flow from investing activities)		230
Cash paid		(250)
Net cash flow on acquisition		(20)

Notes to the consolidated financial statements continued

H. Interests in subsidiaries and associates continued

H2. Acquisition of SLF of Canada UK Limited continued

Acquired in-force business (AVIF)

An asset of £16 million arises reflecting the present value of future profits associated with the acquired in-force business. The AVIF has been determined by reference to the fair value of investment contract rights acquired.

The valuation of AVIF has been determined by reference to the assumptions expected to be applied by a market participant in an orderly transaction. The valuation approach uses present value techniques applied to the best estimate cash flows expected to arise from policies that were in-force at the acquisition date, adjusted to reflect the price of bearing the uncertainty inherent in those cash flows. This approach incorporates a number of judgements and assumptions which have impacted on the resultant valuation, the most significant of which include expected policy lapses and surrender costs, and the expenses associated with servicing the policies, together with economic assumptions such as future investment returns and the discount rate. The determination of the majority of these assumptions is carried out on a consistent basis with those used in financial reporting with appropriate adjustments to reflect a market participant's view. The adjustment for risk for the uncertainty in the cash flows has been determined using a cost of capital approach.

The valuation of insurance contract liabilities and associated reinsurance assets has been carried out on a consistent basis with that applied by the Group under the fair value approach on the transition to IFRS 17. Further information on the fair value approach used for the transition to IFRS 17 is set out in note A4.1 Determination of transition method and its application.

Deferred acquisition costs of £1 million and a deferred income liability of £2 million have been derecognised on acquisition and replaced as part of the AVIF balance.

Other receivables

The financial assets acquired include other receivables with a fair value of £64 million. The gross amount due under the contracts is £64 million, of which no balances are expected to be uncollectable.

Tax

The tax impact of the fair value adjustments recognised on acquisition has been reflected in the acquisition balance sheet.

Gain on acquisition

A gain on acquisition of £66 million has been recognised in the Group's consolidated income statement for the year ended 31 December 2023, reflecting the excess of the fair value of the net assets acquired over the consideration paid for the acquisition of the SLF of Canada UK businesses.

The consideration for the acquisition was fixed and determined using a 'locked box' pricing mechanism as at 31 December 2021. Over the period between 31 December 2021 and the completion date, the value of the net assets acquired increased. This principally reflects a negative impact on assets from increasing yields being more than offset by a reduction in liabilities as a result of favourable assumption changes and demographic experience.

Additionally, in accordance with IFRS 3 Business Combinations, the acquired defined benefit pension schemes has been measured on acquisition in accordance with the Group's accounting policies as set out in note G1, as opposed to a fair value basis.

Transaction costs

Transaction costs of £4 million have been expensed and are included in administrative expenses in the consolidated income statement. All of these costs were paid.

Impact of the acquisition on results

From the date of acquisition, the SLF of Canada UK business contributed £199 million to revenue and £24 million of profit after tax attributable to owners.

It is not possible to provide revenue and profit after tax attributable to owners for the Group had the acquisition taken place at the beginning of the year as key income statement items such as the amortisation of the contractual service margin recognised under IFRS 17 are calculated with reference to the fair value as at the date of acquisition.

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 abrdn plc

On 23 February 2021, the Group entered into a new agreement with abrdn 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 abrdn 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 abrdn plc through a Part VII transfer. The economic risk and rewards for this business transferred to abrdn 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 abrdn plc in respect of the profit transfer arrangement are being offset against the deferred consideration balance.

Since 2021, the balances in the statement of consolidated financial position relating to the Wrap SIPP, Onshore Bond and TIP business have been 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. As at 31 December 2023, the expected completion date for the transfer of the TIP business was March 2025.

Prior to 31 December 2023, a re-scoping exercise was undertaken with abrdn plc and it was agreed that the insured funds elements of the Wrap SIPP and Onshore Bond businesses will no longer transfer to abrdn plc, and as a result this business no longer meets 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. As at 31 December 2023, only the TIP business has been classified as a disposal group held for sale.

The AVIF, which relates to the Wrap SIPP and Onshore Bond business, has been further impaired since 2021 and a further impairment charge of £28 million has been recognised in the year (2022: £17 million) prior to being removed from its classification as held for sale. As at 31 December 2023, the balances relating to the Wrap SIPP and Onshore Bond business have been included within the respective line items in the consolidated statement of financial position, and assets of £2,410 million and liabilities of £2,412 million have been removed from the held for sale classification. The major classes of assets and liabilities classified as held for sale are as follows:

	2023 £m	2022 £m
Acquired in-force business	–	37
Investment property	2,044	2,506
Financial assets	2,498	4,629
Cash and cash equivalents	52	33
Assets classified as held for sale	4,594	7,205
Assets in consolidated funds[1]	188	1,147
Total assets of the disposal group	4,782	8,352
Investment contract liabilities	(4,780)	(8,312)
Other financial liabilities	(2)	(4)
Deferred tax liabilities	–	(7)
Accruals and deferred income	–	(37)
Liabilities classified as held for sale	(4,782)	(8,360)

1 Included in assets of the disposal group are assets in consolidated funds, which are held to back investment contract liabilities of the Wrap SIPP, Onshore Bond and TIP business and are disclosed within financial assets in the consolidated statement of financial position. The Group controls these funds at 31 December 2023 and therefore consolidates 100% of the assets with any non-controlling interest recognised as net asset value attributable to unitholders.

H4. Associates: Investment in UK commercial property REIT ('UKCPR')

UKCPR is a property investment company which is domiciled in Guernsey and is admitted to the official list of the UK Listing Authority and to trading on the London Stock Exchange.

The Group's interest in UKCPR is held in the with-profit funds of the Group's life companies. Therefore, the shareholder exposure to fair value movements in the Group's investment in UKCPR is limited to the impact of those movements on the shareholder share of distributed profits of the relevant fund.

As at 31 December 2023, the Group held 43.4% (2022: 44.6%) 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 (2022: £329 million). Management has concluded that the Group did not control UKCPR in either the current or comparative periods. The Group does not hold a unilateral power of veto in general meetings and voting is subject to certain restrictions in accordance with the terms of an existing relationship agreement it has with UKCPR.

Summary consolidated financial information (at 100%) for UKCPR group is shown below:

	2023	2022
Non-current assets	1,224	1,276
Current assets	64	83
Non-current liabilities	(236)	(291)
Current liabilities	(28)	(32)
	1,024	1,036
Revenue	68	71
Profit/(loss) for the year after tax	32	(222)

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).

Notes to the consolidated financial statements continued

H. Interests in subsidiaries and associates continued

H5. Structured entities continued

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 £12 million (2022: £13 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.

	2023 Carrying value of financial assets £m	2022 Carrying value of financial assets £m
Equities	1,051	968
Collective investment schemes	78,909	75,389
Debt securities	8,264	8,062
	88,224	84,419

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 Limited (life assurance company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Life Assurance Europe DAC (life assurance company)	Dublin[3]		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%
Standard Life Pension Funds Limited (life assurance company)	Edinburgh[2]		Limited by Guarantee	100.00%
Sun Life Assurance Company of Canada (U.K.) Limited (life assurance company)	Hampshire[43]		Ordinary Shares	100.00%
ReAssure Life Limited (life assurance company)	Telford[4]		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
ReAssure Limited (life assurance company)	Telford[4]		Ordinary Shares	100.00%
Phoenix Re Limited (life assurance company)	Bermuda[41]		Ordinary Shares	100.00%
Phoenix Group Management Services Limited (management services company)	Wythall[1]		Ordinary Shares	100.00%
Pearl Group Services Limited (management services company)	Wythall[1]		Ordinary Shares	100.00%
Standard Life Assets and Employee Services Limited (management services company)	Edinburgh[2]		Ordinary Shares	100.00%
ReAssure Companies Services Limited (management services company)	Telford[4]		Ordinary Shares	100.00%
PGMS (Ireland) Limited (management services company)	Dublin[5]		Ordinary Shares	100.00%
ReAssure UK Services Limited (management services company)	Telford[4]		Ordinary Shares	100.00%
Phoenix Management Services (Bermuda) Limited (management services company)	Bermuda[41]		Ordinary Shares	100.00%
SLFC Services Company (UK) Limited (management services company)	Hampshire[43]		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%
28 Riberia de Loira SL (property management company)	Madrid[42]		Ordinary Shares	100.00%
3 St Andrew Square Apartments Limited (property management company)	Edinburgh[6]		Ordinary Shares	100.00%
330 Avenida de Aragon SL (property management company)	Madrid[17]		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%
Abrdn Private Equity Opportunities Trust plc (investment company)	Edinburgh[6]		Ordinary Shares	56.01%
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)	Delaware[7]		Limited Liability Company	100.00%
BA (FURBS) Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Barnwood Properties Limited (property investment company)	Hampshire[43]		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%
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 (formerly known as Clyde Gateway Management Company Limited)	Edinburgh[6]		Ordinary Shares	100.00%
CH Management Limited (investment company)	Delaware[7]		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 Park Management Company Limited (property management company)	London[44]		Ordinary Shares	100.00%
G Trustees Limited (trustee company)	Telford[4]		Ordinary Shares	100.00%
Gallions Reach Shopping Park (Nominee) Limited (dormant company)	London[44]		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[44]		Ordinary Shares	100.00%
IH (Jersey) Limited (dormant company)	Jersey[8]		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[44]		Ordinary Shares	100.00%
Laurtrust Limited (dormant company)	Hampshire[43]		Ordinary Shares	100.00%
London Life 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%

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
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%
PC Management Limited (property management company)	Dublin[15]		Ordinary Shares	69.00%
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)	Delaware[7]		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[10]		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%
Phoenix Life CA Holdings Limited (formerly known as PG Dormant (No 4) Limited) (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Group CA Services Limited (formerly known as PG Dormant (No 5) Limited) (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Life CA Limited (formerly known as PG Dormant (No 6) Limited) (dormant company)	Wythall[1]		Ordinary Shares	100.00%
PGMS (Glasgow) Limited (investment company)	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 Capital Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
Phoenix Group Employee Benefit Trust	Jersey[16]		Trust	100.00%
Phoenix Group Holdings (Bermuda) Limited (holding company – directly owned by the Company)	Bermuda[41]		Ordinary Shares	100.00%
Phoenix Group Holdings (non-trading company)	Cayman Islands[10]		Private Company	100.00%
Phoenix Group Management Limited (dormant company)	Wythall[1]		Ordinary Shares	100.00%
PGH CA Limited (formerly known as Pearl Group Management Services Limited) (dormant company)	London[9]		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
Phoenix Holdings (Bermuda) Limited (holding company)	Bermuda[41]		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[41]		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[13]		Ordinary Shares	100.00%
Pilangen Logistik I AB (investment company)	Stockholm[13]		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 (formerly known as SL Liverpool PLC) (dormant company)	Wythall[1]		Ordinary Shares	100.00%
SLA Belgium No.1 SA (investment company)	Brussels[11]		Société Anonyme	100.00%
SLA Denmark No.1 ApS (investment company)	Copenhagen[14]		Ordinary Shares	100.00%
SLA Denmark No.2 ApS (investment company)	Copenhagen[14]		Ordinary Shares	100.00%
SLA Germany No.1 S.à.r.l. (investment company)	Luxembourg[20]		Ordinary Shares	100.00%
SLA Germany No.2 S.à.r.l. (investment company)	Luxembourg[20]		Ordinary Shares	100.00%
SLA Germany No.3 S.à.r.l. (investment company)	Luxembourg[20]		Ordinary Shares	100.00%
SLA Ireland No.1 S.à.r.l. (investment company)	Luxembourg[20]		Ordinary Shares	100.00%
SLA Netherlands No.1 B.V. (investment company)	Amsterdam[12]		Ordinary Shares	100.00%
SLACOM (No. 10) Limited (dormant company)	Edinburgh[2]		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%
SLF of Canada UK Limited (holding company – directly owned by the Company)	Hampshire[43]		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 Assurance (HWPF) Luxembourg S.à.r.l. (investment company)	Luxembourg[20]		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%

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
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 Property Company Limited (dormant company)	Edinburgh[2]		Ordinary Shares	100.00%
Standard Life Trustee Company Limited (trustee company)	Edinburgh[2]		Ordinary Shares	100.00%
Sun Life of Canada UK Holdings Limited (dormant company)	Hampshire[43]		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[12]		Ordinary Shares	100.00%
Vebnet (Holdings) Limited (holding company)	Wythall[1]		Ordinary Shares	100.00%
Vebnet Limited (services company)	Edinburgh[2]		Ordinary Shares	100.00%
Welbrent Property Investment Company Limited (dormant company)	London[44]		Ordinary Shares	100.00%
SLIF Property Investment LP		Edinburgh[6]	Limited Partnership	100.00%
Pearl Private Equity LP		Edinburgh[6]	Limited Partnership	100.00%
Pearl Strategic Credit LP		Edinburgh[6]	Limited Partnership	100.00%
European Strategic Partners LP		Edinburgh[6]	Limited Partnership	72.70%
ASI Phoenix Global Private Equity III LP		Edinburgh[6]	Limited Partnership	100.00%
Janus Henderson Institutional Short Duration Bond Fund		London[18]	Unit Trust	100.00%
Janus Henderson Institutional Mainstream UK Equity Trust		London[18]	Unit Trust	100.00%
Janus Henderson Institutional UK Equity Tracker Trust		London[18]	Unit Trust	100.00%
Janus Henderson Institutional High Alpha UK Equity Fund		London[18]	Unit Trust	84.56%
Janus Henderson Global Funds – Janus Henderson Institutional Overseas Bond Fund		London[18]	OEIC, sub fund	99.20%
Janus Henderson Strategic Investment Funds – Janus Henderson Institutional North American Index Opportunities Fund		London[18]	OEIC, sub fund	82.73%
Janus Henderson Strategic Investment Funds – Janus Henderson Institutional Asia Pacific ex Japan Index Opportunities Fund		London[18]	OEIC, sub fund	96.27%
Janus Henderson Strategic Investment Funds – Janus Henderson Institutional Japan Index Opportunities Fund		London[18]	OEIC, sub fund	86.79%
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 (formerly known as PUTM ACS UK Smaller Companies Fund)		Wythall[1]	Unit Trust	99.90%
PUTM ACS North American 2 Fund		Wythall[1]	Unit Trust	100.00%
PUTM ACS North American 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		Wythall1	Unit Trust	100.00%
PUTM ACS US Dollar Credit Fund		Wythall1	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%

	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 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%
PUTM Bothwell Ultra Short Duration Fund		Wythall[1]	Unit Trust	100.00%
PUTM Far Eastern Unit Trust		Wythall[1]	Unit Trust	99.64%
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%
abrdn (Lothian) European Trust II (formerly known as abrdn European Trust II)		London[44]	Unit Trust	100.00%
abrdn (Lothian) European Trust (formerly known as abrdn European Trust)		London[44]	Unit Trust	95.65%
abrdn (Lothian) International Trust (formerly known as abrdn International Trust)		London[44]	Unit Trust	100.00%
abrdn (Lothian) Japan Trust (formerly known as Abrdn Japan Trust)		London[44]	Unit Trust	78.05%
abrdn (Lothian) North American Trust (formerly known as abrdn North American Trust)		London[44]	Unit Trust	99.47%
abrdn (Lothian) Pacific Basin Trust (formerly known as abrdn Pacific Basin Trust)		London[44]	Unit Trust	98.51%
abrdn (Lothian) UK Corporate Bond Trust (formerly known as abrdn UK Corporate Bond Trust)		London[44]	Unit Trust	100.00%
abrdn (Lothian) UK Equity General Trust (formerly known as abrdn UK Equity General Trust)		London[44]	Unit Trust	99.67%
abrdn Emerging Markets Income Equity Fund		London[44]	OEIC, sub fund	74.36%
abrdn Europe ex UK Ethical Equity Fund		London[44]	OEIC, sub fund	78.61%
abrdn MT American Equity Unconstrained Fund (formerly known as ASIMT American Equity Unconstrained Fund)		London[44]	Unit Trust	78.13%
abrdn MT Global REIT Fund (formerly known as ASIMT Global REIT Fund)		London[44]	Unit Trust	80.49%
abrdn MT Japan Fund (formerly known as ASIMT Japan Fund)		London[44]	Unit Trust	77.55%
abrdn MT Sterling Intermediate Credit Fund (formerly known as ASIMT Sterling Intermediate Credit Fund Launch Fund)		London[44]	Unit Trust	93.63%
abrdn MyFolio Managed I Fund		London[44]	OEIC, sub fund	77.50%
abrdn MyFolio Managed II Fund		London[44]	OEIC, sub fund	76.92%
abrdn MyFolio Managed III Fund		London[44]	OEIC, sub fund	84.49%
abrdn MyFolio Managed V Fund		London[44]	OEIC, sub fund	76.75%
abrdn Short Dated Global Corporate Bond Tracker Fund		London[44]	OEIC, sub fund	95.85%
abrdn Short Dated Sterling Corporate Bond Tracker Fund		London[44]	OEIC, sub fund	91.26%
abrdn SICAV I – Europe ex UK Sustainable Equity Fund		Luxembourg[20]	SICAV, sub fund	68.91%
abrdn SICAV I – GDP Weighted Global Government Bond Fund		Luxembourg[20]	SICAV, sub fund	73.21%
abrdn SICAV I – Global Bond Fund		Luxembourg[20]	SICAV, sub fund	99.60%
abrdn SICAV I – Global Government Bond Fund		Luxembourg[20]	SICAV, sub fund	80.21%
abrdn SICAV II – Global Equity Impact Fund		Luxembourg[20]	SICAV, sub fund	61.26%
abrdn SICAV II – Global Inflation-linked Bond Fund		Luxembourg[20]	SICAV, sub fund	51.42%
abrdn SICAV II – Global Short Duration Corporate Bond Fund		Luxembourg[20]	SICAV, sub fund	98.25%
abrdn SICAV II – Absolute Return Global Bond Strategies Fund		Luxembourg[20]	SICAV, sub fund	92.46%
abrdn SICAV II – European Government All Stocks Fund		Luxembourg[20]	SICAV, sub fund	100.00%
abrdn SICAV II – Global Emerging Markets Local Currency Debt Fund		Luxembourg[20]	SICAV, sub fund	89.59%
abrdn SICAV II – Global High Yield Bond Fund		Luxembourg[20]	SICAV, sub fund	54.75%
abrdn SICAV II Global Real Estate Securities Sustainable Fund (formerly known as abrdn SICAV II Global REIT Focus Fund)		Luxembourg[20]	SICAV, sub fund	97.10%
abrdn Standard Liquidity Fund (Lux) – Seabury Euro Liquidity 1 Fund		Luxembourg[20]	UCITS, sub fund	100.00%
abrdn Standard Liquidity Fund (Lux) – Seabury Sterling Liquidity 2 Fund		Luxembourg[20]	UCITS, sub fund	100.00%
abrdn Standard Liquidity Fund (Lux) – Seabury Sterling Liquidity 3 Fund		Luxembourg[20]	UCITS, sub fund	99.45%
abrdn Standard SICAV I – China Onshore Bond Fund		Luxembourg[20]	SICAV, sub fund	60.75%

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 Sustainable Index World Equity Fund		London[44]	Unit Trust	90.61%
abrdn Sustainable Index American Equity Fund		London[44]	OEIC, sub fund	60.53%
abrdn Phoenix Fund Financing SCSP (formerly known as ASI Phoenix Fund Financing SCSP (PLFF))		Luxembourg[20]	Special Limited Partnership	100.00%
Ignis Private Equity Fund LP		Cayman Islands[10]	Limited Partnership	100.00%
Ignis Strategic Credit Fund LP		Cayman Islands[10]	Limited Partnership	100.00%
North American Strategic Partners (Feeder) 2008 Limited Partnership		Edinburgh[6]	Limited Partnership	100.00%
North American Strategic Partners 2008 L.P.		Delaware[7]	Limited Partnership	100.00%
Ignis Strategic Solutions Funds plc – Fundamental Strategies Fund		Dublin[22]	OEIC, sub fund	100.00%
Ignis Strategic Solutions Funds plc – Systematic Strategies Fund		Dublin[22]	OEIC, sub fund	100.00%
Phoenix Highvista Venture Capital Partners LP (formerly known as ASI Phoenix Venture Capital Partners LP)		USA[56]	Limited Partnership	100.00%
BNY Mellon 50/50 Global Equity Fund		London[40]	UCITS, sub fund	73.99%
HSBC Investment Funds – Balanced Fund		London[23]	OEIC, sub fund	81.64%
IFSL AMR OEIC – IFSL AMR Diversified Portfolio		Bolton[24]	OEIC, sub fund	72.83%
iShares 350 UK Equity Index Fund UK		London[25]	OEIC, sub fund	99.46%
Legal & General European Equity Income Fund		London[26]	Unit Trust	86.50%
Legal & General Growth Trust		London[26]	Unit Trust	84.77%
Quilter Investors Global Dynamic Equity Fund		London[27]	OEIC, sub fund	87.03%
UBS Global Optimal Fund		London[50]	OEIC, sub fund	78.77%
Amundi MSCI World Climate Transition CTB		Luxembourg[28]	SICAV, sub fund	51.95%
Stonepeak Core Fund (Lux) SCSp		Luxembourg[51]	Special Limited Partnership	83.30%
Partners Group Phoenix, L.P. Inc.		Guernsey[55]	Limited Partnership	100.00%
ESP General Partner Limited Partnership		Edinburgh[6]	Limited Partnership	100.00%
Aviva Investors UK Property Feeder Trust		London[59]	Unit Trust	100.00%
Associates:				
UK Commercial Property REIT Limited (property investment company)	Guernsey[29]		Ordinary Shares	43.39%
UK Commercial Property Estates Holdings Limited (property investment company)	Guernsey[29]		Ordinary Shares	43.39%
UK Commercial Property Estates Limited (property investment company)	Guernsey[29]		Ordinary Shares	43.39%
UK Commercial Property Finance Holdings Limited (property investment company)	Guernsey[29]		Ordinary Shares	43.39%
Duke Distribution Centres S.à.r.l. (investment company)	Luxembourg[31]		Ordinary Shares	43.39%
Duke Offices & Developments S.à.r.l. (investment company)	Luxembourg[31]		Ordinary Shares	43.39%
Significant holdings:				
Janus Henderson Institutional Global Responsible Managed Fund		London[18]	OEIC, sub fund	31.10%
Janus Henderson Institutional UK Index Opportunities Fund		London[18]	OEIC, sub fund	58.64%
aberdeen Standard Liquidity Fund (Lux) – Sterling Fund		Luxembourg[20]	UCITS, sub fund	30.05%
abrdn American Equity Enhanced Index Fund		London[44]	OEIC, sub fund	48.23%
abrdn American Income Equity Fund		London[44]	OEIC, sub fund	65.26%
abrdn Asia Pacific Equity Enhanced Index Fund		London[44]	OEIC, sub fund	35.99%
abrdn Asia Pacific Equity Fund		London[44]	OEIC, sub fund	22.83%
abrdn Dynamic Distribution Fund		London[44]	Unit Trust	63.23%
abrdn Emerging Markets Equity Enhanced Index Fund		London[44]	OEIC, sub fund	25.45%
abrdn Emerging Markets Equity Fund		London[44]	OEIC, sub fund	22.06%
abrdn Emerging Markets Local Currency Bond Tracker Fund		London[44]	OEIC, sub fund	42.19%
abrdn Ethical Corporate Bond Fund		London[44]	OEIC, sub fund	57.34%
abrdn Europe ex UK Income Equity Fund		London[44]	OEIC, sub fund	26.24%
abrdn Europe Equity Enhanced Index Fund		London[44]	OEIC, sub fund	25.37%
abrdn European Equity Tracker Fund		London[44]	OEIC, sub fund	23.14%
abrdn Global Equity Fund		London[44]	OEIC, sub fund	22.99%
abrdn Global Inflation-Linked Bond Fund		London[44]	OEIC, sub fund	24.13%
abrdn Global Inflation-Linked Bond Tracker Fund		London[44]	OEIC, sub fund	52.87%
abrdn Global Government Bond Tracker Fund		London[44]	OEIC, sub fund	31.90%

	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 Global Real Estate Fund		London[44]	Unit Trust	36.57%
abrdn Global Smaller Company Fund		London[44]	OEIC, sub fund	25.59%
abrdn High Yield Bond Fund		London[44]	OEIC, sub fund	20.37%
abrdn Investment Grade Corporate Bond Fund		London[44]	OEIC, sub fund	42.52%
abrdn Japan Equity Enhanced Index Fund		London[44]	OEIC, sub fund	51.85%
abrdn MyFolio Managed IV Fund		London[44]	OEIC, sub fund	68.36%
abrdn MyFolio Market I Fund		London[44]	OEIC, sub fund	42.30%
abrdn MyFolio Market II Fund		London[44]	OEIC, sub fund	50.36%
abrdn MyFolio Market III Fund		London[44]	OEIC, sub fund	56.77%
abrdn MyFolio Market IV Fund		London[44]	OEIC, sub fund	54.08%
abrdn MyFolio Market V Fund		London[44]	OEIC, sub fund	58.47%
abrdn MyFolio Multi-Manager II Fund		London[44]	OEIC, sub fund	48.78%
abrdn MyFolio Multi-Manager III Fund		London[44]	OEIC, sub fund	56.50%
abrdn MyFolio Multi-Manager IV Fund		London[44]	OEIC, sub fund	59.86%
abrdn MyFolio Multi-Manager V Fund		London[44]	OEIC, sub fund	37.59%
abrdn Short Dated Corporate Bond Fund		London[44]	OEIC, sub fund	26.77%
abrdn Short Duration Global Inflation-Linked Bond Fund		London[44]	OEIC, sub fund	22.07%
abrdn SICAV I – Diversified Income Fund		Luxembourg[20]	SICAV, sub fund	36.27%
abrdn SICAV I – Global Corporate Sustainable Bond Fund		Luxembourg[20]	SICAV, sub fund	36.02%
abrdn SICAV I – Japanese Sustainable Equity Fund		Luxembourg[20]	SICAV, sub fund	22.52%
abrdn SICAV I – North American Smaller Companies Fund		Luxembourg[20]	SICAV, sub fund	24.34%
abrdn SICAV I – Short Dated Enhanced Income Fund		Luxembourg[20]	SICAV, sub fund	39.94%
abrdn SICAV II European Corporate Bond Fund		Luxembourg[20]	SICAV, sub fund	31.46%
abrdn SICAV II European Smaller Companies Fund		Luxembourg[20]	SICAV, sub fund	27.33%
abrdn SICAV II Global Corporate Bond Fund		Luxembourg[20]	SICAV, sub fund	53.05%
abrdn Standard Liquidity Fund (Lux) – Seabury Euro Liquidity 1 Fund (formerly known as Abrdn Liquidity Fund (Lux) Euro Fund)		Luxembourg[20]	UCITS, sub fund	39.38%
abrdn Sterling Corporate Bond Fund (formerly known as ASI (SLI) Corporate Bond Fund)		London[44]	OEIC, sub fund	26.45%
abrdn Strategic Bond Fund		London[44]	OEIC, sub fund	54.16%
abrdn UK Equity Enhanced Index Fund		London[44]	OEIC, sub fund	47.25%
abrdn UK Government Bond Fund		London[44]	OEIC, sub fund	38.10%
abrdn UK Income Equity Fund		London[44]	OEIC, sub fund	28.14%
abrdn UK Income Unconstrained Equity Fund		London[44]	OEIC, sub fund	61.71%
abrdn UK Mid-Cap Equity Fund		London[44]	OEIC, sub fund	31.44%
abrdn UK Real Estate Feeder Fund (formerly known as Standard Life Investments UK Real Estate Accumulation Feeder Fund)		London[44]	Unit Trust	63.85%
abrdn UK Smaller Companies Fund		London[44]	OEIC, sub fund	30.89%
abrdn UK Value Sustainable and Responsible Investment Equity Fund		London[44]	OEIC, sub fund	40.54%
abrdn UK Value Equity Fund (formerly known as abrdn UK Unconstrained Equity Fund)		London[44]	OEIC, sub fund	58.68%
Brent Cross Partnership		London[30]	Limited Partnership	23.83%
Gallions Reach Shopping Park Limited Partnership		London[44]	Unit Trust	100.00%
Gallions Reach Shopping Park Unit Trust		Jersey[21]	Unit Trust	100.00%
Standard Life Investments Brent Cross LP		Edinburgh[6]	Unit Trust	40.13%
Standard Life Investments UK Shopping Centre Trust		Jersey[32]	Unit Trust	40.13%
AB SICAV I – Diversified Yield Plus Portfolio		Luxembourg[19]	SICAV, sub fund	39.21%
Abrdn SICAV I – Emerging Markets Low Volatility Equity Portfolio		Luxembourg[19]	SICAV, sub fund	88.22%
ACS World Multifactor Equity Tracker Fund		London[25]	OEIC, sub fund	22.21%
Amundi Index Solutions – Amundi Global Corp SRI 1-5Y		Luxembourg[28]	SICAV, sub fund	22.22%
Amundi Index Solutions – Amundi MSCI China ESG Leaders Select		Luxembourg[28]	SICAV, sub fund	47.25%
Amundi Index Solutions – Amundi MSCI Emerging Ex China ESG Leaders Select		Luxembourg[28]	SICAV, sub fund	50.67%
Amundi UCITS Funds – Amundi Global Multi-Factor Equity Fund		Luxembourg[28]	UCITS, sub fund	22.13%
AQR Global Risk Premium UCITS Fund		Luxembourg[49]	UCITS, sub fund	100.00%
Baillie Gifford Emerging Markets Leading Companies Fund		Edinburgh[39]	OEIC, sub fund	28.44%
Baillie Gifford Investment Funds II ICVC – Baillie Gifford UK Equity Core Fund		Edinburgh[39]	OEIC, sub fund	39.42%
Baillie Gifford UK & Balanced Funds ICVC – Baillie Gifford UK and Worldwide Equity Fund		Edinburgh[39]	OEIC, sub fund	26.78%

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
Barings Emerging Markets Debt Short Duration Fund		Dublin[34]	OEIC, sub fund	30.89%
BlackRock Global Funds – Sustainable World Bond Fund		Luxembourg[19]	SICAV, sub fund	24.75%
BlackRock Market Advantage Fund		London[25]	UCITS, sub fund	50.74%
iShares Bloomberg Roll Select Commodity Strategy ETF		USA[57]	OEIC, sub fund	36.12%
BNY Mellon Global Equity Fund		London[40]	OEIC, sub fund	26.96%
BNY Mellon Multi-Asset Global Balanced Fund		London[40]	UCITS, sub fund	30.09%
CF Macquaries Global Infrastructure Securities Fund		London[47]	OEIC, sub fund	26.98%
Fidelity Multi Asset Open Adventurous Fund		Surrey[35]	OEIC, sub fund	46.63%
Goldman Sachs SICAV – Emerging Markets Total Return Bond Portfolio		Luxembourg[36]	SICAV, sub fund	85.06%
Goldman Sachs SICAV – Goldman Sachs Emerging Markets Debt Portfolio		Luxembourg[36]	SICAV, sub fund	23.94%
Invesco Global Targeted Returns Fund		Luxembourg[19]	OEIC, sub fund	44.27%
Invesco Managed Growth Fund		Oxfordshire[37]	OEIC, sub fund	52.21%
Janus Henderson Diversified Growth Fund		London[18]	OEIC, sub fund	66.93%
L&G Absolute Return Bond Plus Fund		Luxembourg[38]	SICAV, sub fund	66.30%
L&G Emerging Markets Bond Fund		Luxembourg[38]	SICAV, sub fund	74.79%
L&G Multi-Asset Target Return Fund		Luxembourg[46]	SICAV, sub fund	40.13%
Legal & General Strategic Bond Fund		London[26]	Unit Trust	31.04%
Legal & General Emerging Markets Government Bond (Local Currency) Index Fund		London[26]	Unit Trust	20.86%
Legal & General Emerging Markets Government Bond USD Index Fund		London[26]	Unit Trust	34.11%
Legal & General European Index Trust		London[26]	Unit Trust	22.28%
Legal & General Future World Sustainable UK Equity Fund		London[26]	Unit Trust	29.75%
Legal & General High Income Trust		London[26]	Unit Trust	46.29%
Legal & General UK Smaller Companies Trust		London[26]	Unit Trust	31.25%
LGIM Sterling Liquidity Plus Fund		Dublin[34]	UCITS, sub fund	41.02%
Nomura American Century Concentrated Global Growth Equity Fund		Dublin[54]	UCITS, sub fund	22.79%
Quilter Investors Cirilium Balanced Blend Portfolio		London[27]	OEIC, sub fund	37.72%
Quilter Investors Ethical Equity Fund		London[27]	Unit Trust	42.63%
Quilter Investors Global Equity Growth Fund		London[27]	OEIC, sub fund	49.63%
Robeco – Phoenix Customized Multi Asset Fund		Rotterdam[48]	SICAV, sub fund	100.00%
Robeco QI Emerging Markets Sustainable Enhanced Index Equities		Luxembourg[45]	SICAV, sub fund	100.00%
Schroder European Fund		London[52]	Unit Trust	44.40%
Schroder Global Emerging Markets Fund		London[52]	SICAV, sub fund	20.33%
Schroder International Selection Fund – Global Bond		Luxembourg[53]	SICAV, sub fund	29.67%
Schroder International Selection Fund – Global Diversified Growth		Luxembourg[53]	SICAV, sub fund	22.20%
Schroder UK Mid 250 Fund		London[52]	Unit Trust	20.22%
The Marks and Spencer Worldwide Managed Fund		Chester[58]	Unit Trust	41.96%
Threadneedle Investment Funds ICVC – American Select Fund		London[33]	OEIC, sub fund	22.10%
Vanguard Common Contractual Fund – Vanguard U.S. Equity Index Common Contractual Fund		Dublin[34]	UCITS, sub fund	75.02%
Vanguard Investment Series plc – Vanguard Global Corporate Bond Index Fund		Dublin[34]	UCITS, sub fund	35.55%
Vanguard Investment Series plc – Vanguard Global Short-Term Corporate Bond Index Fund		Dublin[34]	UCITS, sub fund	38.35%
Vanguard Investment Series plc – Vanguard U.K. Short-Term Investment Grade Bond Index Fund		Dublin[34]	UCITS, sub fund	50.14%
Vanguard Investments Common Contractual Fund – Vanguard FTSE Developed Europe ex UK Common Contractual Fund		Dublin[34]	UCITS, sub fund	100.00%
Vanguard Investments Common Contractual Fund – Vanguard FTSE Developed World Common Contractual Fund		Dublin[34]	UCITS, sub fund	43.74%
Vanguard Investments Common Contractual Fund – Vanguard FTSE Developed World ex UK Common Contractual Fund		Dublin[34]	UCITS, sub fund	100.00%

1 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 Corporation Service Company, 2711 Centerville Rd Suite 400, Wilmington, DE 19808, United States
8 22-24 New Street, St Pauls Gate, 4th Floor, JE1 4TR, Jersey
9 20 Old Bailey, London, England, EC4M 7AN, United Kingdom
10 Ugland House, Grand Cayman, KY1-1104, Cayman Islands
11 Avenue Louise 326, bte 33 1050 Brussels, Belgium
12 Telestone 8, Teleport, Naritaweg 165, 1043 BW, Amsterdam, Netherlands
13 Citco (Sweden) Ab, Stureplan 4c, 4 Tr, 114 35 Stockholm, Sweden
14 c/o Citco (Denmark) ApS, Holbergsgade 14, 2 .tv, 1057 København K Denmark
15 5th Floor Beaux Lane House, Mercer Street Lower, Dublin 2, Dublin, Ireland
16 32 Commercial Street, St Helier, Jersey, Channel Islands, JE2 3RU, Jersey
17 Avenida de Aragon 330 – Building 5, 3rd Floor, Parque Empresarial Las Mercedes, 28022 – Madrid, Spain
18 201 Bishopsgate, London, EC2M 3AE, United Kingdom
19 88 2-4, Rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg
20 35a Avenue J.F. Kennedy, L-1855, Luxembourg
21 Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
22 32 Molesworth Street, Dublin 2, Dublin, D02 Y512, Ireland
23 8 Canada Square, London, E14 5HQ, United Kingdom
24 Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP, United Kingdom
25 12 Throgmorton Avenue, London EC2N 2DL, United Kingdom
26 One Coleman Street, London, EC2R 5AA, United Kingdom
27 Senator House, 85 Queen Victoria Street, London, EC4V 4AB, United Kingdom
28 5, Allée Scheffer, L-2520 Luxembourg, Luxembourg
29 Trafalgar Court, Les Banques, St Peter Port, GY1 3QL, Guernsey
30 Kings Place, 90 York Way, London, N1 9GE, United Kingdom
31 1, Allée Scheffer, L-2520 Luxembourg, Luxembourg
32 Elizabeth House, 9 Castle Street, St Helier, JE4 2QP, Jersey
33 Cannon Place, 78 Cannon Street, London, EC4N 6AG, United Kingdom
34 70 Sir John Rogerson's Quay, Dublin 2, Ireland
35 Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP, United Kingdom
36 49, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
37 Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH, United Kingdom
38 10, Château d'Eau, L-3364 Leudelange, Grand Duchy of Luxembourg
39 Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, United Kingdom
40 160 Queen Victoria Street, London, EC4V 4LA, United Kingdom
41 Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda
42 Calle Nanclares de Oca, 1B, 28022 Madrid
43 Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, England
44 280 Bishopsgate, London, EC2M 4AG, United Kingdom
45 Senningerberg, 6, Route De Trèves, L-2633, Luxembourg
46 Senningerberg, 6, Lou Hemmer Street, L-1748, Luxembourg
47 2nd Floor, 20-22 Bedford Row, London, WC1R 4EB, United Kingdom
48 Weena 850, 3014 DA, Rotterdam, Netherlands
49 Hesperange, 33, rue de Gasperich, L-5826, Luxembourg
50 5 Broadgate, London, EC2M 2QS, United Kingdom
51 20, rue de la Poste, Grand Duchy of Luxembourg, L-2346, Luxembourg
52 1 London Wall Place, London, EC2Y 5AU, United Kingdom
53 Senningerberg, 5, Hohenhof, L-1736, Luxembourg
54 33 Sir John Rogersons Quay, Dublin, D02 XK09, Ireland
55 St. Peter Port, Tudor House, Le Bordage, GY1 6BD, Guernsey
56 Highvista Strategies LLC, 200 Clarendon Street 50th Floor, Boston, 02116, United States
57 Corporation Trust Centre, 1290 Orange Street, Wilmington, 19801, United States
58 c/o Marks and Spencer Unit Trust Management Limited, Kings Meadow, Chester Business Park, Chester, CH99 9FB, United Kingdom
59 St. Helens, 1 Undershaft, London, EC3P 3DQ, United Kingdom

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
- 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
- Vebnet (Holdings) Limited

Notes to the consolidated financial statements continued

H. Interests in subsidiaries and associates continued

H6. Group entities continued

The following subsidiaries were dissolved during the period. The subsidiaries were deconsolidated from the date of dissolution:

- Crawley Unit Trust
- Inesia SA
- PUTM ACS Lothian UK Listed Equity Fund
- PUTM ACS UK All Share Listed Equity Fund
- PUTM Bothwell UK All Share Listed Equity Fund
- PUTM UK Equity Unit Trust
- abrdn Active Plus Bond Trust
- abrdn Dynamic Multi Asset Growth Fund
- abrdn Emerging Markets Equity Fund
- abrdn Short Dated UK Government Bond Trust
- abrdn Standard SICAV II China Equities Fund
- abrdn Standard SICAV II Emerging Market Debt Fund
- abrdn Standard SICAV II European Equities Fund
- abrdn Standard SICAV II Global Equities Fund
- abrdn Standard SICAV II Japanese Equities Fund
- abrdn Strategic Bond Fund
- abrdn UK Government Bond Trust

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:

- abrdn Short Dated Corporate Bond Fund
- abrdn American Income Equity Fund
- abrdn Sustainable Index UK Equity Fund
- CF Macquaries Global Infrastructure Securities Fund
- Quilter Investors Global Equity Index Fund
- Quilter Investors UK Equity Index Fund

The following associate was dissolved during the period. The investment in associate was derecognised from the date of dissolution:

- UK Commercial Property Estates (Reading) Limited
- UKCPT Limited Partnership

The Group no longer has significant holdings in the following undertakings:

- Aberdeen Japan Equity Fund
- abrdn American Unconstrained Equity Fund
- abrdn Diversified Growth Fund
- abrdn Global Absolute Return Strategies Retail Acc
- abrdn Global Focused Equity Fund
- abrdn Multi-Asset Fund
- abrdn Standard SICAV II Global Absolute Return Strategies Fund
- abrdn UK High Income Equity Fund
- abrdn UK Opportunities Equity Fund
- AXA Fixed Interest Investment ICVC – Sterling Strategic Bond Fund
- L&G Euro High Alpha Corporate Bond Fund
- Legal & General European Trust
- MI Somerset Global Emerging Markets Fund
- Performance Retail Unit Trust
- Quilter Investors China Equity Fund
- Standard Life Capital Infrastructure I LP

I. Other notes

I1. Share-based payment

Equity-settled share-based payments to employees and others providing services 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:

	2023 £m	2022 £m
Expense arising from equity-settled share-based payment transactions	22	16

I1.2 Share-based payment expense

Long-Term Incentive Plan ('LTIP')

The Group implemented a Long-Term Incentive Plan to retain and motivate its senior management group. The awards under this plan are in the form of nil-cost options to acquire an allocated number of ordinary shares.

Assuming no good leavers or other events which would trigger early vesting rights, the 2021, 2022 and 2023 LTIP awards are subject to performance conditions tied to the Group's performance in respect of net operating cash receipts, return on shareholder value, persistency and total shareholder return ('TSR'). The 2022 and 2023 LTIP awards also include a performance condition tied to the Group's performance on decarbonisation. See the Directors' Remuneration Report for further details of the performance conditions.

For all LTIP awards, a holding period applies so that any LTIP awards to Executive Committee members for which the performance vesting requirements are satisfied 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.

2023 LTIP awards were granted on 17 March 2023 and are expected to vest on 17 March 2026. The 2020 LTIP awards vested on 13 March 2023. The 2021 awards will vest on 12 March 2024 and the 2022 awards will vest on 18 March 2025.

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 2020, 2021 and 2022 TSR elements of the LTIP awards has been calculated using a Monte Carlo model. The inputs to this model are shown below:

	2023 TSR performance condition	2022 TSR performance condition	2021 TSR performance condition
Share price (p)	559	639	738.6
Expected term (years)	2.8	2.8	3.0
Expected volatility (%)	23	31	30
Risk-free interest rate (%)	3.31	1.21	0.14
Expected dividend yield (%)	Dividends are received by holders of the awards therefore no adjustment to fair value is required		

On 4 October 2023, 19 August 2022 and 17 August 2021, LTIP awards were granted to certain senior management employees. The vesting periods and performance conditions for these awards are linked to the core 2021, 2022 and 2023 LTIP awards respectively.

On 17 March 2023 and 4 October 2023 LTIP Buy-out awards were granted to certain senior management employees. There are discrete vesting periods for these awards and these grants of shares are conditional on the employees remaining in employment with the Group for the vesting period. Similar awards were also issued on 18 March 2022, 19 August 2022, 12 March 2021 and 17 August 2021.

Each year, the Group issues a Chairman'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 2021, 2022 and 2023 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, at the discretion of the Remuneration Committee, exercise their full award at vesting.

Deferred Bonus Share Scheme ('DBSS')

Each year, part of the annual incentive for certain executives 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 2023 DBSS was granted on 17 March 2023 and is expected to vest on 17 March 2026. The 2020 DBSS awards vested on 13 March 2023. The 2021 awards are expected to vest on 12 March 2024 and the 2022 awards are expected to vest on 18 March 2025.

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.

Notes to the consolidated financial statements continued

I. Other notes continued

I1.2 Share-based payment expense continued

Sharesave scheme

The sharesave scheme allows participating employees to save up to £500 each month for the UK scheme and up to €500 per month for the Irish scheme over a period of either three or five years. The 2023 sharesave options were granted on 25 October 2023. 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 an exercise price at a discount to the share price on the date of grant. Employees leaving the Group for certain reasons are able to use their savings to purchase 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:

	2023 sharesave	2022 sharesave	2021 sharesave	2020 sharesave	2019 sharesave
Share price (£)	**4.448**	6.142	7.486	5.664	6.800
Exercise price (£)	**3.78**	5.09	5.89	4.97	5.61
Expected life (years)	**3.1 and 5,1**	3.25 and 5.25	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	**4.7 (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)	1.0 (for 3.25 year scheme) and 1.1 (for 5.25 year scheme)
Expected volatility (%) based on the Company's share price volatility to date	**23.0**	30.0	30.0	30.0	30.0
Dividend yield (%)	**11.5**	8.0	6.3	8.2	6.8

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 (%): (0.4) (for 3.25 year scheme) and (0.3) (for 5.25 year scheme)
- No Sharesave awards were granted to Irish employees during either 2022 or 2023.

Share Incentive Plan

The Group operates two Share Incentive Plans ('SIP') open to UK and Irish employees which allows participating employees to purchase 'Partnership shares' in the Company through monthly contributions. In respect of the UK SIP, the contributions are limited to the lower of £150 per month and 10% gross monthly salary. In 2019 the matching element of the UK SIP was amended to give the employee one 'Matching share' for each 'Partnership share' purchased limited to £50. Contributions above £50 are not matched. The Irish SIP, which was launched in 2019, gives the employee 1.4 'Matching shares' for each 'Partnership share' purchased. For this plan monthly contributions are limited to the lower of €40 per month and 7.5% of gross monthly salary.

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 2023, 546,430 matching shares (excluding unrestricted shares) were conditionally awarded to employees (2022: 543,995).

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:

	2023 Number of share options		
	LTIP	**Sharesave**	**DBSS**
Outstanding at the beginning of the year, including dividend shares	**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**

	2022 Number of share options		
	LTIP	Sharesave	DBSS
Outstanding at the beginning of the year	7,613,036	4,750,822	1,551,935
Granted during the year	3,350,169	1,827,291	1,121,085
Forfeited during the year	(523,125)	(252,992)	(4,917)
Cancelled during the year	–	(506,796)	–
Exercised during the year	(1,328,703)	(816,419)	(443,747)
Dividends on vested awards	275,858	–	77,445
Outstanding at the end of the year	9,387,235	5,001,906	2,301,801

The weighted average fair value of options granted during the year was £2.92 (2022: £4.34).

The weighted average share price at the date of exercise for the rewards exercised is £5.46 (2022: £6.13).

The weighted average remaining contractual life for the awards outstanding as at 31 December 2023 is 5.3 years (2022: 5.7 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	2023 £m	2022 restated[1] £m
Profit/(loss) for the year before tax		**20**	(4,089)
Adjustments for non-cash movements in profit/(loss) before tax for the year:			
Gain on acquisition of SLF of Canada UK Limited	H2	**(66)**	–
Fair value losses/(gains) on:			
Investment property	G4	**362**	1,363
Financial assets and derivative liabilities		**(11,045)**	45,197
Change in fair value of borrowings	E5.2	**(82)**	186
Amortisation and impairment of intangible assets	G2	**324**	355
Share-based payment charge	I1.1	**22**	16
Finance costs	C7	**258**	230
Net interest expense on Group defined benefit pension scheme liability/asset	G1	**109**	64
Pension past service costs	G1	**12**	15
Other costs of pension schemes	G1	**6**	7
Movement in assets and liabilities relating to operations:			
(Increase)/decrease in investment assets		**(7,986)**	3,974
(Increase)/decrease in reinsurers' share of investment contract liabilities		**(621)**	896
(Increase)/decrease in reinsurance contract assets/liabilities		**(818)**	657
Decrease in assets classified as held for sale		**2,593**	2,741
Increase/(decrease) in insurance contract liabilities/assets		**3,980**	(25,597)
Increase/(decrease) in investment contract liabilities		**13,673**	(16,549)
Decrease in obligation for repayment of collateral received		**(703)**	(1,740)
Decrease in liabilities classified as held for sale		**(3,571)**	(3,386)
Net decrease/(increase) in working capital		**2,772**	(3,312)
Other cash movements relating to operations:			
Contributions to defined benefit pension schemes	G1	**(9)**	(9)
Cash (utilised)/generated by operations		**(770)**	1,019

1 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details).

I3. Capital management

The Group's capital management is based on the Solvency II framework as implemented in the UK. This involves a valuation in line with Solvency II principles of the Group's Own Funds and risk-based assessment of the Group's Solvency Capital Requirement ('SCR').

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.

Notes to the consolidated financial statements continued

I. Other notes continued

I3. Capital management continued

Risk and capital management objectives continued

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 risk and 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 II 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 our 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 II basis. Under the Solvency II framework, the primary sources of capital managed by the Group comprises the Group's Own Funds as measured under the Solvency II principles adjusted to exclude surplus funds attributable to the Group's unsupported with-profit funds and unsupported pension schemes.

A Solvency II capital assessment involves valuation in line with Solvency II principles 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-profit 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 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-profit funds and Group pension schemes:

Unaudited	2023 £bn	2022 £bn
PGH plc Eligible Own Funds	**11.1**	11.1
Remove Own Funds pertaining to unsupported with-profit funds and pension schemes	**(2.2)**	(1.8)
Group capital resources	**8.9**	9.3

Solvency II surplus – unaudited
An analysis of the PGH plc Solvency II surplus as at 31 December 2023 is provided in the business review section on page 34 to 35. The Group has complied with all externally imposed capital requirements during the year.

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 a Group pension scheme, 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 2023 £m	Transactions 2022 £m
Pearl Group Staff Pension Scheme		
Payment of administrative expenses	(4)	(4)
UK Commercial Property REIT		
Dividend income	19	29

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, effective from 1 January 2023, members of the Group's Executive Committee is as follows:

	2023 £m	2022 £m
Salary and other short-term benefits	15	5
Equity compensation plans	8	3

Details of the shareholdings and emoluments of individual Directors are provided in the Remuneration report on pages 111 to 140.

During the year to 31 December 2023 key management personnel and their close family members contributed £203,234 (2022: £183,933) to Pensions and Savings products sold by the Group and transferred out £110,074 (2022: £nil) of investments. At 31 December 2023, the total value of key management personnel's investments in Group Pensions and Savings products was £1,989,979 (2022: £525,781).

I5. Commitments

This note analyses the Group's other commitments.

	2023 £m	2022 £m
To subscribe to private equity funds and other unlisted assets	1,738	1,132
To purchase, construct or develop investment property and income strips	23	62
For repairs, maintenance or enhancements of investment property	15	13

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
In the normal course of business, the Group is exposed to certain legal issues, which can involve litigation and arbitration. At the year end, the Group has a number of contingent liabilities in this regard, none of which are considered by the Directors to be material.

Notes to the consolidated financial statements continued

I. Other notes continued

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 19 January 2024, the Group completed a buy-out transaction with the PGL Pension Scheme, one of the Group's defined benefit schemes. The impact of this transaction is being determined and will be included in the Group's results for 2024.

On 6 February 2024, the Board approved the redemption of the £250 million 5.766% Fixed Rate Reset Callable Tier 2 Subordinated Notes due 2029 on the first call date of 13 June 2024 (subject to regulatory approval).

On 21 March 2024, UK Commercial Property REIT Limited ('UKCPR'), an associate of the Group, and Tritax Big Box REIT plc ('BBOX') announced a recommended all-share combination whereby BBOX will acquire the entire share capital of UKCPR for consideration of 0.444 new shares of BBOX for each share of UKCPR held. The transaction is expected to complete in May 2024, subject to the approval of both UKCPR and BBOX shareholders, and Court sanction of the scheme of arrangement under Part VIII of the Companies Law of Guernsey. On the date of announcement, Phoenix Life Limited ('PLL'), a subsidiary of the Group, held 43.3% of UKCPR's issued ordinary share capital and had irrevocably undertaken to vote in favour of the transaction. Upon completion, PLL is expected to hold shares representing 10.1% of BBOX's total issued share capital. It is anticipated that this transaction, on completion, will result in the Group accounting for its ownership in BBOX as an investment, rather than the current associate treatment of UKCPR, as the Group will not have significant influence over BBOX.

On 21 March 2024, the Board recommended a final dividend of 26.65p per share for the year ended 31 December 2023 (2022: 26.0p). 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 2023 and will be charged to the statement of consolidated changes in equity in 2024.

N Lyons
A Briggs
R Thakrar
K Green
H Iioka
K Murray
E Bucks
M Gregory
J Pollock
B Richards
D Scott
M Semple
N Shott

21 March 2024

Statement of financial position

As at 31 December 2023

	Notes	2023 £m	2022 £m
ASSETS			
Property, plant and equipment	10	**17**	19
Investments in Group entities	11	**10,536**	10,231
Financial assets			
Loans and deposits	12	**1,302**	2,550
Derivatives	6	**119**	257
Debt securities	13	**1**	1
Collective investment schemes	13	**1,017**	775
Deferred tax	14	**159**	113
Prepayments and accrued income		**50**	54
Other amounts due from Group entities	20	**25**	19
Cash and cash equivalents	15	**1**	–
Total assets		**13,227**	14,019
EQUITY AND LIABILITIES			
Equity attributable to ordinary shareholders			
Share capital	3	**100**	100
Share premium	3	**16**	10
Merger relief reserve	3	**1,819**	1,819
Other reserve	3	**(4)**	(4)
Retained earnings		**4,621**	5,062
Total equity attributable to ordinary shareholders		**6,552**	6,987
Tier 1 Notes	4	**411**	411
Total equity		**6,963**	7,398
Liabilities			
Financial liabilities			
Borrowings	5	**5,813**	6,229
Derivatives	6	**1**	22
Obligations for repayment of collateral received	6	**30**	86
Other amounts due to Group entities	20	**62**	43
Provisions	7	**222**	97
Lease liabilities	8	**18**	20
Accruals and deferred income	9	**118**	124
Total liabilities		**6,264**	6,621
Total equity and liabilities		**13,227**	14,019

The notes identified numerically on pages 294 to 305 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 171 to 290.

Approved by the Board on 21 March 2024.

Andy Briggs
Chief Executive Officer

Rakesh Thakrar
Chief Financial Officer

Company registration number 11606773.

Statement of changes in equity

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 1 January 2023	100	10	1,819	(4)	5,062	6,987	411	7,398
Total comprehensive income for the year attributable to owners	–	–	–	–	79	79	–	79
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	100	16	1,819	(4)	4,621	6,552	411	6,963

For the year ended 31 December 2022

	Share capital (note 3) £m	Share premium (note 3) £m	Merger relief reserve (note 3)	Other reserve (note 3) £m	Retained earnings £m	Total £m	Tier 1 Notes (note 4) £m	Total equity £m
At 1 January 2022	100	6	1,819	(4)	5,448	7,369	411	7,780
Total comprehensive income for the period attributable to owners	–	–	–	–	116	116	–	116
Issue of ordinary share capital, net of associated commissions and expenses	–	4	–	–	–	4	–	4
Dividends paid on ordinary shares (note B4)	–	–	–	–	(496)	(496)	–	(496)
Coupon paid on Tier 1 Notes, net of tax relief	–	–	–	–	(22)	(22)	–	(22)
Credit to equity for equity-settled share-based payments (note I1)	–	–	–	–	16	16	–	16
At 31 December 2022	100	10	1,819	(4)	5,062	6,987	411	7,398

Statement of cash flows
For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Cash utilised by operations	16	**(589)**	(417)
Net cash flows from operating activities		**(589)**	(417)
Cash flows from investing activities			
Acquisition of SLF of Canada UK Limited		**(250)**	–
Advances to Group entities		**(129)**	(852)
Dividends received from Group entities		**103**	455
Interest received from Group entities		**219**	162
Capital contribution to subsidiary (note 11)		**(55)**	(200)
Repayment of amounts due from Group entities		**1,425**	2
Derivative settlements		**72**	(70)
Net cash flows from investing activities		**1,385**	(503)
Cash flows from financing activities			
Proceeds from issuing ordinary shares	3	**6**	4
Proceeds from new shareholder borrowings, net of associated expenses	5	**1,450**	2,274
Repayment of shareholder borrowings	5	**(1,362)**	(616)
Ordinary share dividends paid		**(520)**	(496)
Interest paid on borrowings		**(338)**	(311)
Lease payments		**(2)**	(1)
Coupon paid on Tier 1 Notes		**(29)**	(29)
Net cash flows from financing activities		**(795)**	825
Net increase/(decrease) in cash and cash equivalents		**1**	(95)
Cash and cash equivalents at the beginning of the year		**–**	95
Cash and cash equivalents at the end of the year		**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. Profit attributable to owners for the year ended 31 December 2023 was £79 million (2022: £116 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 171 to 290 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 A3.1 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 uses 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.

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, merger relief reserve and other reserve

	2023 £m	2022 £m
Issued and fully paid:		
1,001.5 million ordinary shares of £0.10 each (2022: 1,000.4 million)	**100**	100

	2023 Number	**2023 £**	2022 Number	2022 £
Shares in issue at 1 January	**1,000,352,477**	**100,035,247**	999,536,058	99,953,605
Ordinary shares issued in the period	**1,185,942**	**118,594**	816,419	81,642
Shares in issue at 31 December	**1,001,538,419**	**100,153,841**	1,000,352,477	100,035,247

During 2023, the Company issued 1,185,942 shares (2022: 816,419 shares) with a premium of £6 million (2022: £4 million) in order to satisfy its obligations to employees under the Group's sharesave schemes.

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. A merger reserve is required to be used as a result of the Company having issued equity shares in 2020 as part consideration for the shares of the ReAssure Group plc and securing at least a 90% holding in that entity.

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.

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.

	2023 £m	2022 £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.

5. Borrowings

The accounting policy for borrowings is included in note E5 to the consolidated financial statements.

	Carrying value		Fair value	
	2023 £m	2022 £m	2023 £m	2022 £m
Loans due to third-parties:				
£428 million subordinated loans (note a)	**199**	433	**202**	429
US $500 million Tier 2 bonds (note b)	**368**	383	**377**	390
€500 million Tier 2 notes (note c)	**409**	414	**419**	416
US $750 million Contingent Convertible Tier 1 notes (note d)	**587**	618	**563**	580
£500 million Tier 2 notes (note e)	**489**	487	**476**	445
US $500 million Fixed Rate Reset Tier 2 notes (note f)	**274**	412	**262**	382
£500 million 5.867% Tier 2 subordinated notes (note g)	**536**	543	**493**	465
£250 million Fixed Rate Reset Callable Tier 2 subordinated notes (note h)	**254**	259	**239**	244
£250 million 4.016% Tier 3 subordinated notes (note i)	**253**	256	**250**	231
£350 million Fixed Rate Reset Callable Tier 2 subordinated notes (note j)	**346**	–	**368**	–
	3,715	3,805	**3,649**	3,582
Loans due to Group companies:				
Loan due to Standard Life Assurance Limited (note k)	**–**	309	**–**	309
Senior loan due to ReAssure Limited (note l)	**–**	718	**–**	718
€100 million loan due to Standard Life International DAC (note m)	**90**	89	**90**	89
£130 million floating term loan due to ReAssure Life Limited (note n)	**138**	130	**138**	130
£250 million loan due to ReAssure Limited (note o)	**261**	–	**261**	–
£250 million remittance loan due to ReAssure Limited (note p)	**257**	–	**257**	–
€50 million loan due to Standard Life International DAC (note q)	**44**	–	**44**	–
Cash-pooling with other Group entities (note t)	**1,308**	1,178	**1,308**	1,178
	2,098	2,424	**2,098**	2,424
Total borrowings	**5,813**	6,229	**5,747**	6,006
Amount due for settlement after 12 months	**4,505**	5,051		

Notes to the parent company financial statements continued

5. Borrowings continued

a On 12 December 2018, the Company was substituted in place of Old PGH as issuer of the £428 million Tier 2 subordinated notes due 2025 at a coupon of 6.625%, which were initially recognised at fair value of £439 million. On 7 December 2023, the Company repurchased £231 million of the principal amount of the notes via a tender offer. The remaining principal amount of the notes at 31 December 2023 is £199 million.

b On 12 December 2018, the Company was substituted in place of Old PGH as issuer of the US $500 million Tier 2 bonds due 2027 with a coupon of 5.375%, which were initially recognised at fair value of £349 million.

c On 12 December 2018, the Company was substituted in place of Old PGH as issuer of the €500 million Tier 2 notes due 2029 with a coupon of 4.375%, which were initially recognised at fair value of £407 million.

d On 29 January 2020, the Company issued US $750 million fixed rate reset perpetual restricted Tier 1 contingent convertible notes (the 'contingent convertible Tier 1 Notes') which are unsecured and subordinated. The contingent convertible Tier 1 Notes have no fixed maturity date and interest is payable only at the sole and absolute discretion of the Company. The contingent convertible Tier 1 Notes bear interest on their principal amount at a fixed rate of 5.625% per annum up to the 'First Reset Date' of 26 April 2025. Thereafter the fixed rate of interest will be reset on the First Reset Date and on each fifth anniversary of this date by reference to the sum of the yield of the Constant Maturity Treasury ('CMT') rate (based on the prevailing five year US Treasury yield) plus a margin of 4.035%, being the initial credit spread used in pricing the notes. Interest is payable on the contingent convertible Tier 1 Notes semi-annually in arrears on 26 April and 26 October. If an interest payment is not made it is cancelled and it shall not accumulate or be payable at any time thereafter.

e On 28 April 2020, the Company issued £500 million fixed rate Tier 2 notes (the 'Tier 2 notes') which are unsecured and subordinated. The Tier 2 notes have a maturity date of 28 April 2031 and include an issuer par call right for the three month period prior to maturity. The Tier 2 notes bear interest on the principal amount at a fixed rate of 5.625% per annum payable annually in arrears on 28 April.

f On 4 June 2020, the Company issued US $500 million fixed rate reset callable Tier 2 notes (the 'Fixed Rate Reset Tier 2 notes') which are unsecured and subordinated. The Fixed Rate Reset Tier 2 notes have a maturity date of 4 September 2031 with an optional issuer par call right on any day in the three month period up to and including 4 September 2026. The Fixed Rate Reset Tier 2 notes bear interest on the principal amount at a fixed rate of 4.75% per annum up to the interest rate reset date of 4 September 2026. If the Fixed Rate Reset Tier 2 notes are not redeemed before that date, the interest rate resets to the sum of the applicable CMT rate (based on the prevailing five year US Treasury yield) plus a margin of 4.276%, being the initial credit spread used in pricing the notes. Interest is payable on the Fixed Rate Reset Tier 2 notes semi-annually in arrears on 4 March and 4 September. On 7 December 2023, the Company repurchased US $150 million of the principal amount of the Fixed Rate Reset Tier 2 notes via a tender offer. The remaining principal amount of the notes at 31 December 2023 is US $350 million.

g On 22 July 2020, the Company was substituted in place of ReAssure Group plc as issuer of the £500 million 5.867% Tier 2 subordinated notes. These notes have a maturity date of 13 June 2029 and were initially recognised at their fair value of £559 million. The fair value adjustment are being amortised over the remaining life of the notes. Interest is payable semi-annually in arrears on 13 June and 13 December.

h On 22 July 2020, the Company was substituted in place of ReAssure Group plc as issuer of the £250 million fixed rate reset callable Tier 2 subordinated notes. The £250 million fixed rate reset callable Tier 2 subordinated notes have a maturity date of 13 June 2029 and were initially recognised at their fair value of £275 million. The fair value adjustment are being amortised over the remaining life of the notes. The notes include an issuer par call right exercisable on 13 June 2024. Interest is payable semi-annually in arrears on 13 June and 13 December. These notes initially bear interest at a rate of 5.766% on the principal amount and the rate of interest will reset on 13 June 2024, and on each interest payment date thereafter, to a margin of 5.17% plus the yield of a UK Treasury Bill of similar term.

i On 22 July 2020, the Company was substituted in place of ReAssure Group plc as issuer of the £250 million 4.016% Tier 3 subordinated notes. The notes have a maturity date of 13 June 2026 and were initially recognised at their fair value of £259 million. The fair value adjustment is being amortised over the remaining life of the notes. Interest is payable semi-annually in arrears on 13 June and 13 December.

j On 6 December 2023, the Company issued £350 million fixed rate reset callable Tier 2 notes which are unsecured and subordinated. The notes have a maturity date of 6 December 2053 with an optional issuer par call right on any day in the six-month period up to and including 6 December 2033. The notes bear interest on the principal amount at a fixed rate of 7.75% per annum up to the interest rate reset date of 6 December 2033. If the notes are not redeemed before that date, the interest rate resets to the sum of the 5 year benchmark Gilt rate plus a margin of 4.65%, being the sum of the initial credit spread used in pricing the notes and a 1% margin step-up. Interest is payable on the notes semi-annually in arrears on 6 June and 6 December each year.

k On 22 February 2019, the Company recognised a loan due in 2024 to Standard Life Assurance Limited ('SLAL'), a subsidiary undertaking, for £162 million. This loan was the initial consideration for the acquisition from SLAL of its investment in Standard Life International Designated Activity Company ('SLIDAC'). On 28 March 2019 the purchase price was adjusted by £120 million, which resulted in an increase in the loan principal. Interest accrues at SONIA plus 1.9366% and is capitalised. During the year interest of £9 million (2022: £6 million) was capitalised. On 21 December 2023, the Company received a distribution of the loan, extinguishing the Company's obligations under the loan.

l On 31 December 2022, ReAssure Limited ('RAL') issued a £718 million term loan of £718 million to the Company, maturing on 31 December 2027. At the same time, the Company issued a contingent loan to RAL for the same amount (see note 12 (d) for further details). Interest accrues on the term loan asset at a rate of SONIA plus 1.49%. If the Company fails to make payments of principal or interest in accordance with the terms of the loan, a corresponding amount of RAL's obligations under the contingent loan would be offset. The Company made the quarterly loan repayments due on 30 June and 30 September 2023, and repaid the loan in full on 21 December 2023.

m On 20 December 2022, SLIDAC issued a €100 million floating term loan to the Company with a maturity date of 31 March 2024. Interest accrues on the term loan at a rate of EURIBOR plus 0.78%. As at 31 December 2023, the interest rate was 4.67%.

n 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%. As at 31 December 2023, the interest rate was 4.95%.

o On 5 May 2023, 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%. As at 31 December 2023, the interest rate was 5.08%.

p On 21 July 2023, RAL issued a £250 million remittance loan to the Company for a term of 5 years. Interest accrues on the term loan at a rate of SONIA plus 1.51%. As at 31 December 2023, the interest rate was 6.69%.

q On 21 July 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 2023, the interest rate was 4.68%.

r On 21 July 2023, Phoenix Life Assurance Limited issued a £150 million floating term loan to the Company at an interest rate of 6.68% for a term of 5 years. On 21 December 2023, the Company received a distribution of the loan, extinguishing the Company's obligations under the loan.

s On 21 July 2023, SLAL issued a £50 million floating term loan to the Company at an interest rate of 6.68% for a term of 5 years. On 21 December 2023, the Company received a distribution of the loan, extinguishing the Company's obligations under the loan.

t 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.

u The Group has in place a £1.75 billion unsecured revolving credit facility (the 'revolving facility'), maturing in June 2026. The facility accrues interest at a margin over SONIA that is based on credit rating. The facility remains undrawn as at 31 December 2023.

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.

Further details of the loans due to third parties (loans a. to j.) are contained in note E5 to the consolidated financial statements.

Notes to the parent company financial statements continued

5. Borrowings continued

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.

		Cash		Non-cashflow					
	At 1 January 2023 £m	New borrowings, net of costs £m	Repayments £m	Dividend in specie payment £m	Movement in foreign exchange £m	(Amortisation)/ accretion £m	Capitalised interest £m	Movement in fair value £m	At 31 December 2023 £m
£428 million subordinated notes	433	–	(231)	–	–	(3)	–	–	199
US $500 million Tier 2 bonds	383	–	–	–	(21)	6	–	–	368
€500 million Tier 2 notes	414	–	–	–	(9)	4	–	–	409
US $750 million Contingent Convertible Tier 1 notes	618	–	–	–	(32)	1	–	–	587
£500 million Tier 2 notes	487	–	–	–	–	2	–	–	489
US $500 million Fixed Rate Reset Tier 2 notes	412	–	(119)	–	(20)	1	–	–	274
£500 million 5.867% Tier 2 subordinated notes	543	–	–	–	–	(7)	–	–	536
£250 million Fixed Rate Reset Callable Tier 2 subordinated notes	259	–	–	–	–	(5)	–	–	254
£250 million 4.016% Tier 3 subordinated notes	256	–	–	–	–	(3)	–	–	253
£350 million Fixed Rate Reset Callable Tier 2 subordinated notes	–	346	–	–	–	–	–	–	346
Loan due to Standard Life Assurance Limited [1]	309	–	–	(318)	–	–	9	–	–
Senior loan due to ReAssure Limited	718	–	(718)	–	–	–	–	–	–
€100 million loan due to Standard Life International DAC	89	–	–	–	(2)	–	3	–	90
£130 million floating term loan due to ReAssure Life Limited	130	–	–	–	–	–	8	–	138
£250 million loan due to ReAssure Limited	–	250	–	–	–	–	11	–	261
£250 million remittance loan due to ReAssure Limited	–	250	–	–	–	–	7	–	257
€50 million loan due to Standard Life International DAC	–	43	–	–	–	–	1	–	44
£150 million remittance loan due to Phoenix Life Assurance Limited [1]	–	150	–	(146)	–	(4)	–	–	–
£50 million remittance loan due to Standard Life Assurance Limited [1]	–	50	–	(49)	–	(1)	–	–	–
Cash-pooling with other Group entities	1,178	361	(294)	–	–	–	63	–	1,308
Derivative assets [2]	(225)	–	–	–	–	(1)	–	108	(118)
	6,004	1,450	(1,362)	(513)	(84)	(10)	102	108	5,695

1 The liability has been discharged via a dividend in specie payment.

2 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).

	Cash			Non-cashflow				
	At 1 January 2022 £m	New borrowings, net of costs £m	Repayments £m	Movement in foreign exchange £m	(Amortisation)/ accretion £m	Capitalised interest £m	Movement in fair value £m	At 31 December 2022 £m
£428 million subordinated notes	435	–	–	–	(2)	–	–	433
£450 million Tier 3 subordinated notes	449	–	(450)	–	1	–	–	–
US $500 million Tier 2 bonds	337	–	–	41	5	–	–	383
€500 million Tier 2 notes	389	–	–	21	4	–	–	414
US $750 million Contingent Convertible Tier 1 notes	551	–	–	66	1	–	–	618
£500 million Tier 2 notes	485	–	–	–	2	–	–	487
US $500 million Fixed Rate Reset Tier 2 notes	368	–	–	44		–	–	412
£500 million 5.867% Tier 2 subordinated notes	550	–	–	–	(7)	–	–	543
£250 million 4.016% Tier 3 subordinated notes	257	–	–	–	(1)	–	–	256
£250 million Fixed Rate Reset Callable Tier 2 subordinated notes	266	–	–	–	(7)	–	–	259
Loan due to Standard Life Assurance Limited	300	–	–	–	–	9	–	309
Senior loan due to ReAssure Limited[2]	–	718	–	–	–	–	–	718
€100 million loan due to Standard Life International DAC	–	88	–	1	–	–	–	89
£130 million floating term loan to ReAssure Life Limited	–	130	–	–	–	–	–	130
Cash-pooling with other Group entities	–	1,338	(166)	–	–	6	–	1,178
Derivative assets[1]	(48)	–	–	–	–	–	(177)	(225)
Derivative liabilities[1]	5	–	–	–	–	–	(5)	–
	4,344	2,274	(616)	173	(4)	15	(182)	6,004

1 Cross currency swaps to hedge against currency movements in respect of the Group's Euro and US Dollar denominated borrowings (see note 6 for further details).

2 Settled simultaneously with the issuance of the £718 million contingent loan.

6. Derivatives

The accounting policy for derivatives is included in note E3 to the consolidated financial statements.

In June 2021, the Company entered into four cross currency swaps in order to hedge against adverse currency movements in respect of its Euro and US Dollar denominated borrowings.

From December 2021, 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	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Cross currency swaps	**118**	225	**–**	–
Foreign currency swaps	**1**	32	**1**	22
	119	257	**1**	22

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 £119 million (2022: £257 million) of which credit risk of £30 million (2022: £86 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.

In 2019, the Company recognised an initial Standard Life transition and transformation restructuring provision of £159 million. During the year, £27 million (2022: £28 million) of the restructuring provision was utilised and the provision was decreased by £7 million (2022: increased by £33 million). The remaining provision of £63 million (2022: £97 million) is expected to be utilised within one to three years. See note G7 to the consolidated financial statements for further details.

Notes to the parent company financial statements continued

7. Provisions continued

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 which raised a valid expectation of the impacts in those likely to be affected.

The initial provision of £127 million 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 2023. 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.

During the year, the provision was increased by £65 million and £33 million was utilised. The remaining provision of £159 million is expected to be utilised within one to five years.

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.

	2023 £m	2022 £m
At 1 January	20	21
Lease payments	(2)	(1)
At 31 December	18	20
Amount due within twelve months	2	1
Amount due after twelve months	16	19

9. Accruals and deferred income

The accounting policy for accruals and deferred income is included in note G10 to the consolidated financial statements.

	2023 £m	2022 £m
Accruals and deferred income	118	124
Amount due for settlement after 12 months	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 2023 £m
Cost or valuation	
At 1 January and 31 December	22
Depreciation	
At 1 January	(3)
Depreciation	(2)
At 31 December	(5)
Carrying amount at 31 December	17

	Total Property, Plant and Equipment 2022 £m
Cost or valuation	
At 1 January and 31 December	22
Depreciation	
At 1 January	(1)
Depreciation	(2)
At 31 December	(3)
Carrying amount at 31 December	19

11. Investment in group entities

	2023 £m	2022 £m
Cost		
At 1 January	**14,420**	14,220
Additions	**305**	200
At 31 December	**14,725**	14,420
Impairment		
At 1 January and 31 December	**(4,189)**	(4,189)
Carrying amount		
At 31 December	**10,536**	10,231

In April 2023, the Company acquired 100% of the issued share capital of SLF of Canada UK Limited business for a cost of £250 million. In addition, during the year the Company established a Bermuda based entity, Phoenix Group Holdings (Bermuda) Limited, and capital contributions totaling £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.

As at 31 December 2023 and 31 December 2022, 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. Where such indicators are identified, an impairment test is performed.

As a starting point, the contribution of the life insurance subsidiaries to the recoverable amount has been determined with reference to Solvency II Own Funds, which reflects a probability-weighted best estimate of cash flows for in-force insurance and investment contracts consistent with the Group's operating plan with an allowance for risk, together with an economic valuation of the underlying assets and other liabilities. Suitable adjustments were made to Solvency II Own Funds in order to align with the dividend paying capacity of the life insurance subsidiaries, which included the removal of the surplus attributable to policyholders in the with-profit funds. Where the Solvency II Own Funds exceeded the carrying value of the investment in subsidiary, management has concluded that no impairment is required.

For one of its subsidiaries, Phoenix Life Holdings Limited ("PLHL"), the carrying value of the investment exceeded the Solvency II Own Funds as at 31 December 2023. Accordingly, a value in use test was applied that utilises cash flow projections 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. This analysis has been informed by dividend projections on a consistent basis to that set out in the Group's business plan approved by the Board. The value in use calculation has used a discount rate of 10%, calculated using a risk adjusted weighted average cost of capital approach, and a long term growth rate after the initial five year business plan period of 2%. A 1% increase in the discount rate would reduce the recoverable amount by £920 million and would not result in any impairment being recognised in respect of PLHL. A 1% reduction in the long-term growth rate would reduce the recoverable amount by £684 million and would also not result in any impairment being recognised in respect of PLHL.

Based on the assessment above, no impairment has been recorded in 2023 in respect of the investment in Group entities (2022: £nil).

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	
	2023 £m	2022 £m	2023 £m	2022 £m
Loans due from Phoenix Life Holdings Limited (note a)	**1,284**	1,273	**1,299**	1,279
Cash-pooling to other Group entities (note b)	**5**	546	**5**	546
Loan due from Phoenix Group Employee Benefit Trust (note c)	**13**	13	**13**	13
Loan due from ReAssure Limited (note d)	**–**	718	**–**	718
Loans and deposits due from Group entities	**1,302**	2,550	**1,317**	2,556
Total loans and deposits	**1,302**	2,550	**1,317**	2,556
Amounts due after 12 months	**1,297**	2,004		

Notes to the parent company financial statements continued

12. Loans and deposits continued

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 was assigned a £428 million subordinated loan by 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 2023, the carrying value of the loan was £432 million (2022: £433 million).

On 12 December 2018, the Company was assigned a £450 million subordinated loan by 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 rate plus a margin of 1.30% and is capitalised. During the year interest of £27 million (2022: £7 million) was capitalised. The loan matures on 31 December 2027. At 31 December 2023, the carrying value of the loan was £484 million (2022: £457 million due under the subordinated loan).

On 12 December 2018, the Company was assigned a US $500 million loan by 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 period decreased the carrying value by £20 million (2022: £41 million increase). At 31 December 2023, the carrying value of the loan was £368 million (2022: £383 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 2023, the carrying value of the loan was £13 million (2022: £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 £12 million (2022: £12 million) was provided to the EBT and £12 million of the loan was impaired (2022: £12 million).

d On 31 December 2022, the Company issued a contingent loan of £718 million with RAL which accrues interest at a rate of SONIA plus 2.95%. Loan repayments and interest payments are made quarterly in arrears. Repayment of principal each quarter is set at the amount of surplus emerging from a specified block of unit-linked business in RAL, less interest payable. RAL made the quarterly loan repayments due on 30 June and 30 September 2023, and repaid the loan in full on 21 December 2023.

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

	2023 £m	2022 £m
Financial assets at fair value through profit or loss		
Derivatives	119	257
Debt securities	1	1
Collective investment schemes	1,017	775
	1,137	1,033
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.

Year ended 31 December 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

Year ended 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Derivatives	–	257	–	257
Debt securities	–	–	1	1
Collective investment schemes	775	–	–	775
	775	257	1	1,033

There were no transfers between levels in either 2023 or 2022.

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 2023 £m	Credit for the year £m	31 December 2023 £m
Provisions and other temporary differences	113	46	159

	1 January 2022 £m	Credit for the year £m	31 December 2022 £m
Provisions and other temporary differences	82	31	113

The standard rate of UK corporation tax for the accounting period is 23.5% (2022: 19%).

Following cancellation of the planned corporation tax rate reduction from 19% to 17% announced in the Chancellor's Budget of March 2020, an increase to 25% effective from April 2023 was announced in the Budget of 3 March 2021. Accordingly, 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.

	2023 £m	2022 £m
Bank and cash balances	1	–

16. Cash flows from operating activities

	2023 £m	2022 £m
(Loss)/profit for the year before tax	(89)	26
Non-cash movements in loss/profit for the year before tax:		
Impairment of loan due from subsidiary	12	12
Investment income	(965)	(127)
Finance costs	399	287
Fair value losses/(gains) on financial assets	117	(171)
Foreign exchange movement on borrowings at amortised cost	(63)	173
Share-based payment charge	22	16
Depreciation	2	2
(Increase)/decrease in investment assets	(242)	290
Net decrease/(increase) in working capital	218	(925)
Cash utilised by operations	(589)	(417)

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 2023 were £4,621 million (2022: £5,062 million).

At 31 December 2023, total capital was £6,963 million (2022: £7,398 million). The movement in capital in the period comprises the total comprehensive income for the period attributable to owners of £79 million (2022: £116 million), dividends paid of £520 million (2022: £496 million), coupon paid on Tier 1 Notes, net of tax relief of £22 million (2022: £22 million), credit to equity for equity-settled share-based payments of £22 million (2022: £16 million) and issue of ordinary share capital of £6 million (2022: £4 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.

Notes to the parent company financial statements continued

17. Capital and risk management continued

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:

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**

2022	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	2,550	–	2,550
Other amounts due from Group entities (note 20)	N/A	Performing	12 month ECL	19	–	19

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 111 to 140 of the Annual Report and Accounts.

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, are included in note I4 to the consolidated financial statements.

During the year ended 31 December 2023, the Company entered into the following transactions with related parties.

	2023 £m	2022 £m
Dividend income from other Group entities	655	455
Interest income from other Group entities	210	124
	865	579
Expense to other Group entities	561	246
Interest expense to other Group entities	196	60
	757	306

Amounts due from related parties at the end of the year:

	2023 £m	2022 £m
Loans due from Group entities	1,302	2,550
Interest accrued on loans due from Group entities	28	29
Other amounts due from Group entities	25	19
	1,355	2,598
Amount due for settlement after 12 months	1,297	2,004

Amounts due to related parties at the end of the year:

	2023 £m	2022 £m
Loans due to Group entities	2,098	2,424
Interest accrued on loans due to Group entities	15	14
Other amounts due to Group entities	62	43
	2,175	2,481
Amount due for settlement after 12 months	700	1,246

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.

N Lyons
A Briggs
R Thakrar
K Green
H Iioka
K Murray
E Bucks
M Gregory
J Pollock
B Richards
D Scott
M Semple
N Shott

21 March 2024

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 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 supranationals	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 association[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[9]	–	–	–	674	674
Other investments[10]	(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 policy loans of £1 million, other loans of £189 million, net derivative liabilities 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.

31 December 2022 restated[1]

Carrying value	Shareholder and non-profit funds[2] £m	Participating supported[2] £m	Participating non-supported[3] £m	Unit-linked[3] £m	Total £m
Cash and cash equivalents	4,385	1,027	5,312	6,445	17,169
Debt securities – gilts and foreign government bonds	4,913	260	15,065	13,212	33,450
Debt securities – other government and supranational	1,691	242	1,717	2,341	5,991
Debt securities – infrastructure loans – project finance[4]	922	–	–	–	922
Debt securities – infrastructure loans – corporate[5]	1,205	–	1	–	1,206
Debt securities – local authority loans[6]	686	1	2	4	693
Debt securities – loans guaranteed by export credit agencies and supranationals[7]	509	–	–	–	509
Debt securities – private corporate credit[8]	1,660	–	100	8	1,768
Debt securities – loans to housing associations[9]	769	–	8	2	779
Debt securities – commercial real estate loans[10]	1,104	–	–	–	1,104
Debt securities – equity release mortgages[10]	3,934	–	–	–	3,934
Debt securities – other debt securities	13,895	1,118	13,067	33,515	61,595
	31,288	1,621	29,960	49,082	111,951
Equity securities	109	46	17,114	94,462	111,731
Property investments	68	22	1,698	5,361	7,149
Income strips[10]	–	–	–	786	786
Other investments[11]	(1,241)	(508)	732	9,273	8,256
Total Life Company assets	34,609	2,208	54,816	165,409	257,042
Less assets held by disposal groups[12]	–	–	–	(8,312)	(8,312)
At 31 December 2022	34,609	2,208	54,816	157,097	248,730
Cash and cash equivalents in Group holding companies					502
Cash and financial assets in other Group companies					1,071
Financial assets held by the non-controlling interest in consolidated collective investment schemes					4,213
Financial assets in consolidated funds held by disposal groups[12]					1,147
Total Group consolidated assets excluding amounts classified as held for sale					255,663
Comprised of:					
Investment property					3,727
Financial assets					248,972
Cash and cash equivalents					8,839
Derivative liabilities					(5,875)
					255,663

1 Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts (see note A2.1 for further details). This has resulted in a net reduction of £(9) million as result of moving £(11) million policy loans to insurance contracts along with a £2 million increase in reinsurance share of investment contracts.

2 Includes assets where shareholders of the life companies bear the investment risk.

3 Includes assets where policyholders bear most of the investment risk.

4 Total infrastructure loans – project finance of £922 million include £882 million classified as Level 3 debt securities in the fair value hierarchy.

5 Total infrastructure loans – corporate of £1,206 million include £1,175 million classified as Level 3 debt securities in the fair value hierarchy.

6 Total local authority loans of £693 million include £596 million classified as Level 3 debt securities in the fair value hierarchy.

7 Total loans guaranteed by export credit agencies and supranationals of £509 million include £402 million classified as Level 3 debt securities in the fair value hierarchy.

8 Total private corporate credit of £1,768 million include £1,422 million classified as Level 3 debt securities in the fair value hierarchy.

9 Total loans to housing associations of £779 million include £691 million classified as Level 3 debt securities in the fair value hierarchy.

10 All commercial real estate loans, equity release mortgages and income strips are classified as Level 3 debt securities in the fair value hierarchy.

11 Includes other loans of £398 million, net derivative liabilities of £(1,837) million, reinsurers' share of investment contracts of £9,090 million and other investments of £605 million.

12 See note H3 to the consolidated financial statements for further details.

Additional life company asset disclosures continued

The following table provides a reconciliation of the total life company assets to the Assets under Administration ('AUA') as at 31 December 2023 detailed in the Business Review on page 37.

	2023 £bn	2022 £bn
Total Life Company assets excluding amounts classified as held for sale	**274.6**	248.7
Off-balance sheet AUA[1]	**10.3**	10.3
Less: Wrap SIPP and Onshore Bond assets[2]	**(2.4)**	–
Assets Under Administration	**282.5**	259.0

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 abrdn plc under a profit transfer arrangement have been excluded from AUA (see note H3 to the consolidated financial statements for further details).

All of the life companies' debt securities are held at fair value through profit or loss under IFRS 9 Financial Instruments (2022: IAS 39 Financial Instruments: Recognition & Measurement), 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

	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 306.

4 The credit ratings attributed to equity release mortgages are based on the ratings assigned to the internal securitised loan notes.

Sector analysis of shareholder and non-profit fund bond portfolio

	AAA £m	AA £m	A £m	BBB £m	BB & below[1] £m	Total £m
Industrials	–	395	252	643	11	1,301
Basic materials	–	1	130	6	–	137
Consumer, cyclical	–	311	314	111	67	803
Technology and telecoms	186	288	517	551	–	1,542
Consumer, non-cyclical	246	328	802	231	–	1,607
Structured finance	–	–	38	–	–	38
Banks[2]	526	464	2,919	344	39	4,292
Financial services	139	401	100	68	19	727
Diversified	–	5	29	–	–	34
Utilities	19	141	727	1,353	–	2,240
Sovereign, sub-sovereign and supranational[3]	932	5,838	509	116	2	7,397
Real estate	76	234	2,590	1,053	180	4,133
Investment companies	1	125	–	5	–	131
Insurance	22	354	321	70	43	810
Oil and gas	–	132	346	55	–	533
Collateralised debt obligations	–	7	–	–	–	7
Private equity loans	–	–	7	69	–	76
Equity release mortgages[4]	2,216	852	810	56	–	3,934
Infrastructure	–	123	60	1,208	155	1,546
At 31 December 2022	4,363	9,999	10,471	5,939	516	31,288

1 Includes unrated holdings of £108 million.
2 The £4,292 million total shareholder exposure to bank debt comprised £3,345 million senior debt and £947 million subordinated debt.
3 Includes £686 million reported as local authority loans and £107 million reported as loans guaranteed by export credit agencies and supranationals in the summary table on page 307.
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 2023 £m**	**Corporate and other 2023 £m**	**Total 2023 £m**	Sovereign, sub-sovereign and supranational 2022 £m	Corporate and other 2022 £m	Total 2022 £m
UK	9,046	16,169	25,215	5,914	13,781	19,695
Supranationals	704	–	704	541	45	586
USA	274	4,764	5,038	317	5,122	5,439
Germany	133	811	944	46	716	762
France	169	1,724	1,893	153	921	1,074
Netherlands	79	457	536	24	417	441
Italy	–	304	304	–	145	145
Ireland	35	88	123	–	74	74
Spain	12	253	265	17	103	120
Luxembourg	55	133	188	56	118	174
Belgium	89	134	223	28	83	111
Australia	1	477	478	1	386	387
Canada	45	410	455	6	385	391
Mexico	2	157	159	2	137	139
Other – non-Eurozone[1]	356	1,125	1,481	252	1,241	1,493
Other – Eurozone	90	347	437	40	217	257
Total shareholder debt securities	11,090	27,353	38,443	7,397	23,891	31,288

1 There was no shareholder exposure to Russia, Ukraine and Belarus at 31 December 2023 and 31 December 2022.

Additional capital disclosures

PGH PLC Solvency II surplus
The PGH plc surplus at 31 December 2023 is £3.9 billion (2022: £4.5 billion).

	31 December 2023 Estimated £bn	31 December 2022 £bn
Own Funds	11.1	11.1
SCR	(7.2)	(6.6)
Surplus	3.9	4.5

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 2023 Estimated £bn	31 December 2022 £bn
Tier 1 – Unrestricted	6.7	6.8
Tier 1 – Restricted	1.1	1.1
Tier 2	2.7	2.6
Tier 3	0.6	0.6
Total Own Funds	11.1	11.1

PGH plc's unrestricted Tier 1 capital accounts for 60% (2022: 61%) of total Own Funds and comprises ordinary share capital, surplus funds of the unsupported with-profit funds which are recognised only to a maximum of the SCR, and the accumulated profits of the remaining business.

Restricted Tier 1 capital comprises the contingent convertible Tier 1 Notes issued in January 2020 and the Tier 1 Notes issued in April 2018, the terms of which enable the instruments to qualify as restricted Tier 1 capital for regulatory reporting purposes.

Tier 2 capital is comprised of subordinated notes whose terms enable them to qualify as Tier 2 capital for regulatory reporting purposes.

Tier 3 items include the Tier 3 subordinated notes of £0.2 billion (2022: £0.2 billion) and the deferred tax asset of £0.4 billion (2022: £0.4 billion).

Breakdown of SCR
The Group operates one single PRA approved Internal Model covering all the Group entities, with the exception of the Irish entity, Standard Life International Designated Activity Company ('SLIDAC'), the acquired ReAssure and SLF Canada UK Limited businesses. SLIDAC, ReAssure and SLF Canada UK Limited businesses calculate their capital requirements in accordance with the Standard Formula. An analysis of the pre-diversified SCR of PGH plc is presented below:

	31 December 2023 Estimated		31 December 2022	
	Internal Model %	ReAssure, SLIDAC and SLF Canada UK Limited Standard Formula %	Internal Model %	ReAssure, and SLIDAC Standard Formula %
Longevity	17	10	15	17
Credit	19	19	17	19
Persistency	19	33	18	28
Interest rates	5	3	8	6
Operational	8	4	8	4
Swap spreads	2	–	2	–
Property	6	1	4	1
Other market risks	10	18	15	14
Other non-market risks	14	12	13	11
Total pre-diversified SCR	100	100	100	100

The principal risks of the Group are described in detail in note E6 and F11 in the IFRS consolidated financial statements.

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 €4.0 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 MGSCR at 31 December 2023 is £1.8 billion (2022: £2.3 billion).

PGH plc's Eligible Own Funds to cover MGSCR is £7.9 billion (2022: £8.2 billion) leaving an excess of Eligible Own Funds over MGSCR of £6.1 billion (2022: £5.9 billion), which translates to an MGSCR coverage ratio of 432% (2022: 361%).

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 II.

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 II 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 results 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 30.

APMs marked with 'NEW' have been introduced in the period. IFRS adjusted shareholders' equity has been introduced following the adoption of IFRS 17. New business net funds flows, Operating Cash Generation ('OCG'), recurring management actions, Return on Capital ('RoC') and Solvency II leverage have been introduced to reflect the evolution of the Group's strategy as described in the CEO's Report and Our strategic priorities and KPIs and Directors Remuneration Report sections of the Annual Report. New business contribution ('NBC'), BPA Capital Strain (Pre-Capital Management Policy) and BPA premiums written have been described in previous annual reports but as these have taken on more prominence are also marked as new.

APMs marked with 'CHANGED' have been amended from that disclosed in the Annual Report and Accounts 2022. Fitch leverage ratio and adjusted operating profit have been amended to reflect the adoption of IFRS 17.

APM	Definition	Why this measure is used	Reconciliation to financial statements
Adjusted operating profit CHANGED	Adjusted operating profit is a financial performance measure based on expected long-term investment returns. It is stated before tax and non-operating items including 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 B2.1 to the consolidated financial statements.	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 and one-off items, and is stated net of policyholder finance charges and tax. It helps give stakeholders a better understanding of the underlying performance of the Group by identifying and analysing non-operating items.	A reconciliation of adjusted operating profit to the IFRS result before tax attributable to owners is included in the business review on page 36.
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 308.
Bulk Purchase Annuity ('BPA') Capital Strain (Pre-Capital Management Policy) NEW	Represents the capital deployment on BPA measured on a Solvency II basis, before capital management policy, expressed as a proportion of the BPA Premium. It is calculated as the capital deployed (being the Solvency II Technical Provisions plus SCR plus acquisition costs plus reinsurance premium less BPA Premium, net of tax) as a proportion of the BPA Premium.	BPA Capital Strain (Pre-Capital Management Policy) reflects how efficiently capital is deployed on BPA to deliver new business growth.	The capital deployed in writing BPA business is included within the new business strain component of the change in Solvency SII surplus in the period, as set out in the diagram on page 34.
BPA premiums written NEW	Represents the aggregate, gross of reinsurance, new business premium volume for BPA business, measured at the risk transfer date, written in the period.	BPA premiums written provides a measure of the Group's ability to deliver new business growth.	BPA premiums written is not directly reconcilable to the financial statements as premiums are no longer reported on the IFRS income statement. BPA premium written is included within the 'Estimates of present value of future cash flows' line on the effect of contracts initially recognised in the year in Note F8.1 for the Retirement Solutions disclosure group.

<table>
<tr><th>APM</th><th>Definition</th><th>Why this measure is used</th><th>Reconciliation to financial statements</th></tr>
<tr>
<td>Fitch leverage ratio

CHANGED</td>
<td>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 estate and the Tier 1 Notes.</td>
<td>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.</td>
<td>The adjusted equity component of the Fitch leverage ratio is as set out below for the IFRS adjusted shareholders' equity metric.
<table>
<tr><th>Fitch Leverage</th><th></th><th>FY 2023</th></tr>
<tr><td>Total equity attributable to owners of the parent</td><td></td><td>2.5</td></tr>
<tr><td>CSM (net of tax)</td><td></td><td>2.1</td></tr>
<tr><td>Adjusted shareholders' equity</td><td></td><td>4.6</td></tr>
<tr><td>Non controlling interests</td><td></td><td>0.5</td></tr>
<tr><td>Policyholder surplus in with profit funds</td><td></td><td>4.2</td></tr>
<tr><td>Tier 1 notes</td><td></td><td>1.0</td></tr>
<tr><td>Total Shareholders' Equity – Fitch basis</td><td>A</td><td>10.3</td></tr>
<tr><td>Total Shareholder debt</td><td>B</td><td>3.1</td></tr>
<tr><td>Fitch Leverage (B/A + B)</td><td></td><td>23%</td></tr>
</table>
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 pages 209 to 211. Policyholder surplus in with-profit funds is a subset of Estimates of present value of future cash flows within insurance contract liabilities in Note F1 on page 226.</td>
</tr>
<tr>
<td>Group in force Long-term Free Cash ('LTFC')</td>
<td>Group in force Long-term Free Cash ('LTFC') comprised of long-term cash to emerge from in-force business, plus holding company cash, less an allowance for costs associated with in-flight mergers and acquisitions and the related transition activities, and a deduction for shareholder debt outstanding.

The calculation for the LTIP performance metric excludes any future shareholder dividends and is before interest on debt until maturity.</td>
<td>LTFC provides a measure of the Group's total long-term cash available for operating costs, interest, growth and shareholder returns. Increases in LTFC will be driven by sources of long-term cash i.e. new business and over-delivery of management actions. Decreases in LTFC will reflect the uses of cash at holding company level, including expenses, interest, investment in BPA and dividends. Is a measure in the 2023 LTIP.</td>
<td>The metric is not directly reconcilable to the financial statements as it includes a significant component relating to cash that is expected to emerge in the future. Holding company cash included within LTFC is consistent with the holding company cash and cash equivalents as disclosed in the cash section of the business review. Shareholder debt outstanding reflects the face value of the shareholder borrowings disclosed on page 209.</td>
</tr>
<tr>
<td>IFRS adjusted shareholders' equity

NEW</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>Adjusted shareholders' equity provides a meaningful measure of the value generated by the Group, including the value held in the CSM for IFRS 17 contracts.</td>
<td>Adjusted shareholders' equity reconciles to the IFRS balance sheet as follows:
<table>
<tr><th></th><th>FY 2023</th></tr>
<tr><td>Total equity attributable to owners of the parent</td><td>2,496</td></tr>
<tr><td>Add: CSM</td><td>2,853</td></tr>
<tr><td>Less: Tax on CSM</td><td>(713)</td></tr>
<tr><td>Adjusted shareholders' equity</td><td>4,636</td></tr>
</table>
Total equity attributable to owners of the parent is directly sourced from the Group's IFRS statement of consolidated financial position on pages 166 and 167. CSM is set out in note F1 on page 227. Tax is reflected at the deferred tax rate of 25%.</td>
</tr>
<tr>
<td>Incremental new business long-term cash generation</td>
<td>Incremental new business long-term cash generation represents the operating companies' total cash generation that is expected to arise in future years as a result of new business transacted in the current period. It excludes any costs associated with the acquisition of the new business.</td>
<td>This measure provides an indication of the Group's performance in delivering new business growth to offset the impact of run-off of the Group's legacy business and to bring sustainability to future cash generation.</td>
<td>Incremental long-term cash generation is not directly reconcilable to the financial statements as it relates to cash generation expected to arise in the future.</td>
</tr>
<tr>
<td>Life Company Free Surplus</td>
<td>The Solvency II surplus of the Life Companies that is in excess of their Board approved capital according to their capital management policies.</td>
<td>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').</td>
<td>Life Company Free Surplus is a subset of the change in Solvency II surplus over the period set out in the diagram on page 34. It can be reconciled as follows:
<table>
<tr><th></th><th>FY 2023</th></tr>
<tr><td>Group Solvency II surplus</td><td>3.9</td></tr>
<tr><td>Less: Non-life company components</td><td>0.7</td></tr>
<tr><td>Less: Capital Management Policy</td><td>(2.4)</td></tr>
<tr><td>Life Company Free Surplus</td><td>2.2</td></tr>
</table></td>
</tr>
</table>

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>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 provides a measure of the Group's ability to deliver new business growth.</td><td>Net fund flows is 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 308.</td></tr>
<tr><td>New business contribution ('NBC')

NEW</td><td>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.</td><td>The measure provides an assessment of the day one value (excluding a cost of capital) arising on the writing of new business, and is stated after applicable tax and acquisition costs. This measure is a 2024 AIP metric.</td><td>NBC is a subset of the new business element within Group's Solvency II analysis of movement set out on page 34 and is adjusted for the items stated.</td></tr>
<tr><td>New business net fund flows

NEW</td><td>Represents the aggregate net position of AUA inflows less outflows for new business written in the period.</td><td>New business net fund flows provides a measure of the Group's ability to deliver new business growth</td><td>New business net fund flows is not directly reconcilable to the financial statements. It is a subset of Net fund flows described below.</td></tr>
<tr><td>Operating Cash Generation ('OCG')

And

Operating Surplus Generation ('OSG')

NEW</td><td>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 recurring management actions. 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').</td><td>The measure provides the sources of recurring organic cash generated which can be used to support sustainable cash remittances from the Life Companies, which in turn supports the Group's dividend as well as funding investment to generate sustainable growth.</td><td>The components of the OCG are:
<table><tr><th></th><th>FY23
£bn</th></tr><tr><td>Surplus generation</td><td>0.8</td></tr><tr><td>Recurring management actions</td><td>0.3</td></tr><tr><td>OSG</td><td>1.1</td></tr><tr><td>Release of capital management policy</td><td>–</td></tr><tr><td>OCG</td><td>1.1</td></tr></table>OSG forms a component of the change in Solvency II surplus in the period as set out in the diagram on page 34.</td></tr>
<tr><td>Recurring management actions

NEW</td><td>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 not repeatable but benefits are expected from similar types of actions</td><td>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</td><td>Recurring management actions are a subset of the Solvency II surplus generated in the period as shown in the diagram on page 34.</td></tr>
</table>

Policy for making pro forma adjustments in the Annual Report and Accounts

Pro forma adjustments will be used in the Annual Report and Accounts ('ARA') where management considers that they allow the users of the ARA 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.

<table>
<tr><th>APM</th><th>Definition</th><th>Why this measure is used</th><th>Reconciliation to financial statements</th></tr>
<tr>
<td>Return on Capital ('RoC')

NEW</td>
<td>Reflects the Solvency II Own Funds component of the Operating Cash Generation (i.e. the inforce 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 ('DTA'). At a high level, this could be more simply described as the operating growth in own funds less financing costs as a percentage of opening own funds excluding debt.</td>
<td>The RoC measure is intended to demonstrate our efficiency in allocating capital to generate returns for our shareholders. It will demonstrate if we are using our capital efficiently to generate optimal returns, performance and growth to deliver long term shareholder value. This measure is included in the 2024 LTIP.</td>
<td>
<table>
<tr><th></th><th>FY23
£bn</th></tr>
<tr><td>Own Funds component of OCG</td><td>0.6</td></tr>
<tr><td>Less Financing Costs</td><td>(0.2)</td></tr>
<tr><td>Recurring Management actions</td><td>0.3</td></tr>
<tr><td>Total Own Funds</td><td>0.7</td></tr>
<tr><td>Divided by</td><td></td></tr>
<tr><td>Opening Shareholder UT1 +</td><td>5.0</td></tr>
<tr><td>Opening DTA</td><td>0.4</td></tr>
<tr><td>Opening Total Capital</td><td>5.4</td></tr>
<tr><td>ROC=</td><td>12.8%</td></tr>
</table>
The Own Funds component of OCG and recurring management actions are a subset of OCG as described previously. Financing costs are sourced directly from the segmental result on page 182.

Opening Shareholder UT1 is directly sourced from the borrowings analysis on page 209 and the Tier 1 notes classified as equity on page 194. The opening DTA is a component of the Solvency II balance sheet within the Own Funds balance in the diagram on page 34.
</td>
</tr>
<tr>
<td>Shareholder Capital Coverage Ratio</td>
<td>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.</td>
<td>The unsupported with-profit 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.</td>
<td>Further details of the Shareholder Capital Coverage Ratio and its calculation are included in the business review on pages 34 and 35.</td>
</tr>
<tr>
<td>Solvency II Leverage

NEW</td>
<td>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.</td>
<td>The Group are targeting a £500m reduction in debt over the medium term to deliver a SII leverage ratio of c30%</td>
<td>
<table>
<tr><th></th><th>FY2023</th></tr>
<tr><td>Solvency II Leverage</td><td></td></tr>
<tr><td>Regulatory Eligible Own Funds (£bn)</td><td>10.9</td></tr>
<tr><td>Total Debt (£bn)</td><td>3.9</td></tr>
<tr><td>Solvency II Leverage</td><td>36%</td></tr>
</table>
Regulatory Eligible Own Funds is a component of the calculation of the Group's regulatory Solvency II surplus as set out on page 34.

Total debt is that taken from borrowings analysis on page 209.

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 193.
</td>
</tr>
<tr>
<td>Total cash generation (formerly referred to as operating companies' 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, Group expenses and pension contributions.

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 an equivalent GAAP measure (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 pages 32 to 33, 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 306.</td>
</tr>
</table>

Shareholder information

Annual General Meeting ('AGM')
Our AGM will be held on 14 May 2024 at 10am at Floor 22, Freshfields Bruckhaus Deringer LLP, 100 Bishopsgate, London, EC2P 2SR.

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 do 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 10am on 10 May 2024.

Following the meeting, the voting results for our 2024 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, 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 317.

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.investorcentre.co.uk 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 317.

Electronic communications
Phoenix Group is committed to reducing the volume of paper used in communications to shareholders and other stakeholders to improve sustainability. Shareholders are therefore 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.

We strongly encourage shareholders to register to receive notification of shareholder mailings via email and to choose this as their default method of communication. You can register for electronic communication through the Investor Centre.

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 2023 Final dividend will be included in the 2023 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.investorcentre.co.uk 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 317.

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.

2024 Financial calendar

Ordinary shares – 2023 Final dividend

Ex-dividend date	11 April 2024
Record date	12 April 2024
Payment date for the recommended Final dividend	22 May 2024

Group Financial calendar for 2024

Annual General Meeting	14 May 2024
Announcement of unaudited Interim Results	Sept 2024[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'.

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/systems-reporting/register.
- Report the matter to the FCA by calling the FCA Consumer Helpline on +44 (0)800 111 6768.
- 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. The FCA can also be contacted by completing an online form available at www.fca.org.uk/consumers/report-scam-unauthorised-firm. 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

Computershare general helpline:
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
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Telephone: +44 (0)20 4559 3161
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Glossary

ABI
The Association of British Insurers ('ABI') is a trade association made up of insurance companies in the United Kingdom.

ABS
Asset Backed Securities – A collateralised security whose value and income payments are derived from a specified pool of underlying assets.

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.

Adjusted operating profit
Adjusted operating profit is a non-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.

ALM
Asset Liability Management – management of mismatches between assets and liabilities within risk appetite.

Alternative Performance Measure
An Alternative Performance Measure ('APM') is 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 II regulations. 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 page 314.

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 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.

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.

CAGR
Compound annual growth rate, or CAGR, is the mean annual growth rate of an investment over a specified period of time longer than one year.

Carbon footprint
A carbon footprint is the total greenhouse gas ('GHG') emissions caused by an individual, event, organization, service, place or product, expressed as carbon dioxide equivalent (CO_2e).

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.

Carbon Disclosure Project ('CDP')
Global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Climate Biennial Exploratory Scenario exercise ('CBES')
The Bank of England's exercise to test the resilience of the current business models of the largest banks, insurers and the financial system to climate-related risks.

Climate-related risks
The potential negative impacts of climate change on an organisation.

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 scenario
A plausible representation of future climate that has been constructed for explicit use in investigating the potential impacts of anthropogenic climate change.

Closed life fund
A fund that no longer accepts new business. The fund continues to be managed for the existing policyholders.

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.

COP27
The 27th United Nations Climate Change Conference of the Parties held in Sharm el Sheikh (Egypt) in November 2022.

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.

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.

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.

EBT
Employee Benefit Trust – 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.

Economic assumptions
Assumptions related to future interest rates, inflation, market value movements and tax.

Equity release mortgage ('ERM')
An equity release mortgage 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, social, and governance criteria are a set of standards for a company's operations that investors use to screen potential investments: how a company performs as a steward of nature; how it manages relationships with employees, suppliers, customers, and the communities where it operates; and 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 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 conduct regulator for around 50,000 financial services firms and financial markets in the UK and the prudential supervisor for 48,000 firms.

Financial leverage (Fitch)
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 II. 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.

Financial Reporting Council ('FRC')
The UK's independent regulator responsible for promoting high-quality corporate governance and reporting to foster investment.

Free surplus
The amount of capital held in life companies in excess of that needed to support their regulatory Solvency Capital Requirement, plus the capital required under the Board approved capital management policy.

FCA
Financial Conduct Authority – 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.

FOS
Financial Ombudsman Service – 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.

FTE
The full-time equivalent (FTE) is a measure that allows the Group to calculate the equivalent number of full-time employees for all types of employees.

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.

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 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.

HMRC
His Majesty's Revenue and Customs.

Glossary continued

Heritage
The Group's business segment where products are no longer marketed to customers, for example with-profits and many legacy unit linked life and pension products.

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
International Financial Reporting Standards – Accounting standards, interpretations and the framework adopted by the International Accounting Standards Board.

Incremental new business long-term cash generation
Represents the increase in the expected future operating companies' cash generation to arise as a result of new business transacted in a period. It is stated on an undiscounted basis.

Incremental new business long-term cash generation (less strain) plus Own Funds impacting management actions
This 2023 AIP performance metric measures value creation with incremental new business long-term cash generation (less strain) representing the increase in the expected future operation companies' cash generation to arise as a result of new business transacted in a period. It is stated on an undiscounted basis. Own Funds impacting management actions reflect the value of actions which improve Solvency Own Funds.

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 risks. Internal models are a key feature of the Solvency II supervisory system and the Prudential Regulation Authority ('PRA') has authorised certain insurance companies, upon application, to calculate their solvency capital requirement using their own internal models as opposed to the prescribed standard formula.

Internal rate of return ('IRR')
IRR is 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.

Life company
A subsidiary providing life and pension products.

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.

LTIP
Long-Term Incentive Plan – 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 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 master trust is 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.

Minimum Capital Requirements ('MCR')
MCR is the minimum amount of capital that the Group needs to hold to cover its risks under the Solvency II 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. Group net flows are included as a measure in the 2024 AIP scheme. Pensions and Savings Net Flows – Workplace and Retail is included as a measure in the 2023 AIP scheme. 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 LTIP performance metric represents cash generation after allowing for corporate expenses and pension contributions.

Net-zero carbon
A state where no incremental greenhouse gases are added to the atmosphere, with remaining emissions output being balanced by 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
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.

Open business
The Group's business segment where products are actively marketed to new and existing customers.

Operating Cash Generation
Operating Cash Generation ('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 will be reported on an Excess over CMP view.

Operating companies
Refers to the trading companies within Phoenix Group.

Operating companies' total cash generation
Operating companies' cash generation represents cash remitted by the Group's operating companies to the holding companies.

Operations intensity metrics
Metrics based on Scopes 1 and 2 emissions within Phoenix Group's occupied premises.

Origo
An electronic pensions transfer system.

OTC
Over-the-Counter financial instruments are traded directly between two parties without a broker or exchange market.

Own funds
Under Solvency II, 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 II principles and subordinated liabilities which qualify to be included in Own Funds under the Solvency II 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.

Paris Agreement
A legally binding international treaty on climate change. It was adopted by 196 parties at COP 21 in Paris on 12 December 2015. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees celsius, compared to pre-industrial levels.

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 pursuant to Solvency II. 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.

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 & 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 covers in section F11 of the consolidated financial statements. This is a LTIP performance metric for the 2021, 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.

PRA
Prudential Regulation Authority – 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.

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

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 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 2021 and 2022 grants.

Return on Capital ('RoC')
Reflects the Own Funds component of the Operating Cash Generation (i.e. the inforce 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.

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, under recommendations by the SBT Institute ('SBTi').

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
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
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.

Solvency II surplus
The excess of Eligible Own Funds over the Solvency Capital Requirement.

Solvency Capital Requirements ('SCR')
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'.

SONIA
Sterling overnight interest average – 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.

Standard formula
A set of calculations prescribed by the Solvency II regulations 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.

Stewardship Code
The Financial Reporting Council ('FRC') sets the UK Stewardship Code which sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.

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 Task Force on Climate-Related Financial Disclosures ('TCFD') was created in 2015 by the Financial Stability Board ('FSB') 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')
The TNFD is a new global market-led initiative which aims to provide financial institution and corporate with a complete picture of their environmental risks and opportunities. The TNFD will deliver a framework for organisations to report and act on evolving nature-related risks, building on the success of the TCFD.

TCS BaNCS
TCS BaNCS is a state of the art Life and Pensions administration platform operated by Tate Consultancy Services ('TCS').

Tier 1 Notes
The £500 million fixed rate reset perpetual restricted Tier 1 write down Notes issued by Phoenix.

Transitional measures on technical provisions
Transitional Measures on Technical Provisions ('TMTP') 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 II principles 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.

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.

The Pensions Regulator ('TPR')
A non-departmental public body which regulates work-based pension schemes in the United Kingdom.

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.

2018 UK Corporate Governance Code
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 published by the Financial Reporting Council.

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.

Women in Finance Charter
A charter setting out a commitment by HM Treasury and signatory firms to work together to build a more balanced and fair industry. The Charter reflects the government's aspiration to see gender balance at all levels across financial services firms.

Forward looking statements

Forward looking statements

The 2023 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 risk 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 for European and global macroeconomic conditions of the conflicts in Ukraine and the Middle East, and related or other geopolitical conflicts;
- political uncertainty and instability;
- the impact of changing inflation rates (including high inflation) and/or deflation;
- information technology or data security breaches (including the Group being subject to cyber-attacks);
- the development of standards and interpretations including evolving practices in ESG 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, ambitions,outlook, guidance and expectations set out in the forward-looking statements and other financial and/or statistical data within the 2023 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 2023 Annual Report and Accounts.

The Group undertakes no obligation to update any of the forward-looking statements or data contained within the 2023 Annual Report and Accounts or any other forward-looking statements or data it may make or publish.

The 2023 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 2023 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 2023 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 2023 Annual Report and Accounts are likely to be amended, updated, recalculated or restated in the future.

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