2023 Highlights

During 2023, the Group executed on its key areas of strategic focus, delivering profits ahead of market expectations and achieving its operating margin targets early.

Financial performance highlights

Assets under management and administration ("AuMA")*

£106.7bn +7%

Recommended total dividend per share

5.2p +16%

Net flows*

£0.1bn

Adjusted diluted earnings per share*

9.4p +19%

Adjusted profit before tax*

£167m +25%

Operating Margin*

27% +5ppts

IFRS profit after tax

£42m (76%)

Alternative Performance Measures ("APMs")
We assess our financial performance using a variety of measures including APMs, as explained further on page 174. These measures are indicated with an asterisk (*).

Strategic highlights

- Strategic priorities evolved to drive faster growth more efficiently. Focus on building distribution, enhancing our proposition and driving efficiency.
- Consumer Duty enhancements made across the business.
- Broad stabilisation in the number of Restricted Financial Planners.
- Growth in Client Facing Individuals.
- Became the largest Retail Advised Platform in the UK.
- Delivered 27% operating margin, ahead of 25% by 2025 target.
- Advice transformation programme initiated.

Operational highlights

- Enhancements to our proposition delivered in anticipation of Consumer Duty.
- Launched Quilter Partners.
- Jersey and Dublin High Net Worth offices built-out.
- Launched High Net Worth professional connections proposition.
- Launched CashHub and introduced tiered adviser charging on the Quilter Platform.
- WealthSelect surpassed £13bn in assets.
- £45 million Business Simplification Phase One annualised run-rate savings achieved, with £8m Phase Two savings delivered early.

Chair's statement

Ruth Markland
Chair

Dear shareholder

I am pleased to introduce the 2023 Quilter plc Annual Report.

2023 was a year of continued geopolitical uncertainty and domestic cost of living pressures from higher interest rates and inflation, with these factors driving a squeeze on discretionary saving. Despite these headwinds, we delivered a strong result for shareholders in 2023. Adjusted profit of £167 million is the highest level we have reported since we completed the disposals of Quilter International and Quilter Life Assurance. We also delivered an operating margin of 27%, which is ahead of our 25% by 2025 target.

Steven Levin, our Chief Executive Officer, discusses our business performance, strategic delivery and business transformation in detail on pages 5 to 7.

Shareholder returns

Weak market flows in 2023 led to investor reappraisals of the growth outlook for the wealth industry in general which, in turn, led to significant share price declines across the sector. In this context, Quilter delivered share price appreciation of just under 10% in 2023 and a total shareholder return of 17.2% (assuming dividend reinvestment).

The Board is pleased to recommend a Final Dividend of 3.7 pence per share for the 2023 financial year which, together with the Interim Dividend of 1.5 pence per share paid in September, takes the recommended full-year dividend to 5.2 pence per share, an increase of 16% over the 2022 level.

The Final Dividend will be paid on Tuesday 28 May 2024, subject to shareholder approval at our 2024 Annual General Meeting ("AGM") on Thursday 23 May 2024, to shareholders who are on the share register on Friday 19 April 2024.

The pay-out ratio for 2023 of 61% was just above the mid-point of our target pay-out range of 50%–70% of post-tax, post-interest adjusted profit.

Share register reduction

We undertook an Odd-lot Offer in 2023, with the intention of both reducing the cost of managing our shareholder base and allowing small shareholders to sell their holdings in a cost-effective manner. We made an offer to shareholders who held fewer than 200 shares to repurchase their shares at a modest premium to the then market price.

The offer completed in November 2023, with the Company acquiring just under 16 million shares at a price of 88.1 pence (ZAR 20.09) per share, representing a 5% premium to the Volume Weighted Average Price over the offer period. This reduced the number of shareholders on our register by around 126,000, representing a reduction of around 60% in the number of Quilter shareholders. These shares have been transferred into the Quilter Employee Benefit Trust ("EBT") and will be used to meet obligations under future staff share awards related to compensation plans.

Board matters

After the Board changes in 2022, 2023 was a year of stability for the Board. However, since the year end, we have announced the following Board changes.

We are looking forward to welcoming Chris Hill to the Board on Thursday 7 March 2024 and he will stand for re-election by Quilter's shareholders for the first time at the 2024 AGM. Chris is a Non-executive Director and will serve on the Board Audit Committee and Board Remuneration Committee. Chris' extensive experience across a range of sectors together with his considerable financial expertise and deep knowledge of the wealth management industry will enable him to make a significant contribution to the Board and the aforementioned Board Committees.

Recommended total dividend per share.

5.2p +16%

Chair's statement *continued*

Tazim Essani and Paul Matthews have both notified the Board that they will not seek re-election at the AGM and will both step down as independent Non-executive Directors of the Company at the conclusion of the AGM. Tazim and Paul have made significant contributions to the Board, bringing a particular focus on customers, advisers and colleagues. The Board is grateful to them both for their contribution to Quilter and wishes them well for their future endeavours.

Tim Breedon, Senior Independent Director and Chair of the Board Remuneration Committee, will assume the role of Workforce Engagement Director with effect from Thursday 23 May 2024.

We continue to monitor the skills and experience we need around the board table, including the balance between those Non-executive Directors who have longer tenure and those bringing fresh perspectives.

Diversity and inclusion

At the year end, Quilter met all three Board diversity targets as specified in the Listing Rules and as set out in our Board Diversity Policy which is published on our website at **plc.quilter.com**. 40% of the Board were women; as Chair, I serve in a senior Board position (being one of the Chair, Chief Executive Officer, Chief Financial Officer or Senior Independent Director) and Neeta Atkar and Tazim Essani are both from a minority ethnic background. The changes to our Board announced in January do impact our overall Board and Board Committee diversity. The Board remains committed to the Board Diversity Policy and will pay particular attention to it as the Board is further refreshed.

The targets for management diversity we set for ourselves were refreshed in 2023, and we report against our diversity targets on page 18.

Governance and culture

We recognise the importance of a healthy culture within a business to support the successful delivery of our strategic ambition. The Board takes an active role in shaping Quilter's culture and is pleased by the concerted effort by our executive team to embed good practice on responsible and sustainability metrics across the organisation.

Managing a business responsibly is key to an organisation's long-term success, and for Quilter that includes being a responsible investor. We recognise the role of investors, along with other parts of the economy, in supporting the transition to a low carbon economy which is vital for the long-term prosperity of us all. Quilter continued its approach to embedding environmental, social and governance ("ESG") considerations across the whole value chain of our business.

Quilter maintained a high level of engagement with existing and potential shareholders this year. I continued personally to engage extensively with our largest shareholders. In early 2024, I met with a number of our shareholders in both the UK and South Africa, covering topics including corporate governance, executive remuneration and Board composition, which has helped to shape the dialogue in the Boardroom.

Conclusion

2023 was a year of strong profit growth by Quilter in a challenging market for new business flows across the industry. Under Steven's leadership, strong progress has also been made on the key strategic areas he has identified: distribution, proposition and efficiency. I am confident that we are well positioned as market conditions improve.

On behalf of the Board, I would like to thank our management team and all colleagues for their effort, focus and commitment to achieving our goals. I would also like to thank our shareholders for their continued support.

Ruth Markland

Ruth Markland
Chair

Operating within a robust governance framework

The Board is the decision-making body for all matters of such importance as to be of significance to Quilter as a whole because of their strategic, financial or reputational implications or consequences.

A summary of the matters that are reserved for the Board's decision can be found at **plc.quilter.com** and includes:

- Board appointments;
- Quilter's strategy;
- financial statements;
- capital expenditure;
- any major acquisitions, mergers or disposals; and
- the appointment and removal of the Company Secretary.

In September, we changed our Board corporate governance model to give the Group Board a more direct line of sight to the Affluent segment. We are confident that the changes to the governance model introduced during the year will deliver greater speed, efficiency and accountability across the Group.

At the end of 2023, the Board approved a new management governance structure to support the Chief Executive Officer to run the business.

The Board

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

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

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

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

Executive Directors

The Quilter Board has delegated the day-to-day running of the Group to the Chief Executive Officer. The Chief Executive Officer and Chief Financial Officer (Executive Directors) make and implement operational decisions to run the Quilter business. To support the Chief Executive Officer in discharging his responsibilities, he is supported by the Quilter Group Executive Committee.

The Group Executive Committee members report to the Chief Executive Officer for their respective areas of responsibility and delivery of the Operating and Business Plans. Where appropriate, members of the Group Executive Committee chose to discharge their responsibilities via management committees.

Key management committees

Responsible for overseeing specific areas of responsibility such as the Group's risk management, operations, customers and colleagues.

Quilter Group Executive Risk Management Committee
Overseeing risk strategy, risk exposure, risk appetite and tolerance and the overall risk framework and risk system within the Group. Ensuring overall compliance of the Quilter Group, whilst promoting a strong risk and customer outcomes focused culture across the business.

Quilter Group Chief Operating Officer Committee
Overseeing delivery of the Group's Technology, Operational Resilience, Procurement, Third Party Management, Workplace strategies and strategic change delivery capability.

Quilter Group Customer Committee
Providing leadership of Quilter's Customer and Client strategies. Focused on the delivery of good customer outcomes and the avoidance of foreseeable harm.

Inclusion, Diversity and Wellbeing Steering Committee
Driving the Group's diversity, inclusion and wellbeing strategy and action plan.

As at 31 December 2023

Chief Executive Officer's review

Steven Levin
Chief Executive Officer

Business performance

A year ago, I set out my plans to deliver better returns and drive faster growth through building our distribution, enhancing our propositions, and improving our operational efficiency. We have made good progress against each of these targets but there is more to be done to deliver on Quilter's full potential, which I discuss further below. In summary, 2023 was a good year for Quilter. We delivered:

- record profitability under our current corporate perimeter (following disposals of Quilter International and Quilter Life Assurance);
- increased new business flows across the Quilter channel and improved our market share of new gross Platform flows in both the Quilter and IFA channels, despite a lower new business market overall for the industry; and
- improved efficiency, while investing to deliver faster growth and higher returns in the longer-term.

Although higher than expected interest rates in 2023 led to a squeeze in consumer incomes and reduced clients' propensity to invest, we benefitted from higher investment returns on shareholder funds. This, together with robust cost management, delivered a strong increase in adjusted profit of 25% to £167 million (2022: £134 million).

I am pleased to report another year of lower costs, despite inflationary headwinds. In 2022 we reduced costs by £8 million from the 2021 base level of £480 million, and this year we reduced costs by a further £14 million, taking the cost base to £458 million. That represents a decline of 3% in 2023 and contributed to an improvement in operating margin to 27% (2022: 22%), a level that exceeds our 2025 target. We are now focused on our medium-term goal of 30%.

Across our two segments:

- High Net Worth delivered steady income with higher costs reflecting business investment through new adviser and investment manager hires. This led to a decline in adjusted profit before tax to £41 million (2022: £45 million).
- Modestly higher revenues in our Affluent segment of £393 million (2022: £387 million) reflected the contribution from interest income on the shareholder capital which supports the business, partially offset by mix changes and the planned margin reduction on managed assets following the Cirilium reprice at the end of the first quarter of 2023. Strong cost management combined with a lower FSCS levy led to a 18% increase in adjusted profit to £124 million for the year (2022: £105 million).

Group adjusted profit before tax of £167 million represents the Group's IFRS profit, adjusted for specific items that management consider to be outside of normal operations or one-off in nature. The Group's IFRS profit after tax was £42 million compared to £175 million in 2022. Principal differences between adjusted profit and IFRS profit are due to non-cash amortisation of intangible assets, business transformation expenses (which are pre-funded and expensed as incurred), finance costs and the impact of policyholder tax positions on the Group's results. This latter item was negative in 2023 due to the gain in markets and was significantly positive in 2022 reflecting the market decline during that year. Business transformation expenses will remain elevated in 2024 and 2025, reflecting spend on anticipated change programmes, but are expected to reduce substantially thereafter.

Total Group adjusted diluted earnings per share were 9.4 pence, an increase of 19% (2022: 7.9 pence). On an IFRS basis, we delivered basic EPS of 3.1 pence per share versus 12.2 pence per share for 2022.

Flows and investment performance

Turning to flows, at an aggregate level, net flows in our core business were 1% of opening balances, with the reported Group position (after non-core outflows) broadly flat. Although the Group position reflected muted activity levels across the industry, we saw varied trends across the business. Notably, both our Quilter channel and the level of new business onto our Platform were good relative to market peers:

- Across the Quilter channel, we achieved a 16% increase in gross flows to £513 million (2022: £443 million) in our High Net Worth segment, and a 12% increase to £3.6 billion (2022: £3.2 billion) in our Affluent segment.
- New IFA flows in Affluent were around 7% higher, despite lower levels of new business across the market, and declined by a similar amount in our High Net Worth business. We saw net outflows in both segments reflecting higher levels of redemptions and acquisitions of IFA firms and a small number of larger corporate/charity accounts heavily influencing this outcome in our High Net Worth segment.
- Within Affluent, we were particularly pleased that we maintained our position as the leading advised platform for new business flows during the year and we attained the position of the largest UK Advised Platform by assets during the second quarter of 2023 (according to Fundscape).

In terms of investment performance, High Net Worth has been strong, outperforming the ARC PCI Steady Growth and Equity Risk peer groups over 1, 3 and 5 years. Within Affluent, we continued to deliver good performance from our WealthSelect managed portfolio range. Cirilium Passive and Blend also performed well. Pleasingly, since the change in manager for Cirilium Active towards the end of 2022, the performance has improved. We are confident that the fund is now much better positioned.

Business improvement

Distribution

In High Net Worth, we continue to build our advice capability across the UK and internationally in our Dublin and Jersey offices. We also launched a brand refresh in November to reinvigorate market awareness of our Quilter Cheviot proposition and to bring the Financial Planning business under the Quilter Cheviot name. We plan to grow our client facing professional headcount (investment managers and financial planners) to around 300 over time through developing existing staff and external recruitment. Where appropriate, we will look to take advantage of recent market dislocation by making modest bolt-on acquisitions to bolster our advice business or add teams of investment managers to accelerate our growth plans.

Within Affluent, our Quilter channel is building distribution on three fronts. We are targeting increased:

- adviser numbers, where the position has broadly stabilised versus the reductions seen in recent years. Total adviser headcount declined marginally over the year reflecting a combination of natural attrition and retirements. The loss of advisers directly as a result of market consolidation was significantly lower than in the prior year;
- adviser productivity, where in 2023 we achieved a 22% increase in annual gross flow per adviser to £2.8 million (2022: £2.3 million); and
- adviser assets managed within our propositions through back-book transfers, which totalled c.£750 million during the year.

We continue to improve our share of gross market flows in the IFA channel. Total new business flow from IFAs onto our Platform was up 7% year-on-year despite lower market volumes overall. That led to an improvement in our share of new IFA business to 8.0% from 7.4% in 2022. Notably, in the latter part of the year our share of new business was ahead of our share of total assets under administration for the first time in a number of years.

Proposition

Our Platform and investment solutions are both market-leading propositions. My focus is on ensuring both remain competitively positioned and continue to offer value to customers.

- The reprice of our Cirilium proposition coupled with improved performance in the Active range repositioned the product and we continue to see strong appetite for our Blend and Passive offerings.
- We meaningfully reduced our Platform administration fee to clients, with this partially offset through a clearly communicated sharing arrangement on the interest earned on Platform-held cash. We use our purchasing power to obtain better interest rates than individual clients can get themselves and pass the majority of this benefit onto clients. The overall cost to us over an interest rate cycle is expected to be in line with the basis point of Platform margin attrition that we guided to in March 2023 and while interest rates remain elevated, the net outcome will be better returns for clients and a broadly neutral impact on Platform margins for Quilter.

The nature of our business model meant we were well-positioned for the introduction of Consumer Duty in July 2023. Our unique breadth of distribution means that all our products and services are available across the market, to both our financial advisers and independent financial advisers. That means whether through investment performance or in terms of price/value/service trade-offs, our products and solutions need to be competitive with third-party alternatives. As such, the need to both demonstrate and deliver value is central to our approach. Our unbundled pricing approach is aligned with Consumer Duty principles and puts client choice at the heart of our business. Notwithstanding this, Consumer Duty, rightly, creates an expectation on firms to continuously improve how they deliver customer value. This is something which we are focused on and, as well as the above, some of the initiatives we implemented in 2023 included:

- Tiered Adviser Charging: A Platform upgrade to implement automated tiered adviser charging meets a need that advisers have wanted from industry players for some time. This makes it easy for advisers to put sliding scale advice fees in place, linked to the value of their customers' assets. Most importantly, it supports advisers as they adapt their own businesses to be fully aligned with Consumer Duty principles.
- CashHub: Higher global interest rates means that cash is now seen as an attractive investment alternative for retail clients. To support cash as an asset class we introduced CashHub on our Platform in late 2023 for our advisers and rolled it out to IFAs in early 2024. This allows clients to manage their cash holdings alongside their other Platform assets, with instant access, notice deposits and fixed deposits held at selected banks. This provides market-leading rates together with the ability to maximise depositor protection by parcelling deposits up into individual accounts across a number of institutions, depending on client preference.

Also, in early 2024, we implemented a Platform software upgrade that ensured that clients would not pay an administration fee on cash balances but also allowed those cash balances to count towards the aggregate assets held by a client group for tiered charging under our family linking arrangements. This potentially allows cash held to reduce the overall charge that all members of the family pay for their Platform administration services.

Strategic Transformation

We have strategic programmes underway in each of our principal franchises: the High Net Worth segment, and, in Affluent, our IFA and Quilter channels. This activity is underpinned at a Group level with the next stage of our Simplification programme. Taking each in turn:

1. High Net Worth evolution

Over the last few years, we have built a Quilter-branded advice business in our High Net Worth segment which has contributed significant incremental flows to our business. For historical reasons our advice and investment management businesses have been managed through different legal entities which complicates integrated client servicing. In 2024, we plan to bring both teams together in a single legal and regulated structure under the new Quilter Cheviot brand, having applied to extend Quilter Cheviot's regulatory permissions to include financial planning. Alongside the rebrand, this will unify our market proposition for clients with often more complex financial needs and allow us to manage client relationships in a far more seamless way. We will implement this change as soon as necessary regulatory approvals are in place.

2. Affluent: IFA Channel

One of the defining characteristics of Quilter is the breadth of the advice proposition and distribution we support. Our dual channel distribution allows our Platform and solutions to administer and manage flows generated by both our own advisers and independent firms. This ensures we are strategically well positioned for however the advice market evolves over time. Both our Platform and investment solutions businesses have capacity to deliver strong operating leverage and have operating metrics which are as good as any in the industry.

Chief Executive Officer's review *continued*

Our Platform administers c.£60 billion of assets on behalf of IFA firms which are invested in both our and third-party funds. We aim to grow these assets by increasing the active numbers of firms using our Platform and the share of assets we administer for those firms.

We also offer our leading WealthSelect managed portfolio solution to firms on our Platform, with a view to increasing the percentage of their assets we both manage and administer. From early 2024, we have made WealthSelect available on three third-party platforms which will also provide another source of new business flows into our solutions.

3. Affluent: Quilter Channel Transformation
Our advice business advises on c.£15 billion of assets on our Platform and in our solutions, and around £10 billion on third party platforms. This integrated business has the potential to deliver higher returns, and our plans to transform this channel are already delivering improved results. Our focus is on increasing assets on our Platform, improving adviser productivity, reducing support costs, and delivering a better customer experience. This work is on track, and we are currently in the process of selecting preferred suppliers to work with us on this programme.

We have been piloting Quilter Partners – a co-branded proposition with adviser firms where flows are fully aligned with our investment solutions and Platform. This allows us to participate in the growth of these firms while retaining the entrepreneurial drive and focus of self-owned businesses. We have been working with seven potential Quilter Partner firms and will undertake further transactions where there is mutual economic alignment for firms to partner with us under this structure.

Adding new advisers to our business is a key contributor to future growth and training new advisers will be an increasing contributor to that growth. We aim to transition our Financial Adviser School into a profession-leading financial advice Academy, and in 2024 we expect a marked step up in investment here. Our target is for the new academy, coupled with new external hires, to deliver net growth in restricted financial planners ("RFPs") in 2024 with momentum increasing from 2025 onwards.

4. Simplification Phase Two
Following the sale of Quilter Life Assurance and Quilter International, the initial stage of Simplification focused on reducing complexity in our business and decommissioning legacy IT infrastructure. Targeted cost saves of £45 million from this programme were achieved by the end of 2023, on a run-rate basis, a year earlier than originally planned.

Simplification Phase Two targets a further £50 million of annualised cost savings to be achieved by the end 2025 on a run-rate basis, with a cost to achieve of approximately £65 million, inclusive of spend on our Advice transformation plans and High Net Worth initiatives. These savings arise from the simplification of our governance and internal administration processes, property rationalisation, coupled with IT and Operations efficiencies from our investment in Advice technology. These additional cost savings will support delivery towards our 30% operating margin ambitions and £8 million of this target was delivered by end 2023 on a run-rate basis.

Ongoing advice
Delivering advice is core to how we operate, and we have policies in place that underline the need for advisers to meet their ongoing servicing obligations. Our complaints related to ongoing servicing have remained at a low and consistent level over the last four years.

Where our regular adviser oversight has determined that a customer may not have received the servicing they have paid for, or where we have received complaints from customers regarding ongoing servicing, this has been investigated, and, where appropriate, remediation has been undertaken and recognised as a normal business as usual expense.

Subsequent to the year-end, on 15 February 2024, the FCA wrote to around 20 advice firms, including Quilter, requesting information regarding ongoing servicing. Consistent with our focus on delivering good customer outcomes, we are commencing a review of historical data and practices across our network to determine what, if any, further action may be required. This may lead to remedial costs but it is too early to quantify.

Outlook
Market expectations are for a period of UK interest rate stability before rates begin to decline around the middle of 2024. While that will eventually lead to lower investment income, we welcome this transition as we expect lower interest rates will support market performance and increase consumer focus on longer-term savings products. With wage increases in the UK now outpacing retail price inflation, the environment for longer-term saving is more constructive than has been the situation for some time. Our expectation is that flows will continue to improve over 2024 as consumer and market sentiment returns to more normal levels.

We are focused on driving towards a 30% operating margin. We intend to increase growth investment spend in 2024 and also expect the FSCS levy to increase from current levels. While this will lead to a mid to high single digit increase in operating expenses, our current expectation is for a modest year-on-year increase in Adjusted Profit, excluding any potential costs associated with the aforementioned review of historical advice.

The structural need to save for retirement combined with our growth plans and focus on operational efficiency, supported by a strong balance sheet, means we are well positioned as market conditions improve.

Steven Levin
Chief Executive Officer

Future ready

Q&A with Chief Executive Officer, Steven Levin

Q. What are your reflections one year into the role as Quilter's Chief Executive Officer?

A. Coming into the role a year ago, I was fortunate to inherit a business with good foundations; Quilter is both a strategically well positioned business and has a strong balance sheet. However we were not performing as well as I know we can – we are on a journey to fix that and I have been delighted with the enthusiasm of our people to join me in accelerating the execution of our strategy. Our colleagues all know the importance of what we do for our clients: building their prosperity and wanting to do their part in making Quilter the best business for achieving that outcome.

The positive achievements this year have been the things within our control: cost management, improving our propositions and distribution reach. We have seen really good momentum against our strategic objectives. Our adjusted profit performance was a strong result, well ahead of market expectations, and our efficiency initiatives meant we have already exceeded our 2025 operating margin target of 25%.

The main negative was weak flows across the market, with our flows well below the level we target. A large part of that was due to the impact of higher interest rates and cost of living headwinds, limiting households' ability to save. Focusing efforts on building distribution and enhancing our proposition will lay the foundations to improve our share of flows when investor sentiment improves.

Q. Why the evolution of the strategic priorities?

A. Our industry has huge potential and I am very excited by that. We have a leading position in each segment of the market in which we operate. The Board and I are agreed that Quilter has the right overall strategy and the right business mix to deliver that strategy, and it is now about making the right strategic choices. We have not delivered the growth of which we are capable and so we are now absolutely focused on delivering faster growth and driving efficiency.

Q. Is progress on transforming business efficiency in line with expectations?

A. Simplifying Quilter and improving our operating margin is a key priority for me. The next stage of our transformation, Simplification Phase Two, is well underway. This work is focused on reducing organisational complexity and unnecessary bureaucracy, and transforming our Advice business so that it is both more profitable and allows our advisers to be more efficient and deliver a better experience to their clients.

In 2023, we delivered Phase One of our Simplification programme which reduced costs by £45 million on a run-rate basis a year early. We have already delivered £8 million of run-rate savings from the new programme and expect to deliver run-rate savings of £20 million per annum from this programme in each of 2024 and 2025.

Q. What are you doing to improve things?

A. Although total net flows are not at a level I would like, the underlying performance has been pleasing when you look at the detail. First, our Quilter channel has continued to deliver a strong performance both in the Affluent and High Net Worth segments. Notably, gross new business were higher in both segments than in the previous year and net flows were flat, despite the market being more difficult overall.

Overall numbers of RFPs are modestly lower than the prior year, with the modest decline largely due to advisers taking part in a retirement scheme we made available which allowed us to retain the assets they advised upon after their departure. Our longer-term focus is on growing our adviser numbers, improving their productivity and capturing back-books which are currently on other platforms. In High Net Worth, we continue to hire investment managers and launched an internship programme to develop future talent.

The IFA channel has been more challenging. While new business levels have been good in the context of the market, consolidation activity and higher levels of client drawdowns have meant we have experienced net outflows in this channel. We need to do better here and I have made some changes to my management team and our sales force structures to drive better performance. I expect to see positive results from those changes in 2024.

Q&A

Chief Executive Officer's review *continued*

Q. What have you done to improve Quilter's client propositions?

A. We were very busy on the proposition front during 2023.

Early in the year, we announced a reprice of our Cirilium Active fund range which has been coupled with improved investment performance since the change in investment team in late 2022. This repositioned the product and we continue to see strong appetite for our Blend and Passive offerings together with our WealthSelect managed portfolio range which crossed the £13 billion level during the year. WealthSelect was launched on three peer Platforms in early 2024, broadening its distribution and the reach of flows it can capture.

Quilter Cheviot's MPS launched two new strategies on platforms, helping to fill a gap in our High Net Worth range and provide additional portfolio choices to clients.

A repositioning of our Platform pricing went live for new customers at the end of the second quarter and was rolled out to existing customers in the third. The repricing, together with tiered adviser charging functionality, has been well received by advisers and is in line with Consumer Duty principles – good customer outcomes are always at the heart of our proposition.

The advent of higher global interest rates means that cash is now seen as an investment alternative for retail clients. To support the needs of clients and advisers, we introduced a CashHub on our Platform towards the end of 2023. While flows into the CashHub are expected to be modest initially, the functionality gives advisers greater visibility of a client's assets, provides the client with Easy Access, Notice Deposits and Fixed Term Deposits, and solidifies Quilter's full service Platform proposition.

Q. Consumer Duty has been a new development this year, how is Quilter positioned for that?

A. The Consumer Duty regulatory regime came into effect in July and there has been a lot of media coverage about its impact. We welcomed the introduction of Consumer Duty as it provided a validation of how we think about the industry and serving clients. We always believed that Quilter's unbundled pricing approach to serving clients, with no lock-ins, puts client choice at the heart of our business. Moreover, our unique breadth of distribution means that all our products and services are available across the market, to both our financial advisers and to independent financial advisers.

For further insight into our approach to Consumer Duty, see the case study on page 53.

Q. What is your focus for 2024?

A. My focus remains resolutely on building distribution, enhancing our proposition, and improving efficiency so we can capture the maximum available flows across the market and are well positioned when industry flows return.

Initiatives we have in the pipeline to progress in 2024 include: the full launch of our strategic adviser distribution affiliation, Quilter Partners, and the relaunch of the Financial Adviser Academy; continue evolution of our product proposition; leveraging new professional connections in High Net Worth; progressing our advice transformation programme; and, executing on Simplification Phase Two initiatives.

Q. Why invest in Quilter?

A. There is huge potential within a secular growth industry where an ageing population has to increasingly focus on self-provision for their retirement savings. Market forecasts suggest that over the next decade, assets under face-to-face advice will experience a six to seven percent compound annual growth rate driven by new customers entering the market, an increased uptake in advice from younger customers as well as underlying market growth. That's a pretty attractive industry to be involved in.

In the near-term, the key catalyst for investor sentiment will be improved industry flows. As inflation continues to decline and interest rates start to fall in response, we believe clients will return to long-term savings products as the rate of return on cash becomes less attractive. Our proposition is well received by advisers and their clients, and we are well placed to be a winner in the asset gathering space when flows return to more normal levels.

My focus is on driving faster growth in revenues and profits, by broadening our distribution, enhancing our proposition, and improving efficiency. The opportunity for operating leverage in our business is significant and all our efforts are focused on delivering good customer outcomes and improved returns for shareholders.

Our markets

Quilter is a UK focused business and provides services to the High Net Worth and Affluent segments of the UK population as they build their long-term savings during the accumulation phase, ahead of retirement.

We also support them during the decumulation phase, in retirement, to ensure the duration of their assets is matched with their expected lifestyle.

The market in which Quilter operates offers long-term growth potential given the savings and advice gap in the UK coupled with the need for individuals to take direct responsibility for their retirement savings. Despite broader industry challenges, an integrated business such as Quilter is well positioned as market conditions improve.

Key trends

Economic downturn amidst rising interest rates and inflation

While 2023 did not experience the significant market declines that were a feature of 2022, it presented a different set of challenges for the wealth management industry. Rising interest rates and the impact of inflation meant clients across the market were less inclined to invest their savings, preferring to either hold larger sums of assets in cash or to use savings to support their lifestyles in the face of inflationary cost increases in food, pay off mortgage debt, or manage payments for higher energy prices. While the consensus expectation is that interest rates have peaked in the UK given that inflation has roughly halved from its peak level, the uncertainty around these fiscal pressures, as well as the prospect of a General Election, may continue to weigh on investor confidence into 2024.

Making financial advice more accessible

There continues to be a need for access to financial advice to help consumers make effective investment and savings decisions. This means advice businesses continue to offer long-term secular growth potential within the UK wealth management industry. Building a hybrid advice proposition that widens existing reach and distribution by leveraging technology to address this advice gap provides a significant longer-term opportunity that will be relevant to full-service UK wealth managers such as Quilter.

Our markets *continued*

Key trends *continued*

Technology and digital innovation

We continue to embrace the adoption of digital innovation across the wealth management industry. Innovative technology allows us to improve productivity and deliver a more seamless, personalised customer experience, and one which empowers clients and their advisers to have a more collaborative relationship. Clients are more willing to engage with their wealth manager via digital technology, which can help enhance the efficiency of adviser relationships, making advisers more productive. Over 100,000 clients now use our Platform mobile app, enabling day-to-day engagement with their wealth management. Technological advances such as robotics can also help improve risk management and the cost effectiveness of back-office functions.

Large market with growth trends

The UK wealth management market is the fifth largest in the world (according to Global Data) and while macro-economic conditions were challenging in 2023, the market is expected to have grown 3.3% in 2023 (according to EY UK). An increasing need for individuals to take personal responsibility for retirement saving will support the long-term growth trends of the industry. Building relationships with those approaching retirement – to manage into decumulation – as well as those beginning to focus on their own saving for retirement, will support the maintenance of the current market as well as future growth.

Consolidation within the UK wealth management market

The UK wealth management industry has attractive attributes: strong structural growth, long-term relationships with customers, recurring revenues, and high customer retention rates. These are appealing characteristics to peers within the industry, including Banks and private equity firms, as demonstrated by M&A activity during 2023. The year also saw consolidation of wealth management peers as they sought to protect their positions. High barriers to entry into the wealth management industry offer existing participants a degree of protection from new entrants, as a consequence of brand recognition, scale and technological investment, and adviser recruitment.

Our strategy

Our strategy is focused on delivering faster growth, more efficiently. We will achieve this by: growing the number of advisers and clients we serve by broadening and deepening our distribution; enhancing the proposition we offer; and delivering greater efficiency of our operations.

We have made significant progress through the year against our three areas of strategic focus.

Strategic focus	Progress in 2023
Building our distribution In a consolidating industry, maintaining our strength in distribution is key. We will do this by: improving retention and alignment of the Quilter channel advisers, adding client facing individuals in our High Net Worth segment, and progressing clear plans to broaden and deepen relationships with IFAs.	– Broadly stable Quilter channel adviser numbers. – Launched Quilter Partners. – Reduced leakage and improved strategic alignment of adviser force. – Transferred c.£750m of Quilter advised assets onto our Platform from third party platforms. – Market share leader for advised platform gross flows. – Improved Platform's IFA market share. – Added five High Net Worth client facing individuals. – Built out Jersey and Dublin financial planning offices.
Enhancing our propositions In a highly competitive industry, we need to be agile, responsive and market-focused. This means delivering good investment performance to clients through the cycle, ensuring our platform and investment solutions remain market leading for adviser and client needs, and being competitive in the value we offer.	– Repriced Platform and Cirilium Active, sharing economies of scale and offering competitive pricing. – Experienced improvement in performance since change in Cirilium Active management. – Introduced tiered adviser charging on Platform. – WealthSelect launched on three peer platforms in early 2024. – Launched CashHub on Quilter Platform. – Launched new High Net Worth solutions strategies. – Bolstered our professional connections offering in High Net Worth.
Driving efficiency Since Listing in 2018, we have made very good progress at optimising and simplifying how we operate internally but there is more cost and complexity to rationalise. We will do this by achieving efficiencies from investment in technology and simplifying our governance structures.	– Accelerated Simplification Phase One, achieving £45m savings target a year early. – Delivered 27% operating margin. – Announced Simplification Phase Two, aiming to achieve £50m benefit by 2025, with £8m delivered early in 2023. – Advice technology and operating model transformation programme initiated. – Board corporate governance model changed to give the Group Board a more direct line of sight to the Affluent segment, delivering greater speed, efficiency and accountability across the Group.

Our business model

We are a modern UK-focused full-service wealth manager, providing advice-led investment solutions to high net worth and affluent clients and their advisers.

What we do

We serve wealth management clients in two segments

Our two client segments are...

Affluent clients (with c£50,000+ of assets to invest)

High Net Worth clients (with c£250,000+ of assets to invest)

How we do it

We do this in three ways:

1 We attract client assets

Financial advice on investments

- Through Quilter advisers
- Through Independent Financial Advisers ("IFAs")

2 We administer client assets

Quilter Investment Platform
a depositary for administering and holding investments efficiently, with an online portal that allows clients and their financial advisers to view and manage investments and monitor performance.

3 We invest and manage client assets

aligning with client ESG values and risk appetite of assets to invest.

Investment products and solutions
e.g. investment funds, pensions (held within 'wrappers': packaged in ways that make them tax-efficient for clients), and managed responsibly to deliver good investment performance for clients.

What differentiates us

Distribution, scale and solutions

Our broad network of advisers
Few of our peers have their own adviser force alongside supporting independent financial advisers (IFAs). Our model provides a matrix of products to our advisers which they are then able to offer to customers. This "restricted" model provides a range of choice, value for money and confidence in the suitability of products on offer. We also provide marketing, regulatory compliance and administration support to our restricted advisers, and a range of services to IFAs from a market-leading investment platform to back-office support, depending on what they need. This approach reinforces our position in a market that is seeing increasing levels of consolidation.

The size of our platform
With over £70 billion of assets under administration, we are the largest platform in the retail advised market, which means we can offer best-in-class technology with the benefits of our scale to clients at sustainable, fair prices.

Our own investment solutions
Our own investment solutions aim to provide good customer outcomes through the investment cycle and provide us with an additional revenue stream.

Regulatory resilient foundations

Quilter offers a differentiated model helping deliver value and clear benefits for all stakeholders.

Quilter's philosophy is to offer an open, unbundled service to clients and their advisers, with client choice at the heart of the proposition. Clients come to us through their independent financial adviser or one of our restricted advisers. With our platform and investment solutions available for use by independent advisers as well as our own, it means Quilter has had to remain competitive with third party market offerings in terms of pricing and proposition. We believe this ensures good client outcomes.

For further insight into our response to the Consumer Duty regime, see **page 53**.

How do we make money and create value

Financial advice
We earn revenues from the advice provided by our advisers. A client typically pays an ongoing fee, representing a percentage of their investment, and some may also pay a one-off initial advice fee.

Platform and wrapper fees
Clients pay administration fees on a quarterly basis, representing a percentage of the value of their investments under administration.

Investment fees
Clients pay an annual management charge based on their assets under management by Quilter.

We help customers secure their financial future

£11.2bn *gross inflows*

We help financial advisers to run a more successful, efficient business

Best *Platform Provider (AuM over £40bn) – Schroders Platform Awards*

We deliver attractive shareholder returns

50%+
of market cap value at Listing returned to shareholders

Key performance indicators

In evolving our areas of strategic focus, it was appropriate to review the appropriateness of the data points marked to monitor progress. The following KPIs seek to track the achievement of our strategic priorities and express the benefits delivered for all our stakeholders.

Financial KPIs

KPI	Number of clients	Number of Restricted Financial Planners (RFPs)	Number of Client Facing Individuals (CFIs)	Gross flow market share	Net flows as % of opening AuMA (reported)	Productivity (Quilter channel)
Definition	The number of High Net Worth clients are based on the number of households or client units served by Quilter Cheviot. Affluent client numbers are identified as individuals, or corporate or trust entities actively engaged with the Platform.	Number of advisers licensed to advise clients across Pensions, Investment and Protection solutions, but only permitted to recommend products and solutions from providers on the Quilter Financial Planning restricted panel.	Number of individuals who provide discretionary investment management services to clients and/or advisers who are licensed to advise clients of Quilter Cheviot in line with individual circumstances and investment objectives.	Total Platform gross sales as a percentage of the Retail Advised Platform market gross flows, reported by Fundscape.	Total net flows as a percentage of opening AuMA. This measure evaluates the level of flows during the period in relation to the asset base, excluding for market movements.	Quantum of new gross flows generated divided by the number of average RFPs.
2023 Performance	508,889 +1% 2023: 473,879/35,010 2022: 467,245/36,160 2021: 458,077/36,117 Affluent / High Net Worth – Affluent client numbers increased 1% in the year, with strong contribution from the Quilter channel (+11%). – HNW client numbers declined 3% as good growth in higher value Quilter channel clients was offset by reduction in lower value clients in the IFA channel.	1,489 (1%) 2023: 1,419/70 2022: 1,442/60 2021: 1,563/60 – Affluent RFP numbers declined in the period as recruitment and trainee additions were offset by industry consolidation. – Quilter Cheviot Financial Planning ("QCFP") added ten advisers in the year, with QCFP advisers now in every Quilter Cheviot office.	244 +2% 2023: 174/70 2022: 179/60 2021: 170/60 IMs / RFPs – Total number of CFIs increased by five as we welcomed net ten new HNW advisers. – Investment manager numbers retracted on a net basis as recruitment was offset by retirees and other leavers.	12.6% +1.3ppt 2023: 12.6% 2022: 11.3% 2021: 11.0% – The Quilter Platform's share of the market improved year-on-year as our actions to enhance the Platform's proposition continued to bear fruit. – Market share improved across both the Quilter and IFA channels.	0% (2ppts) 2023: 0% 2022: 2% 2021: 4% – While Reported (i.e. inclusive of non-core flows and assets) net flows were nil percent, Core net flows as a percentage of opening AuMA was +1%. – After a tough year across the industry, performance rebounded in the fourth quarter relative to the third.	£2.8m +22% 2023: £2.8m 2022: £2.3m 2021: £2.3m – Productivity improved in the year as the 2021-2022's initiatives to improve strategic alignment, together with an improved process to transfer Quilter RFP back-books, benefitted gross inflows.
Outlook for 2024	– Aspire to grow number of clients served as broaden and deepen our distribution reach.	– Maintain a stable number of advisers and seek to grow numbers sustainably. – Continue to improve productivity through a combination of growing the numbers of RFPs, buying books of business to accelerate productivity of newly graduated RFPs, and investing in technology to support efficiency improvements.	– Continue to grow number of CFIs towards our 2025 target of c.300. – Build out investment management proposition.	– Aspire to continue to grow share in both the Quilter and IFA channels.	– Target building net flow growth to c.4-5% per annum as markets normalise, with aspirations to build momentum further.	– Continue to improve productivity through a combination of growing the numbers of RFPs, buying books of business to accelerate productivity of newly graduated RFPs, and investing in technology to support efficiency improvements.

Key performance indicators *continued*

	Financial KPIs			Non-financial KPIs			
KPI	**Operating margin**	**Adjusted profit before tax**	**IFRS profit**	**Employee engagement**	**Female representation in senior management**	**Ethnic minority representation in senior management**	**Scope 1 & 2 Greenhouse Gas (GHG) emissions**
Definition	Represents adjusted profit before tax divided by total net fee revenue. Operating margin is an efficiency measure that reflects the percentage of adjusted profit before tax generated from total net fee revenues.	Adjusted profit before tax represents the Group's IFRS profit, adjusted for specific items that management consider to be outside of the Group's normal operations or one-off in nature, as detailed in note 7(b) in the financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax.	IFRS profit after tax from continuing operations.	'Overall engagement' score as captured in the all-employee engagement survey, measured by "Peakon".	Number of females within our senior management team.	Ethnic minority representation within our senior management team.	Level of direct emissions from owned or controlled sources (Scope 1) and indirect emissions from the generation of purchased energy (Scope 2).
2023 Performance	**27%** +5ppts 2023 27% 2022 22% 2021 22% – Target to achieve 25% operating margin by 2025 achieved as a result of continued strong cost management and the benefits of Simplification Phase 1.	**£167m** +25% 2023 £167m 2022 £134m 2021 £138m – Revenue increased 3% supported by revenue generated on corporate cash balances. This was coupled with strong expense discipline, delivering a third consecutive year of lower costs despite inflation.	**£42m** (76%) 2023 £42m 2022 £175m 2021 £23m – The 2023 vs 2022 decrease in IFRS profit was largely due to market valuation changes in the policyholder tax charge.	**7.6/10** +0.2/10 2023 7.6/10 2022 7.4/10 2021 7.0/10 – Communication activity supported the score improvement, including all-employee conferences designed to engage colleagues on strategy, key priorities and culture. 84% of attendees rated these events as informative.	**43%** +7ppts 2023 43% 2022 36% – At 31 December 2023, Quilter had achieved its gender targets within the senior management team.	**9%** +5ppts 2023 9% 2022 4% – At 31 December 2023, Quilter had achieved its ethnicity targets within the senior management team.	**1,085 tCO_2e** (19%) 2023 1,085 tCO_2e 2022 1,344 tCO_2e 2020 (baseline) 2,720 tCO_2e – Scope 1 and 2 emissions were 60% lower than the 2020 baseline, with the primary driver the continued consideration of our office footprint in relation to changing workspace demands.
Outlook for 2024	– Continuing the Simplification Phase Two programme, enhancing efficiency and reducing complexity, with total benefit of £50 million of annualised cost savings expected by 2025. – We continue to believe an operating margin in excess of 30% is an appropriate goal for our business in the medium term.*	– Accelerating growth in the medium term as investor sentiment and Quilter's operating leverage improves.*	– IFRS profit after tax from continuing operations can vary significantly year-on-year depending on the change in policyholder tax. Business Transformation expenses will remain elevated in 2024, reflecting expense towards our Simplification Phase 2 programme and investment in advice transformation, but are expected to reduce substantially from end-2025.	– Aim to maintain high engagement levels as we transition to the target culture agreed by the Board in 2023, which is critical to the successful delivery of Quilter's strategy. Through the culture transformation programme, colleagues will be engaged on the key drivers of the target culture: ambition, accountability and learning.	– Maintain our long-term target of 40% female representation in senior management by the end of 2025, in line with the recommendations in the FTSE Women Leaders Review as set out in our Board Diversity Policy.	– Having achieved our targets in 2023, we revised our ethnicity target to 13% for ethnic minority representation in senior management by the end of 2027 in line with the recommendations in the Parker Review, as set out in our Board Diversity Policy.	– Anticipate a continuation of incremental reductions year-on-year towards our target. – Initiatives include acting on opportunities to make our offices more energy efficient and continuing to review our office locations in line with changing workspace demands.

* Excluding any potential costs associated with the review of historical advice.

Section 172 (1) statement

Delivering for our stakeholders: Section 172 (1) statement

The Companies Act 2006 (the "Act") and the UK Corporate Governance Code 2018 require the Annual Report to provide information that enables our stakeholders to assess how the Directors of Quilter have performed their duties under section 172 of the Act.

The Act provides that Quilter Directors must act in a way that they consider in good faith and would be most likely to promote the success of Quilter for the benefit of shareholders as a whole. In doing so, Quilter Directors must have regard, amongst other things, to the factors set out below:

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

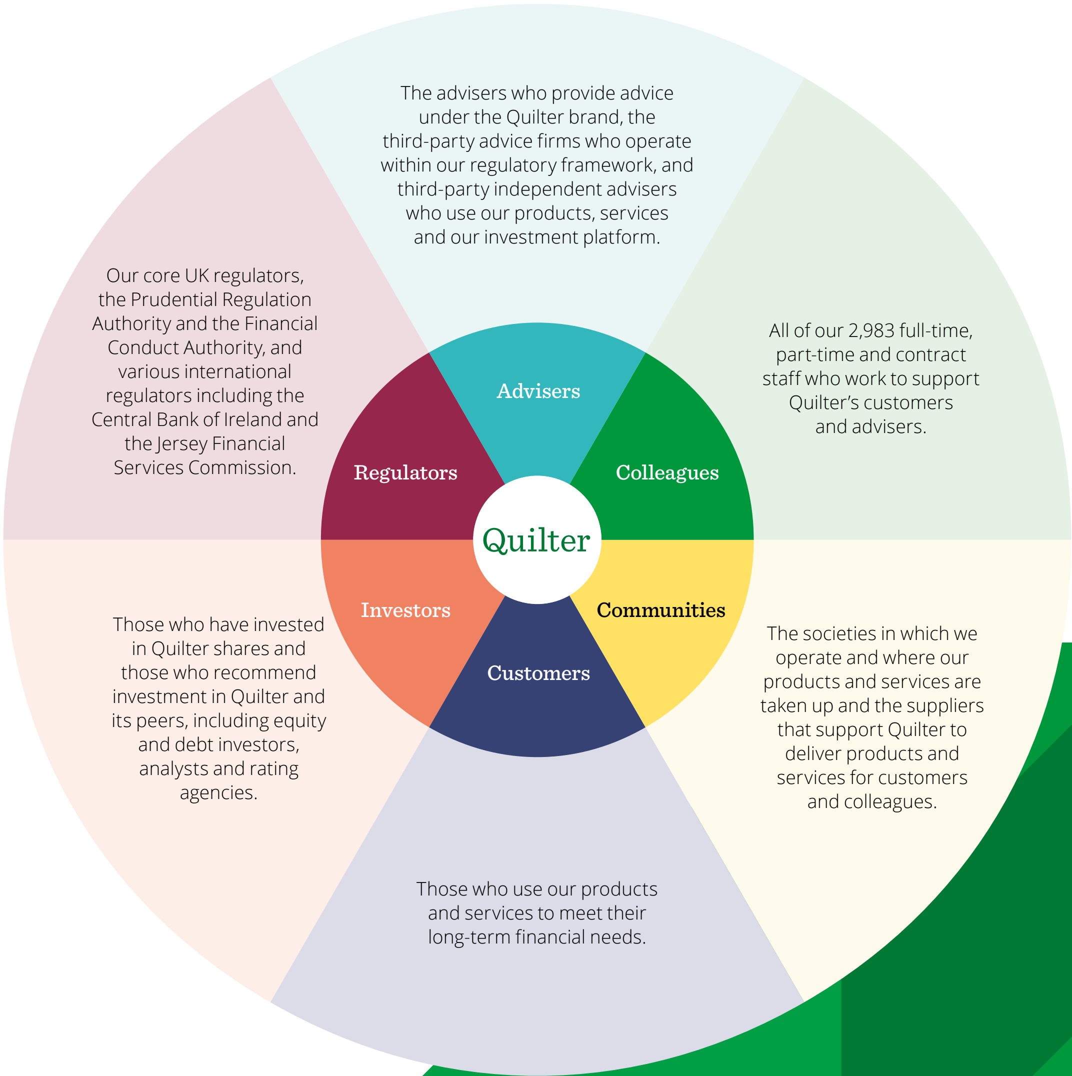
Building Quilter to deliver long-term success for all our stakeholders

To ensure that Quilter achieves its purpose of helping create prosperity for the generations of today and tomorrow, it is critical for the Board to balance the needs, interests and expectations of our key stakeholders. At times these competing stakeholder views can be contradictory and in order to achieve long-term success, it is the Board's role to navigate these complexities. The Board has a comprehensive stakeholder engagement programme and seeks to act in the best interests of the Group, whilst being fair and balanced in its approach.

In addition to direct engagement with our stakeholders, papers submitted to our Boards and Board Committees across the Group identify for their consideration where stakeholders could be impacted by the proposals. At all times, the Boards remain focused on ensuring good customer outcomes and preventing customer harm. Some of the ways the Board engages with our stakeholders, including examples of how our Board has considered stakeholders when it made key strategic decisions in 2023, can be read on pages 50 to 53.

Quilter's stakeholders

The Board has identified six key stakeholder groups whose interests and needs it regularly considers:



Stakeholder engagement

Advisers

Advisers expect Quilter to:

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

How does the Board engage with advisers?

- Our Chief Executive Officer, and other members of the Executive Committee, regularly brief the Board on key issues impacting all advisers.
- The Board and Board Risk Committee scrutinise and challenge the activities that align to our risk appetite to identify how effectively and safely Quilter is supporting advisers in serving customers.
- Members of the Board engage with advisers to understand their perspectives and priorities and their interactions are subsequently reported to the Board.
- The Board receive regular updates on the quality of the service provided to advisers.
- We work with Quilter Financial Planning's advisers to enhance the cultural alignment.
- The Chief Executive Officer attended adviser syndicate events throughout the year. The data and feedback from these initiatives continue to be reported to the Board.

What was the result of that engagement?

- Following feedback from the Board, Quilter Partners was launched during the year to complement our existing offerings. Quilter Partners will deliver a franchise-style model where firms will operate under a co-branded arrangement, using our well-regarded investment and platform propositions, whilst maintaining the entrepreneurial drive of an owner-operated business model. The proposition has received positive initial engagement with certain adviser firms.
- Quilter offers support to provide access for people to enter the financial advice profession, with routes to qualification including a graduate support programme.

Colleagues

Our colleagues expect Quilter to:

- Create a values-led culture that is open and inclusive.
- Invest in the development of its people and its technology so that its people can deliver excellent service to our customers.
- Offer an attractive reward structure and a compelling colleague proposition.
- Provide support within and outside the workplace, particularly in the context of the ongoing cost of living challenges.
- Listen to ideas, suggestions and concerns, and take action as appropriate.

How does the Board engage with colleagues?

- The Board receives biannual reports from the Human Resources Director on the Group's people, culture and ways of working, and closely monitors colleague engagement survey scores.
- The Board oversaw a Talent Engagement programme during 2023, in which Non-executive Directors met with cohorts of colleagues at various stages of their careers. This enabled them to gain a deeper insight into the Company's talent pipeline and hear directly from colleagues on their views of Quilter's purpose and strategic priorities.
- Tazim Essani is the designated Non-executive Director for Workforce Engagement and plays an active role in ensuring that the views of our colleagues are conveyed to the Board. Tazim attended certain Quilter Employee Forum meetings, and held monthly meetings with the elected Chair of the Employee Forum.

What was the result of Board engagement?

- During 2023, the Board assessed the current culture and agreed a new target culture for Quilter which the Chief Executive Officer is responsible for implementing, with support from the Human Resources Director. This culture transformation programme demonstrates the Board's clear understanding of the critical role culture plays in the successful delivery of Quilter's strategy. The target culture agreed by the Board has a specific focus on ambition, accountability and learning drivers in order to support improved business performance.
- The Board endorsed management's decision to ensure that pay increases made in 2023 were targeted to more junior colleagues to help them through the cost of living crisis.

Workforce engagement

In response to colleague feedback, in 2023 the Quilter colleague conferences were used to help colleagues understand Quilter's strategy. In addition, the Chief Executive Officer provided updates on strategy, company performance and business priorities (including external factors), with events rated highly by attendees (84% rated events good and informative). Engagement scores rose marginally in the year.

Overall engagement

How likely is it you would recommend Quilter as a place to work?

2023 2022
(2023 employee engagement survey average)

Stakeholder engagement *continued*

Insight into Colleagues

Inclusion, diversity and wellbeing

Quilter's Inclusion and Diversity Action Plan (the "Action Plan") has been in place for over a year and good progress has been made against its five key strategic pillars. The Action Plan is underpinned by certain guiding principles, including prioritising solutions with measurable impact, valuing difference and focusing on people's values. The Action Plan is also designed to help bridge the inequality gap by investing in future generations and ensuring that underrepresented groups have a future at Quilter.

Diverse representation

The Action Plan was designed to drive proactive action to improve the diversity of Quilter. We continue to make progress in collecting colleagues' personal data. Our diversity data disclosure response rates exceed industry norms in some areas.

Diversity data disclosure response rates

Year	Gender	Gender identity	Sexual orientation	Ethnicity
2023	100%	55%	76%	91%
2022	100%	46%	72%	90%

Year	Disability	Age group	Religion	Socio-economic background
2023	56%	100%	83%	65%
2022	61%	100%	80%	60%

2023 | 2022

At 31 December 2023, Quilter had achieved both its gender and ethnicity targets for its senior management team (defined as the Executive Committee and their direct reports, excluding business managers and personal assistants). The Company achieved 43% female representation and 9% ethnic minority representation within this community (increases of 7% and 5% respectively compared to 2022). The workforce had the following profile as at 31 December 2023:

Gender representation

Senior management[1]

Year	Male	Male %	Female %	Female
2023	40	Male, 57%	Female, 43%	30
2022	32	Male, 64%	Female, 36%	18

All colleagues

Year	Male	Male %	Female %	Female
2023	1,621	Male, 55%	Female, 45%	1,345
2022	1,676	Male, 56%	Female, 44%	1,329

2023 | 2022

Ethnic representation

	Year	Asian[2] %	Black[3] %	Mixed[4] %	White[5] %	Other[6] %	N/A[7] %
Senior management	2023	0%	3%	3%	90%	3%	1%
	2022	2%	0%	2%	92%	0%	4%
All colleagues	2023	6%	3%	2%	85%	2%	2%
	2022	6%	2%	2%	87%	1%	2%

2023 | 2022

[1] Senior Management is defined as the Executive Committee and their direct reports, excluding business managers and personal assistants.
[2] Colleagues who identified as belonging to one of the following ethnic groups: Bangladeshi, Chinese, Indian, Pakistani or Asian other.
[3] Colleagues who identified as belonging to one of the following ethnic groups: Black African, Black Caribbean, Black other.
[4] Colleagues who identified as belonging to one of the following ethnic groups: Mixed White/Asian, Mixed White/Black African, Mixed White/Black Caribbean, Mixed other.
[5] Colleagues who identified as belonging to one of the following ethnic groups: White British. White Irish, White Gypsy/Traveller, White other.
[6] Colleagues who identified as belonging to one of the following ethnic groups: Arab, Any other.
[7] Colleagues who responded but opted not to disclose their ethnic group.

At the end of 2023 Quilter exceeded its target for there to be 40% female representation in senior management by the end of 2025. We also exceed the target for there to be 5% ethnic minority representation in senior management by the end of 2023. During the year, we increased our target on minority ethnic representation in senior management to 13% by the end of 2027. We will continue to keep our targets under review and are committed to sustainable change in line with the targets set by the Listing Rules, and the voluntary recommendations in the FTSE Women Leaders Review and the Parker Review. Our targets are set with a view to being representative of the demographics of Quilter's locations, our diversity aspirations and our commitment to making long-term sustainable change in our industry.

Gender and ethnicity pay gaps

We continue to monitor our mean Gender Pay Gap closely, which for 2023 was 29%, a reduction of 1% from 2022. We have also continued to voluntarily publish our Ethnicity Pay Gap, of which the fixed pay gap has marginally increased relative to 2022.

Gender pay gap	2023	2022
Mean hourly pay gap	29%	30%
Median hourly pay gap	30%	31%
Mean bonus gap	57%	62%
Median bonus gap	39%	44%
Female colleagues receiving a bonus	94%	90%
Male colleagues receiving a bonus	94%	92%

Ethnicity pay gap	2023	2022
Mean hourly pay gap	15%	12%
Median hourly pay gap	8%	5%
Mean bonus gap	48%	48%
Median bonus gap	30%	35%
Colleagues from an ethnic minority group receiving a bonus	83%	82%
White colleagues receiving a bonus	94%	92%

2023 | 2022

The pay gaps are fundamentally a structural issue, reflecting lower female and ethnic minority representation in senior management and revenue generating roles that attract comparatively higher rates of pay than other roles in the organisation. Where individuals are performing the same or similar roles, the Company operates robust equal pay analysis with management oversight to ensure that any pay gaps are checked and can be justified.

Inclusive culture

During 2023, a number of activities linked to the Action Plan have been delivered to drive increased colleague awareness and education on inclusion and diversity matters, such as educational sessions on inclusive language, suicide prevention, LGBT+ inclusion and celebratory events to promote Diwali, Black History month and Movember.

Our inclusion and diversity forum acts as the voice of Quilter colleagues on all inclusion and diversity matters. It elevates both global and local issues within Quilter, serving as a visible body that all colleagues can approach. The forum educates and empowers colleagues to drive change, share insights and champion diversity in all its forms. We have seen an increase in attendance, effectiveness ratings and positive feedback in respect of the forum's events in 2023, as well as improvements in the wider workforce's view of inclusion and diversity at Quilter as measured through our engagement survey on page 19.

In accordance with section 414C(8)(c) of the Companies Act 2006 (the 'Act'), Quilter is required to report the gender balance of our employees, our "senior managers" and the Quilter plc Directors. The breakdown by gender of our employees can be found above and that of our Board on page 49. For the purposes of the disclosure under the Act, the definition of "senior managers" adopted is the Executive Committee, excluding the Executive Directors, and including Directors serving on our consolidated legal entities but excluding Directors of Quilter plc. Where these individuals hold multiple directorships, they are only counted once. As at 31 December 2023, there were 28 male and 10 female senior managers.

Stakeholder engagement *continued*

Inclusion and diversity forum events

Events	Attendees	Playbacks	Ave. rating
It's Good to Talk and Listen – Suicide Prevention	205	30	9/10
Inclusive Language Training Part 1	314	35	8/10
Inclusive Language Training Part 2	485	296	8/10
Paralympic Champions and Being a Carer	70	19	9/10
Imposter Syndrome	148	5	8/10
Woke and Cancel Culture with John Amaechi	159	209	–

2023 2022

A diverse workforce is a clear priority at Quilter

2023 2022
(2023 employee engagement survey average)

Talent and growth

Early careers

Through Quilter's Early Careers programme we have targeted external partnerships that will help to increase Quilter's overall diversity. During 2023, we launched a work experience programme working with local schools. We also partnered with the charity Girls are Investors ("GAIN"), as part of their spring insights programme, hosting six students in our London and Edinburgh offices. In July 2023, the Company launched its first internship programme with a number of interns from diverse backgrounds joining our High Net Worth business

Developing professional careers

Our early careers programme enabled 30 people to undertake apprenticeships with Quilter in areas such as data and digital, customer service, Human Resources and facilities management, supporting our talent pipeline and inclusion and diversity strategy. We continue to see our flagship management development programmes providing value, with 82 colleagues completing the Aspirational Leadership and Transformational Leadership Programmes in 2023. Both programmes are funded via the apprenticeship levy and accredited by global learning organisation Future Talent, with 80% of Quilter colleagues achieving a distinction and 90% stating it had helped to develop their skills.

Leadership development

For our most senior leaders we have run development sessions with the Forward Institute, a non-profit organisation focused on responsible leadership. This has been paired with commercial-focused working sessions to support senior leaders in their roles. A small number of senior leaders identified through our Executive succession planning join the Forward Institute's Fellowship Programme each year to continue to drive responsible leadership at the heart of the organisation.

I feel that I'm growing professionally

My manager encourages and supports my development

2023 2022
(2023 employee engagement survey average)

Our Code of Conduct

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

Our people policies support our aim to create an inclusive culture that embraces diversity and enables our people to thrive. They also reflect relevant employment laws, including the Universal Declaration of Human Rights and International Labour Organisation Declaration on Fundamental Principles and Rights at Work. All employees and suppliers providing onsite services in the UK are paid no less than the real Living Wage. In October 2023, the Living Wage was increased to £12.00 within the UK and £13.15 in London. As a Living Wage employer, we ensured that all colleagues and contracted service providers earn in excess of these amounts.

We promote equal opportunities and ensure that no job applicant or colleague is subject to discrimination or less favourable treatment on the grounds of gender, marital status, nationality, ethnicity, age, sexual orientation, socio-economic background, responsibilities for dependents or physical or mental disability. We are committed to continuing the employment of, and for arranging training for, employees who have become disabled whilst employed by Quilter. We select candidates for interview, career development and promotion based on skills, qualifications, experience and potential.

At Quilter, we want to promote a culture of 'speaking up', where colleagues feel able to raise any concerns they may have about acts of misconduct, malpractice or wrongdoing. Quilter's whistleblowing policy and channels provide colleagues with avenues to raise concerns in good faith without fear of retribution. Colleagues are able to raise such concerns anonymously via the confidential and independent ethics hotline or directly to their line manager, Human Resources or Risk and Compliance. All whistleblowing reports are treated confidentially, seriously and are fully investigated. A grievance procedure is available for colleagues to raise a complaint or problem about any issues relating to their work, working environment, pay and benefits, working hours or any other concern about employment issues.

Stakeholder engagement *continued*

Communities

Our communities and suppliers expect Quilter to:

- Contribute to the communities in which Quilter is located and where our products and services are used.
- Seek to mitigate the environmental impact of our operations and to create products and services which facilitate our customers' desire to invest responsibly.
- Treat suppliers fairly and professionally.

How does the Board engage with its suppliers?

- The Board Risk Committee receives updates on the performance of our key suppliers and Quilter's third party risk management. Material matters are reported to the Board. In 2023 areas of focus included the consideration of technology developments provided by our strategic outsourced providers and the impact this has for our advisers, customers and colleagues.
- Throughout the year the Board regularly receives updates on the performance of our strategic partners.

What was the result of this engagement?

- In 2023, the Investment Platform was routinely upgraded to provide additional functionality for advisers, clients and all colleagues.
- Ensuring that we have a proactive dialogue regarding geopolitical events, disasters and/or conflicts that may have an impact upon our suppliers' resilience. The quick response by Quilter and a key supplier following an incident at a third party premises during 2023 minimised the impact to our operations and customers.

How does the Board engage with its communities?

- By endorsing and providing regular oversight of Quilter's strategy as a provider of investment solutions and as a responsible investor.
- By overseeing the Quilter Corporate Sustainability agenda, which affects customers, colleagues, communities and the environment.
- The Board were updated on the Quilter Foundation (the "Foundation") and the successes and progress made in 2023 in support of the Foundation's objectives.

What was the result of this engagement?

- In 2023, the Foundation completed three employment focused strategic partnerships. Active strategic partners were awarded a total of £650,000 in grants, including The Brokerage, which is a new three-year strategic partner from 2023. The Brokerage is a social mobility charity connecting talented young people with employers to break down barriers to a more diverse and talented workforce. Our partnership aims to impact over 4,000 young people, working with over 100 schools and universities.
- Our partnership with financial education charity MyBnk continued to evolve, and now includes opportunities for employee and adviser populations, a mentoring programme for young people which is commencing this year with Quilter providing facilities for workshops, meetings and events.
- The Quilter Foundation Charity Network was created in 2023 as the mechanism to provide funded charities with additional support beyond funding. The network provides the opportunity for organisations to access peer-to-peer support, expert training and support delivered by Quilter staff and complimentary space at Quilter offices.
- Twelve organisations have been funded through "Local Community Fund" grants. Through this initiative, any colleague or adviser can nominate a local cause that is aligned to the Foundation's objectives, for grants of up to £10,000. 29 organisations have been funded since inception in 2022, including food banks and mental health charities.

£100k+

Over £100k raised for the Quilter Foundation.

Stakeholder engagement *continued*

Insight into Communities

Human rights and modern slavery

We recognise our responsibility to not only respect the rights and freedoms of those that work for Quilter but also of those in our supply chain. Our human resource and supplier policies and processes prohibit Quilter from doing business with parties involved in modern slavery, forced labour, compulsory labour and child labour. These policies also promote equal opportunity and eschew any form of discrimination or unfair treatment on the grounds of protected characteristics, or because of any other personal factor. We respect the right of employees to associate for the purposes of collective bargaining and colleagues are free to join a union of their choice.

Working with suppliers

Our Third-Party Risk Management Policy sets out requirements with respect to our procurement, outsourcing and supplier management activities. Our Supplier Code of Conduct applies to all suppliers and their sub-contractors that provide goods and services to Quilter. It sets out the minimum standards we expect our suppliers to adhere to when doing business with Quilter in addition to the contractual terms agreed. The Code covers legal and compliance, ethical standards, conflicts of interest, anti-bribery and corruption, brands, trademarks and intellectual property, information and data protection, labour standards, living wage, discrimination, health and safety, and environmental management. We also expect our suppliers to promote these standards in their own supply chain where practical.

Tax

We are committed to full compliance with our tax obligations, paying the right amount of tax at the right time. We have zero tolerance for tax evasion and we do not promote tax avoidance or aggressive tax planning arrangements to our customers or to other parties. Our Tax Risk Policy sets out high-level requirements to ensure that tax calculations and filings comply with all applicable tax law and are prepared on a timely basis.

Customers

Customers expect Quilter to:

- Provide consistently high-quality service and access to products and services that meet their needs and expectations, within their risk appetite and with the flexibility to reflect their investment preferences.
- Provide personalised customer propositions, through supporting long-term advice-based relationships.
- Deliver good investment performance.
- Adhere to relevant regulatory requirements, including the Consumer Duty, in ensuring good customer outcomes and the avoidance of foreseeable harm.

How does the Board engage with customers?

- The Board scrutinises a regular Customer Report which includes feedback on the perceived quality of Quilter products and services to ensure the business is continually learning from the feedback received from customers and their advisers. Quilter currently has three main sources of customer feedback: Trust Pilot, InMoment Surveys and customer complaints, in addition to feedback from advisers through our distribution teams and customers via our contact centre.
- All Board and Committee papers include, where appropriate, analysis of the impact on customers of business proposals.
- The Board receives regular updates from the Chief Executive Officer covering customer considerations. These include product and propositional developments, customer-facing technology implementations, communication and branding strategy and the status of any customer remediation programmes.
- The Board Risk Committee receives regular updates from the Chief Executive Officer and Chief Risk Officer, on the progress of activity to address customer complaints.
- The Board Remuneration Committee receives reports on how the business has served its customers as part of its oversight of the executive scorecard that drives the remuneration outcomes for our Senior Management.
- The Board appointed the Chair of the Board Risk Committee, Neeta Atkar, as its first Board level Consumer Duty Champion. The Consumer Duty Champion supports the Chair, the Chief Executive Officer and the whole Board to raise the Consumer Duty regularly at Board meetings and in other relevant discussions, in line with regulatory requirements. The Consumer Duty Champion seeks input from management, including the second and third lines of defence, in order to inform the discussion at the Board on the effectiveness of how the Consumer Duty is embedded at Quilter. More information on the work that Quilter has completed when implementing the Consumer Duty can be found on page 53.

What was the result of that engagement?

- The Board and the Board Risk Committee oversaw the development of implementation plans for the new Consumer Duty which was implemented in July 2023. The new Duty aligns with a core part of the Company's strategy to deliver good outcomes for customers.
- Customer reports have been refreshed to provide the Board with enhanced metrics. These will continue to be refined during the year as our ability to report customer metrics improves.
- The Board reviewed and challenged material product and proposition proposals. Assessing, for instance, the repricing decisions in relation to Quilter Platform and Quilter Investors funds, and overseeing the introduction of enhanced Platform functionality such as the CashHub.

Insight into Customers

Customer service and engagement

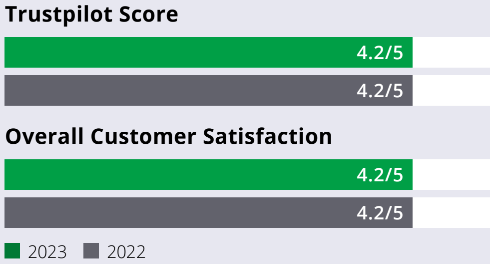
During 2023 we have continued to drive initiatives to improve customer service and ensure our proposition continues to meet customer needs.

In July 2023, we reviewed our products and services to enhance how we support vulnerable customers or those who find themselves in such circumstances. This included being clearer in our literature and through our contact centre on how we can help customers. Quilter hosted the vulnerable customer conference run by the Investment Savings Association and will continue to support that initiative in 2024.

To ensure we are continually listening to our customers, we introduced a new Customer Panel (the "Panel") during 2023 and are pleased that over 400 customers have already joined the Panel. The Panel will allow Quilter to consult directly with customers on future improvements we can make to our proposition. It also assists with testing of key communications, to ensure they are easy to understand. The Panel complements the customer feedback channels we already have in place across the Group, which are an essential tool in ensuring we stay connected with how customers want to do business with us.

During the course of 2023 we rolled out our new customer app, with 20% of our customers now registered and using the app.

Our service, products and proposition was recognised in industry awards, including Defaqto Gold Service Awards, the Charity Times Investment Management Award, Money Marketing Awards Best Retirement Provider, and the Defaqto Diamond Rating for the WealthSelect Managed Portfolio Service.



Customer policies

Our Product Governance Policy sets minimum standards for the Group and its subsidiaries in manufacturing and distributing financial products appropriately to meet customer needs. The policy is implemented to support compliance with various regulatory frameworks, including the UK implementation of the Markets in Financial Instruments Directive ("MiFID II"), the underlying regulation on markets in financial instruments ("MiFIR"), and the Insurance Distribution Directive ("IDD"). The Product Governance Policy is subject to an annual attestation process managed by the Quilter Risk Function. Our Product Governance Policy outlines minimum requirements for product charging structures and marketing materials. The policy requires that charging structures must be fair and appropriate for the intended target market. Marketing materials should be sufficient to ensure that customers can make informed financial decisions in relation to the product. All communications must consider our customers' information needs and comply with applicable regulations, including the Financial Conduct Authority's ("FCA") Consumer Duty requirements.

Data privacy and IT security

The collection and use of customers' and advisers' personal data is governed by our Privacy Policy and supporting standards and overseen by a Group Data Protection Officer ("GDPO") with the support of a formal committee, the Quilter Privacy Forum. The Board oversees Quilter's IT strategy, including our approach to information and data security. At an executive management level, the Group Chief Operating Officer is responsible for IT strategy and is supported by the Director of Information Security & Technology and their team, with input also from the GDPO and Data Guardians embedded in our businesses. All colleagues and full-time contractors are required to complete mandatory annual training on data privacy and IT security.

Financial crime, anti-bribery and corruption

As a financial services company we recognise the potential risk of being a target for financial crime, including money laundering, terrorist financing, tax evasion and fraud. We also acknowledge the potential risk of bribery and corruption which could result in financial loss, regulatory fines and/or censure and damage to our reputation. We have zero tolerance for financial crime, bribery or corruption and have a robust control environment and policies in place. All colleagues are required to complete mandatory training on these topics annually to ensure that they understand their role in preventing financial crime, bribery and corruption.

Stakeholder engagement *continued*

Investors

Our investors expect Quilter to:

- Deliver a strategy that creates long-term shareholder value, delivering sustainable earnings and dividends supported by cash flow and capital generation.
- Have in place a resilient business model which generates growth and long-term sustainable returns for shareholders and reliable cash flow for debt investors.
- Maintain financial strength and resilience that enables the business to withstand market volatility.
- Uphold robust corporate governance to ensure effective oversight and control of the business.
- Ensure responsible and sustainable approaches are embedded in both how we act as a business and invest on behalf of our clients.

How does the Board engage with its investors?

- Maintaining regular and constructive dialogue with investors and other market stakeholders to communicate the Company's strategy, governance and performance.
- Providing regular updates on the Group's trading and financial performance to the market.
- Maintaining active electronic communication on results and trading updates together with relevant dividend information to our shareholders who have provided consent for e-communications.
- The Chair, Chief Executive Officer and Chief Financial Officer, with support from the Head of Investor Relations, have conducted nearly 200 meetings in 2023 with shareholders, debt holders and prospective investors.
- Participating in investor conferences to engage with existing and prospective investors. The Chair also hosts an annual corporate governance roadshow with our largest investors to ensure a direct Board conversation on strategy, succession matters and remuneration.
- Ensuring private shareholders received excellent support from our Share Registrars in the UK and South Africa. We closely monitor the performance of our Registrars to ensure the service our shareholders receive globally is appropriate.
- Holding an Annual General Meeting ("AGM") that was accessible for all shareholders, including those based overseas. This allows them to listen to the meeting by telephone and ask a question on the business of the meeting if they so wish. We also strongly encourage shareholders to engage with us by voting before the meeting if they were unable to attend in person.
- As part of our commitment to engage with our investors, Directors are available to meet with shareholders at our AGM, and our standing Board Committee Chairs are available to answer questions on the activities and matters within the scope of their Committee's remit.

What was the result of this engagement?

- The Board considers investor feedback on an ongoing basis, both from management feedback and via our corporate brokers. In 2023, an external analyst met the Board and shared his feedback directly.
- We received more than 99% of votes cast in favour of the majority of resolutions voted on by shareholders at the 2023 AGM.
- To drive further simplification, during the year, the Company completed an Odd-lot Offer in November 2023. The Odd-lot Offer provided small private shareholders holding fewer than 200 shares with a cost-effective way to sell their shares in Quilter and lowered the cost of maintaining our share register by reducing the number of private shareholders by circa 60%. We will see an ongoing benefit from lower administrative costs, including, for example, the costs of printing and distributing financial statements, circulars and notices.

99%

of votes cast in favour of majority of 2023 AGM resolutions.

Our shareholder base

There are some differences in views around some core corporate governance matters that differ between the UK and South Africa where we have a large shareholder base. We engage with these shareholders directly but recognise that they may be unable to support certain AGM resolutions which are regarded as being standard in the UK. For example, we maintain a continuing dialogue with certain of our large South African shareholders who are unable to support a precautionary enabling authority at each AGM regarding political donations and will continue to engage to explain our rationale for continuing to seek this authority.

Stakeholder engagement *continued*

Regulators

Our regulators expect Quilter and its subsidiaries to:

- Operate in an open and transparent manner with its regulators, its customers and the financial markets both as an investment manager and a listed company in its own right.
- Ensure customers' interests are central to the firm's culture and purpose, and that this is embedded throughout the organisation.
- Run Quilter's operations in a prudent manner, being appropriately capitalised and with sufficient liquidity to enable it to discharge its obligations.
- Manage its conduct risk and internal controls.
- Be aware of Quilter's regulatory footprint, the regulatory landscape and expectations and the Directors' responsibilities in meeting these requirements, incorporating these into any decisions.
- Fulfil regulatory responsibilities through the application of policies and practices.

How does the Board engage with the Group's regulators?

- Transparent and open regulatory relationships are fundamentally important and Quilter engages regularly with its regulators to ensure business is conducted in line with their expectations and the evolving regulatory framework.
- The Board Risk Committee monitors key regulatory matters and areas of interest, and receives updates on the status of material regulatory relationships and matters under discussion.
- Quilter routinely shares certain Board and other relevant papers with the FCA and the PRA.
- Certain Directors, Executive Committee members and other senior leaders meet regularly with our main UK regulators to update them on key business developments and changes. Matters discussed in 2023 include regulatory changes such as the Consumer Duty and the Advice Guidance Boundary review, Dear CEO letters, changes in the Board and management governance structure and the Odd-lot Offer. We also responded to specific information requests on specific areas of our business.
- During the year the Directors oversaw and guided the business on the conclusion of the FCA enforcement investigation in relation to certain defined benefit to defined contribution ("DB to DC") pension transfer advice by Lighthouse Advisory Services Limited, "Lighthouse", prior to Quilter purchasing Lighthouse. The FCA issued a public Final Notice to Lighthouse, finding that it provided unsuitable DB to DC pension transfer advice but imposed no financial penalty. The FCA acknowledged in its Final Notice decision that Quilter had provided very high levels of co-operation in relation to the FCA's investigation and promptly paid redress to customers.
- The Board received regular updates on regulatory developments in 2023, including in relation to a number of Dear CEO letters and FCA Portfolio Strategy letters.
- Management responded to a number of consultations and discussion papers, including in relation to the Future Disclosure Framework, updating and improving the UK regime for asset management, Sustainability Disclosure Requirements, a review of the Senior Managers and Certification Regime and a review of Solvency II: Adapting to the UK insurance market, amongst others.

What was the result of this engagement?

- Consideration of the views and expectations of our regulators were core to the Board's decision making during 2023, including our preparations for the FCA's Consumer Duty regime that came into force in July 2023.
- The Directors considered their obligations under the Consumer Duty. After approving the implementation plan, the Board monitored the successful execution of it. The Board has appointed a Board level Consumer Duty Champion to support the Chair, Chief Executive Officer and the whole Board in raising the Consumer Duty in all relevant Board discussions and to challenge management on embedding the Duty and focusing on consumer outcomes and the prevention of foreseeable harm. The Directors recognise and support the regulators' higher standards of consumer protection and has enhanced how Quilter protects vulnerable customers.

Responsible investment

Investing responsibly

The United Nations backed Principles for Responsible Investment ("PRI") define responsible investment as a strategy and practice to incorporate environmental, social and governance ("ESG") factors in investment decisions and active ownership. We believe that incorporating ESG factors into our investment decision-making processes and exercising active ownership through voting and engagement, helps mitigate risk and identify potential opportunities.

Within our investment management businesses, Quilter Investors and Quilter Cheviot, we have dedicated teams focused on ESG integration and active ownership, as well as investment teams who manage our responsible and sustainable investment solutions.

For more information on our approach please visit: **www.quilter.com/investments/responsible-investment**

UK Stewardship Code

Quilter is a signatory to the UK Stewardship Code. In order to be a signatory, we submit a report that outlines our stewardship activity on behalf of our customers. Stewardship includes engagement with the companies and funds we invest in, using our voting rights and the consideration of environmental, social and governance factors within investment decision making.

The report for 2023 will be submitted to the Financial Reporting Council by 30 April 2024.

Signatory to the United Nations backed Principles for Responsible Investment ("PRI")

Quilter is a signatory to the PRI, which is a global network organisation that works to:

- Understand the investment implications of ESG factors.
- Support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

The annual assessment of how an organisation implements responsible investment was reinstated for 2022, and the Group completed this in August 2023 and received its outcomes in late 2023. The Assessment Reports*, which are produced using signatories' reported information, relate to the investment management activities within, Quilter Investors and its investment solutions, and Quilter Cheviot. For the 13 Modules completed, we received a score above the PRI median for eight, and a score below the median for five.

*The Assessment Reports present information reported directly by signatories in the 2023 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf.

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Across Quilter Cheviot and Quilter Investors we have 11 dedicated responsible investment professionals, working in collaboration with other teams within the businesses.

Priorities 2022-4	2023 progress	Onward Priorities in 2024
Continue to support customers, advisers and colleagues to engage with and understand responsible investment	Ongoing internal training across the business, as well as external education and anti-greenwashing training for advisers. Developed an animation video explaining responsible investment to reach a wider audience.	Ongoing programme of engagement with customers, advisers and colleagues. Launch of training focused on helping our customers and advisers navigate responsible investment related regulatory change.
Embed responsible investment practices where relevant	Continued progress in identifying customers' responsible investment preferences through advice and suitability processes. Continued enhancement of data and systems to drive efficiency and improve data quality within our active ownership and ESG integration activity.	Continue evolving our responsible investment activities across the business.
Deliver reporting in line with regulatory change	Delivered Quilter Life & Pensions Limited entity and product reporting.	Deliver Quilter Cheviot Limited and Quilter Investors Limited entity and product reporting. Integrate Sustainability Disclosure Requirements ("SDR") across Quilter where appropriate.
Ensure our proposition caters to the responsible investment preferences of our customers	We paused development on specific responsible or sustainable products whilst awaiting the new regulation, Sustainability Disclosure Requirements.	Tracking the trend of customers' responsible investment preferences in order to identify the areas of interest to develop our proposition further.

Corporate sustainability

Sustainability in our operations

At Quilter, we believe in the importance of playing our part in the global effort to create a more sustainable world and consider our exposure to climate-related risks. In 2023, we continued to act and monitor impacts against our reduction target for the emissions associated with our direct and indirect operations (Scope 1 and 2) and began engagement with suppliers to understand the impact in this area further. Excluding our investments, the biggest contributor to our Scope 3 emissions is those associated with third-party spend. In 2023, we developed and implemented a supplier engagement strategy to enable understanding of the trajectory of impact from our spend. Continuing to engage and monitor the impact of our suppliers will be a priority in 2024 and we remain committed to building out our approach further.

Further details can be found in our Task Force on Climate-Related Financial Disclosures ("TCFD") report which is summarised on pages 28 to 30.

Priorities 2022-4	2023 progress	Onward Priorities for 2024
Contribute to a just transition to net zero by 2050	We developed and implemented a supplier engagement strategy to enable understanding of the trajectory of impact from our spend on Purchased Goods and Services.	Setting targets for Purchased Goods and Services. Establishing Climate Action Plans for the investments we manage on behalf of our customers.
Enable our people to take tangible action to address the climate crisis	Implemented findings from the first colleague sustainability survey. Increased collaboration with facilities department to ensure infrastructure for culture change.	Engage with colleagues to inform and develop our onward sustainability plans.
Assess the action required of Quilter on biodiversity		Assess Task Force for Nature-related Financial Disclosures recommendations and determine actions.

Colleague engagement

In October 2023, we ran our second Quilter sustainability survey to allow us to update our office specific emission factors, thus enabling us to produce more refined estimations for our emissions from employee commuting for the second year in a row. In the 2023 survey, we modified the question set to be able to analyse small habitual changes colleagues had made to their behaviours. This highlighted where colleagues had made incremental changes to their journeys, and will help us understand, going forward, the impact of our support for colleagues. As a result of the colleague feedback, we were able to make considered adaptations of the office environment to make sustainable behaviours easier, including producing recycling guidance and education for all offices, and increasing the promotion of sustainable commuting initiatives. The feedback helped create a focused plan of action for the year ahead, and we intend to repeat this survey annually to both track the impact of our improvements and reflect on engagement.

To foster a culture of sustainable commuting, we offer colleagues a range of benefits aimed at enabling behaviour change for the better, including an electric car salary sacrifice scheme, free car sharing portal and electric charging on site at our largest office. In 2023, we held six bike doctor sessions in one of our locations, enabling colleagues to have their bicycles repaired and serviced whilst having the opportunity to increase confidence in repairing their bicycles themselves. Accessibility and active transport opportunities are also considered in the lease tendering process to further enable a culture of sustainability.

Workspace optimisation

In working towards a more energy efficient future, we have considered the workspaces we have available to colleagues, ensuring they are fit for purpose in line with the hybrid working. We have optimised our office spaces, analysing where space is required and what this looks like in the new working world, and have implemented energy efficient upgrades within our offices where possible, including LED lighting, improved heating and ventilation systems and improved insulation where needed. We are also working together with the landlords of our office locations to ensure the spaces are suitable for a sustainable working culture and factor in sustainability and environmental credentials in our office acquisition process. In addition to this, we are now incorporating Green Lease clauses to new leases wherever possible to minimise environmental impact.

Quilter's operational greenhouse gas emissions

Our operational greenhouse gas emissions and energy use data (tCO_2e)

Greenhouse gas emissions as at 31 December		2023	2022	Baseline
Scope 1 emissions[1]	Global	307	438	
	UK	302	432	
Scope 2 (location-based) emissions[2]	Global	778	906	
	UK	729	858	
Scope 2 (market-based) emissions	Global	474	562	
	UK	399	477	
Total Scope 1 & 2 emissions[3]	**Global**	**1,085**	**1,344**	**2,720**
(Baseline: 2020)	**UK**	**1,031**	**1,290**	**2,573**
Scope 3 emissions (excluding Investments)[4]	**Global**	**21,684**	**34,760**	**67,912**
(Baseline: 2021)[5]	**UK**	**21,667**	**34,753**	**67,898**
Total operational emissions	**Global**	**22,769**	**36,104**	
	UK	**22,699**	**36,043**	
Operational carbon intensity (tCO_2e per Full Time Equivalent (FTE))[6]	**Global**	**7.71**	**12.31**	
	UK	**7.77**	**12.41**	

Streamlined Energy and Carbon Reporting (SECR)[2]	2023	2022
Global energy usage (kWh)	6,352,309	7,868,644
UK energy usage (kWh)	6,168,555	7,684,909

All figures presented have been calculated in line with the Greenhouse Gas ("GHG") Protocol standards. Global emissions and energy usage are inclusive of UK and offshore figures. Due to an update in our estimation methodology, there may be slight difference from previously published figures.

[1] Our data collection methodology is reliant on third parties supplying accurate data regarding our leased office space activity. In 2023, we were able to gain better visibility of data regarding movements of refrigerants in our regional offices, leading to an increase of 51.4 tCO_2e in 2022.
[2] We are continually seeking opportunities to source accurate data to avoid the need for estimations. This can lead to restatements where data becomes available at a later date. In 2023, we were able to source a higher percentage of actual data from our leased offices, enabling us to replace data estimated from previous years with accurate data supplied by landlords, thus causing a restatement of emission and energy figures.
[3] This is calculated as the total of Scope 1 and Scope 2 (location based) emissions.
[4] Our disclosed Scope 3 emission metrics (excluding investments) contain some estimates and reliance on externally provided data. Following refinements in methodologies and boundaries for accuracy in representation, we have restated our Purchased Goods and Services figures for 2021 onwards, and our Employee Commuting emissions figures from 2020 onwards.
[5] Our baseline year for Scope 3 has been set at 2021 due to insufficient granularity in data from our value chain in previous years.
[6] Calculated as total operational emissions divided by the average number of FTE employees as at year-end. This metric is provided as a comparison against other organisations.

Greenhouse gas emissions

Our 2023 Scope 1 and 2 emissions were 60.1% lower than the 2020 baseline indicating good progress towards our reduction target of 80% by 2030. The primary driver of this was the continued consideration of our office footprint in relation to changing workspace demands.

Moving forwards, we anticipate a continuation of incremental reductions year on year towards our target. In 2023, we evaluated our methodologies for calculating Scope 3 emissions for Purchased Goods and Services and Employee Commuting, to make these more granular, and as a result we have restated figures below.

Breakdown of Scope 3 (excluding investments) emissions

The figures below represent the breakdown of our Scope 3 (excluding Investments) emissions at a global level.

Greenhouse gas emissions as at 31 December	2023	2022	2021
Total Scope 3 (excluding investments) emissions	**21,684**	**34,760**	**67,912**
1. Purchased Goods and Services[4]	18,667	31,903	65,019
3. Fuel and energy related emissions	61	72	114
5. Waste	4	5	8
6. Business travel	892	570	253
7. Employee commuting (including working from home)[4]	1,868	1,995	2,299
8. Upstream Leased Assets	192	215	219

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

- **Scope 1** (Direct GHG) These are emissions from sources that are owned or controlled by an organisation. This includes fuel combustion on site e.g. gas boilers, fleet vehicles and air-conditioning leaks.
- **Scope 2** (Energy – Indirect GHG) These are emissions from the consumption of purchased electricity, heat and steam, or other sources of energy (e.g. chilled water) generated upstream from the organisation. For purchased electricity, organisations are required to report Scope 2 emissions according to a 'location-based' method and a 'market-based' method (see below):
- **Scope 2 – Location-Based** This reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).
- **Scope 2 – Market-Based** This reflects emissions from electricity that organisations have purposefully chosen and therefore includes where they may have renewable energy contracts in place or generate their own energy.
- **Scope 3** (value chain – indirect) These are all indirect emissions (not included in Scope 2) that occur in a company's value chain, including both upstream and downstream emissions (e.g. business travel, waste).

Due to data availability, Quilter's calculations do not take into account the emissions generated by self-employed advisers who use our platform or asset management services. Our Scope 3 disclosures do not include data for the impact generated by our investments. There were no notable energy efficiency measures undertaken in 2023.

Task Force on Climate-Related Financial Disclosures Statement

For accounting periods on or after the 1 January 2021, the FCA required premium listed companies, such as Quilter plc, to include a statement of consistency with the TCFD's recommendations and recommended disclosures within their Annual Report. Where the relevant disclosures are provided in a separate report, listed companies must provide a description of where that document can be found. Whilst material and significant climate-related information can be found in the Annual Report, the climate-related financial disclosures produced are fully consistent with the TCFD Recommendations and Recommended Disclosures with the exception of metrics and targets (b) and (c) where we are partially consistent are in a separate standalone report. The report is intended to supplement the Annual Report and these disclosures as indicated in the cross references. This approach has been taken given the significant length of the disclosures. See page 30 for more information.

▸ **Our 2023 Group TCFD report can be found here: plc.quilter.com/tcfd/**

Theme	TCFD recommended disclosure	Our disclosure
Governance Disclose the organisation's governance around climate-related risks and opportunities **TCFD report pages:** **10 to 14**	– Describe the Board's oversight of climate-related risks and opportunities. – Describe management's role in assessing and managing climate-related risks and opportunities.	The Board Audit Committee has been briefed on the approach for climate-related reporting and the Board Risk Committee has reviewed climate related risks and opportunities during the year. Following challenge, the Board approved the TCFD report. The TCFD Working Group is responsible for the identification and assessment of climate-related risks and opportunities. The group comprises representatives from Responsible Investment, Risk, Finance and Corporate Sustainability. The TCFD Steering Committee meets regularly to monitor and approve progress. During 2023, Andrew McGlone (Chief Executive Officer at Quilter Cheviot and Quilter Cheviot Financial Planning) extended his remit to be the executive sponsor for Corporate Sustainability and Responsible Investment across Quilter and chairs the TCFD Steering Committee. Mark Satchel (Chief Financial Officer) was appointed the Senior Management Function ("SMF") for the oversight of the management of financial risks arising from climate change.
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 **TCFD report pages:** **27** **11 and 14** **30 to 31** **28 to 29**	– Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. – Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. – Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We have disclosed how climate-related risks and opportunities are now incorporated as part of the business/strategic planning process. We have created a new working group and we have reviewed our approach and have reconfigured this into three categories which represent our business: operations, investments, and advice and distribution. This now includes the impact of climate-related risks and opportunities within our advice and distribution business. Climate-related risks and opportunities are considered at a Group and subsidiary level to inform our management of these. – We have undertaken and disclosed a quantitative investment climate-related scenario analysis for our direct equity holdings in Quilter Cheviot based on four different scenarios. This is based on actual holdings and will be undertaken on an annual basis. This includes scenarios based on 1.5°C (orderly and disorderly), 2.0°C and 3.0°C. – The qualitative operational climate-related scenario analysis included within the TCFD report is a long-term scenario and therefore conclusions of these three scenarios are not expected to change significantly from year to year, unless there is a significant change in the business or the external environment. For this reason, long-term scenarios will be considered periodically, or following a significant change in the business or external environment. In considering the impact of these climate-related risks through the climate scenario analysis we have performed; we believe that these are currently not material to the Group. We have a strong and resilient balance sheet and sufficient capital and liquidity to withstand all of the scenarios tested. However, the risks relating to financial emissions (investments) may increase over time, hence we are working on Climate Action Plans for our investments.

Task Force on Climate-Related Financial Disclosures Statement *continued*

Theme	TCFD recommended disclosure	Our disclosure
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks **TCFD report pages: 33 to 34** **18 and 27**	– Describe the organisation's processes for identifying and assessing climate-related risks. – Describe the organisation's processes for managing climate-related risks. – Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate-related risks have been integrated into our Risk Management Framework, with responsible investment and corporate sustainability incorporated into a refreshed risk taxonomy. Risks relating to climate change are identified, assessed and managed using the risk management framework outlined in the risk review section. Disclosure on how we manage climate-related risks and opportunities for our investments will be detailed in the entity reports for Quilter Life & Pensions Limited, Quilter Cheviot Limited and Quilter Investors Limited. To assess climate-related risks and opportunities we have considered four factors. 1) Timeframe: given the long-term trajectory of how we approach climate-related risks and opportunities we set these timeframes to reflect this. Short term is 0-5 years, medium term 5-15 years, long term 15 years+. 2) Type of climate risk: transitional risk relates to the global transition to a lower carbon economy and physical risk is associated with the physical impacts of climate change. 3) Risk/opportunity type: idiosyncratic risk refers to implicit risks exclusive to a company. Systemic risk refers to broader trends that could impact the overall market or sector. Opportunity: efforts to mitigate and adapt to climate change also produce opportunities for organisations, for example, through resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates. 4) Business area: Operations, Investments and Advice and Distribution. Within operations we have considered risks relating to government policy, building maintenance, workplace (these are medium-term), extreme weather (long-term) and Purchased Goods and Services (short-term). For investments we have considered the following risks: government policy (medium-term), greenwashing (short-term), product and strategy development (short and medium-term) and stranded assets (medium and long-term). For advice & distribution we have considered the following risks: greenwashing (short-term) and advice & suitability processes (short-term). In considering the impact of these climate-related risks we believe that these are currently not material to the Group. However, the risks relating to financial emissions (investments) may increase over time, hence we are working on Climate Action Plans for our investments.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material **TCFD report pages: 28 to 31**	– Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. – Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse ("GHG") emissions, and the related risks. – Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	With regard to our operational activities, we: – use greenhouse gas emission metrics to assess, monitor, and manage our exposure to climate-related reputational risks; – have disclosed our Scope 1 and Scope 2 greenhouse gas emissions; – have estimated our Scope 3 greenhouse gas emissions (excluding investments); and – have a target to reduce our Scope 1 and Scope 2 greenhouse gas emissions by 80% by 2030, from a 2020 baseline. The disclosure of Scope 1.2 and 3 (excluding investments) GHG emissions are contained within the operational greenhouse gas emissions table on page 27. From an investment perspective we have included the emissions relating to the direct equity investment held within Quilter Cheviot's centrally monitored universe. In 2024 we will be publishing Climate Action Plans for investments which will include metrics and targets.

In producing the TCFD report, we have taken into account the following guidance:

- The Financial Conduct Authority's ESG Sourcebook.
- TCFD all sector guidance as well as the additional guidance for asset managers.
- The Financial Reporting Council's review of TCFD reporting.

This disclosure is consistent with the 11 recommendations set by the TCFD. Whilst we have made good progress becoming consistent with the TCFD Recommendations and Recommended Disclosures, we are not yet able to disclose the full Scope 3 (category 15) emissions for the Group which relate to the investments we manage on behalf of our customers. A significant proportion of our investments are held in third-party funds, and not all asset classes have relevant available data, leading to gaps in the data that we need to produce accurate Scope 3 emissions, therefore, the disclosures are partially consistent with the TCFD recommendations.

We are working on a long-term solution to produce better quality Scope 3 (category 15) emissions data for the Group. This is part of the Climate Action Plans for investments. Within the TCFD report, we disclose the relevant metrics for our centrally monitored direct equities held within Quilter Cheviot Limited. Our product reports disclose the required metrics in line with the ESG Sourcebook and for 2023 these will be published by 30 June 2024. Quilter does not engage in all the activities linked to the categories as defined under Scope 3 as outlined in the Greenhouse Gas Protocol, and has reported figures for all relevant and applicable categories excluding emissions from investments. On the basis of this we believe the disclosures are partially consistent with metrics and targets (b) and (c).

Non-financial and sustainability information statement

The responsible investment, corporate sustainability and Task Force on Climate-Related Financial Disclosures Statement sections from pages 26 to 30 constitutes Quilter's non-financial and sustainability information statement which complies with sections 414CA and 414CB of the Companies Act 2006.

The table below sets out where to find details on specific matters relevant to these requirements within this section and elsewhere in our Annual Report:

Reporting requirement

	Page number(s)
Anti-bribery and corruption	22
Climate-related financial disclosures (covering s414CB(2A)(a)-(h))	28 to 30
Business model	13
Colleagues	18 and 19
Environmental matters	27 to 30
Human rights	21
Non-financial KPIs	15
Principal Risks	39 to 40
Social matters	20

Financial review

Mark Satchel
Chief Financial Officer

Review of financial performance

Overview

The Group achieved a strong improvement in adjusted profit performance in 2023 against the backdrop of ongoing geopolitical and macroeconomic uncertainty. Inflationary and interest rates pressures continued to weigh on consumer confidence and disposable income, resulting in a significant headwind to flows as consumers held off on discretionary investment and drew down on savings to service the increased cost of debt.

The Group's reported AuMA was £106.7 billion at the end of the year, a 7% increase on the opening position (2022: £99.6 billion), representing positive market movements towards the year-end of £7.0 billion and net inflows of £0.1 billion. Average AuMA of £102.1 billion for 2023 was 1% lower than prior year (2022: £102.8 billion). Adjusted profit before tax increased by 25% to £167 million (2022: £134 million) despite the subdued flow environment, reflecting the continued delivery of cost management through our Simplification programme and higher interest revenue earned on cash and capital resources. This was partially offset by a 3% decline in net management fee revenue due to lower average AuMA and a 1 bp decrease in revenue margin predominantly due to planned pricing reductions.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 174 to 175. In the headings and tables presented, these measures are indicated with an asterisk: *.

Key financial highlights

Quilter highlights	2023	2022
Assets and flows – core business		
AuMA* (£bn)	**103.4**	96.2
Gross flows* (£bn)	**11.1**	10.4
Net inflows* (£bn)	**0.8**	2.1
Net inflows/opening AuMA*	**1%**	2%
Productivity: Quilter channel gross sales per Quilter Adviser* (£m)[1]	**2.8**	2.3
Asset retention*	**89%**	92%
Assets and flows – reported		
AuMA* (£bn)	**106.7**	99.6
Gross flows* (£bn)	**11.2**	10.5
Net inflows* (£bn)	**0.1**	1.8
Net inflows/opening AuMA*	**0%**	2%
Profit and loss		
IFRS profit before tax attributable to shareholder returns (£m)	**12**	199
IFRS profit after tax (£m)	**42**	175
Adjusted profit before tax* (£m)	**167**	134
Operating margin*	**27%**	22%
Revenue margin* (bps)[2]	**47**	48
Return on equity*	**8.5%**	7.0%
Adjusted diluted EPS* (pence)	**9.4**	7.9
Recommended total dividend per share (pence)	**5.2**	4.5
Basic earnings per share (pence)	**3.1**	12.2
Non-financial		
Total Restricted Financial Planners ("RFPs") in both segments[3]	**1,489**	1,502
Discretionary Investment Managers in High Net Worth segment[3]	**174**	179

[1] Quilter channel gross sales per Quilter Adviser is a measure of the value created by our Quilter distribution channel.
[2] Revenue margin includes interest income on customer cash and cash equivalents previously presented within "Other revenue" and now included within "Net management fees".
[3] Closing headcount as at 31 December.

Financial review *continued*

Net inflows for the core business of £0.8 billion for 2023 were lower than the prior year (2022: £2.1 billion). Gross flows were 7% higher than the prior year at £11.1 billion (2022: £10.4 billion), whilst higher outflows reflected increased levels of client drawdown to offset pressures from higher inflation and interest rates coupled with market consolidation activity.

In the **Affluent segment** core business, net inflows in the Quilter channel of £1.6 billion were in line with the comparative year. Gross flows of £3.6 billion were 12% higher than the prior year (2022: £3.2 billion), demonstrating the continued strength of our integrated channel. We continued our focus on generating back book transfers in 2023, with c.£750 million of assets under advice by Quilter Financial Planning transferring onto our Platform from external platforms. Productivity, representing Quilter channel gross sales per Quilter Adviser, increased to £2.8 million (2022: £2.3 million), in line with our objectives of increasing alignment in our Advice business. Quilter channel gross outflows increased to £2.0 billion (2022: £1.6 billion) primarily due to higher levels of client drawdown during the year.

The IFA channel on Quilter Investment Platform recorded gross inflows of £5.3 billion, up 7% year-on-year (2022: £4.9 billion) reflecting our continued performance in gaining market share of new business despite lower levels of new business flow across the industry. The Quilter Investment Platform continues to maintain the leading market share of gross sales against our Retail Advised Platform peers, based on the latest available Fundscape data (Q3 2023). Net outflows of £0.2 billion (2022: net inflow of £0.4 billion) reflect higher levels of client led redemptions and headwinds from the impact of industry consolidation. Our Platform has continued to win net positive flows from competitor platforms over 2023. Net inflows as a percentage of opening AuMA for the IFA channel on Quilter Investment Platform was nil% (2022: 1%).

Fund flows via third-party platforms reported net outflows of £0.3 billion (2022: net outflows of £0.6 billion), predominantly due to planned fund closures.

Asset retention for the Affluent segment of 89% was below prior year (2022: 91%) due to increased withdrawal activity, inflationary pressure and interest rate headwinds.

Within the **High Net Worth segment,** gross inflows of £2.2 billion were broadly in line with the previous year (2022: £2.3 billion). Net flows were an outflow of £0.1 billion (2022: net inflow of £0.9 billion) primarily due to the slowdown in IFA flows and a small number of larger charity and corporate account losses, which were offset by steady net inflows from the Quilter channel. Asset retention fell 4 percentage points to 91% (2022: 95%) reflecting the higher interest rate environment where some clients have opted to redeem existing investments to repay debt obligations.

The Group's core business AuMA ended the year at £103.4 billion, up 7% from the opening position (2022: £96.2 billion), due to positive year-end market movements of £6.4 billion and net inflows of £0.8 billion. The Affluent segment AuMA increased by 8% to £77.5 billion (2022: £71.5 billion) of which £25.5 billion is managed by Quilter, versus the opening position of £22.7 billion. The High Net Worth Segment AuM was £27.0 billion, up 6% from the opening position of £25.5 billion, with all assets managed by Quilter.

In total, £52.2 billion, representing 50% of core business AuMA, is managed by Quilter across the Group (2022: £48.0 billion, 50%).

The Group's revenue margin of 47 bps was 1 bp lower than the prior year (2022: 48 bps). For assets administered within the Affluent segment, the revenue margin was 27 bps in line with prior year. The revenue margin on assets managed in the Affluent segment decreased by 6 bps to 41 bps as a result of product mix changes, the planned reprice of the Cirilium Active range that occurred at the end of the first quarter of 2023, and the introduction of AuM scale discounts in the second half of the year. The High Net Worth segment's revenue margin decreased by 1 bp to 71 bps primarily due to lower commission revenue, partially offset by revenue from interest margin generated on client balances.

Adjusted profit before tax increased by 25% to £167 million (2022: £134 million). Net management fees of £477 million were lower by 3% (2022: £490 million) primarily as a result of a decline in average AuMA year-on-year of 1% to £102.1 billion (2022: £102.8 billion) and the planned reduction in net management fee margins. Interest revenue generated on client funds included within net management fees were £23 million (2022: £7 million). Other revenue of £86 million decreased by 14% (2022: £100 million) reflecting lower mortgage and protection business levels, reduced activity within the market and slightly lower adviser headcount.

Investment revenue increased from £16 million in 2022 to £62 million in 2023, due to an increase in interest income earned on shareholder cash and capital resources. This level of resources is expected to gradually decline as a result of investment in the business and planned spend on business transformation. Operating expenses decreased by 3% on the prior year to £458 million (2022: £472 million) primarily due to continued strong cost management, lower FSCS levies and Simplification cost initiative savings offset by higher inflation. The Group operating margin improved by 5 percentage points to 27% (2022: 22%).

The Group's IFRS profit after tax was £42 million compared to £175 million for 2022. The year-on-year decrease in IFRS profit is largely attributable to variances in policyholder tax outcomes which moved to an expense of £76 million in 2023 (due to net market gains) from a credit of £134 million (due to net market declines) in 2022.

Adjusted diluted earnings per share increased 19% to 9.4 pence (2022: 7.9 pence).

Total net revenue*

Total net revenue 2023 (£m)	Affluent	High Net Worth	Head Office	Quilter plc
Net management fee*[1]	**292**	**185**	**–**	**477**
Other revenue*	**70**	**20**	**(4)**	**86**
Investment revenue*	**31**	**6**	**25**	**62**
Total net revenue*	**393**	**211**	**21**	**625**

Total net revenue 2022 (£m)	Affluent	High Net Worth	Head Office	Quilter plc
Net management fee*[1]	300	190	–	490
Other revenue*	79	21	–	100
Investment revenue*	8	1	7	16
Total net revenue*	387	212	7	606

[1] Net management fee includes the interest earned on client holdings in Quilter Cheviot and Quilter Investment Platform.

Total net revenue for the Affluent segment was £393 million, an increase of 2% year-on-year (2022: £387 million). Net management fees of £292 million were 3% lower than the prior year (2022: £300 million), primarily due to lower average AuMA, the Cirilium Active reprice and the introduction of AuM scale related discounts. A revised Platform pricing policy was introduced in the second half of the year, coupled with an interest sharing arrangement on cash balances held on the Platform. Interest margin generated on cash balances held on the Platform reported within net management fees, amounted to £10 million in 2023 (2022: £nil million). Other revenue predominantly reflects our share of income from the provision of advice within Quilter Financial Planning. Recurring charges and fixed fees were lower than the prior year, predominantly as a result of lower average levels of assets under advice and reduced volumes of new mortgage business. Investment revenue of £31 million (2022: £8 million) represents interest earned on shareholder capital held to meet the regulatory capital requirements of the business.

Total net revenue in the High Net Worth segment was broadly unchanged at £211 million (2022: £212 million). Net management fees, which include interest margin earned on cash balances of £13 million (2022: £7 million), were 3% lower at £185 million (2022: £190 million) largely due to lower average AuM. Investment revenue of £6 million earned on regulatory capital to support the business (2022: £1 million) was higher than prior year due to higher interest rates. Other revenue of £20 million (2022: £21 million), predominantly reflects revenue generated in Quilter Cheviot Financial Planning, and was broadly in line with prior year.

Operating expenses*

Operating expenses decreased by 3% to £458 million (2022: £472 million). Our focus on embedding sustainable cost savings through business simplification activities enabled us to achieve a lower cost base whilst absorbing significant inflationary headwinds.

	2023		2022	
Operating expense split (£m)	Operating Expenses	As a percentage of revenues	Operating Expenses	As a percentage of revenues
Support staff costs	**115**		118	
Operations	**21**		22	
Technology	**32**		35	
Property	**30**		31	
Other base costs[1]	**29**		30	
Sub-total base costs	**227**	**36%**	236	39%
Revenue-generating staff base costs	**96**	**15%**	92	15%
Variable staff compensation	**74**	**12%**	75	12%
Other variable costs[2]	**45**	**7%**	46	8%
Sub-total variable costs	**215**	**34%**	213	35%
Regulatory/professional indemnity costs	**16**	**3%**	23	4%
Operating expenses*	**458**	**73%**	472	78%

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

Total base costs reduced by 4% to £227 million (2022: £236 million). Base costs as a percentage of revenues reduced 3 percentage points to 36% (2022: 39%). This reduction reflects the impact of the Business Simplification programme which continued to deliver sustainable savings across support staff, operations, technology and property. This is partially offset by the impact of inflation during the year.

Revenue-generating staff base costs increased by 4% to £96 million (2022: £92 million) and remain at a similar proportion of revenues as we continue to invest in our people and proposition across our business segments to drive growth.

Variable staff compensation of £74 million were at a similar level to 2022 (2022: £75 million).

Other variable costs remained stable at £45 million (2022: £46 million) with increased development spend, which includes costs associated with enhancing our proposition and the implementation of regulatory change such as the FCA's Consumer Duty, offset by lower operating expenses associated with our Platform.

Regulatory and professional indemnity costs decreased by 30% to £16 million (2022: £23 million) predominantly reflecting the lower industry FSCS Levy in 2023. We expect these costs to increase again in 2024 and 2025.

Taxation

The UK corporation tax rate increased to 25% from 19% on 1 April 2023, resulting in a UK blended corporate tax rate of 23.5% for the 2023 financial year. The effective tax rate ("ETR") on adjusted profit before tax was 23% (2022: 14%). The Group's ETR is broadly in line with the UK blended corporation tax rate of 23.5% and there are no material movements for the year. The Group's ETR is dependent on a number of factors, including future changes in the UK corporation tax rate.

The Group's IFRS income tax expense was a charge of £46 million for the year ended 31 December 2023, compared to a credit of £110 million for the prior year. The income tax expense or credit can vary significantly year-on-year as a result of market volatility and the impact market movements have on policyholder tax. The recognition of the income received from policyholders to fund the policyholder tax liability (which is included within the Group's IFRS revenue) can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit or loss before tax attributable to shareholder returns. An adjustment is made to adjusted profit before tax to remove these distortions, as explained further on page 35 and in note 7(b) to the consolidated financial statements.

Business Simplification

At our Capital Markets Day in November 2021, we announced a target of £45 million of annualised run-rate savings by the end of 2024. We delivered this a year early. As announced at the half-year results in 2023, the Group expects to achieve a further £50 million of annualised run rate savings by the end of 2025. Approximately £8 million of these additional savings were achieved during 2023 on a run-rate basis.

As at 31 December 2023, the Simplification programme had delivered £53 million of annualised run-rate savings. An incremental £30 million of annualised run-rate savings were achieved during 2023 largely through the continued rationalisation of the Group's technology and property estates together with a reduction in support costs as we simplify our structures and organisation to support our two business segments, Affluent and High Net Worth. During 2023, the Group spent £25 million on Simplification initiatives (2022: £17 million). The implementation costs to deliver the remaining annualised run-rate savings are estimated to be £78 million.

Lighthouse Defined Benefit to Defined Contribution ("DB to DC") pension transfer advice provision

As reported previously, a provision was recognised in relation to DB to DC pension transfer advice provided by Lighthouse advisers prior to our acquisition of Lighthouse and their subsequent transitioning to our systems.

In 2020, the FCA commenced an enforcement investigation and required Lighthouse to commission a skilled person review in relation to certain DB to DC pension transfer advice by Lighthouse. The skilled person's review concluded in December 2022 and, in May 2023, the FCA issued a public Final Notice to Lighthouse setting out its findings. The FCA found that Lighthouse had provided unsuitable DB to DC pension transfer advice but imposed no financial penalty on Quilter. The FCA agreed that the remaining review work can be conducted as a Group-managed past business review. At 31 December 2023, a provision of £6 million (2022: £5 million) remains for the potential redress of DB to DC pension transfer cases as part of the Group-managed past business review.

Reconciliation of adjusted profit before tax* to IFRS profit

Adjusted profit before tax represents the Group's IFRS profit, adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature, as detailed on page 120 in the consolidated financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax.

Adjusted profit before tax does not provide a complete picture of the Group's financial performance, which is disclosed in the IFRS consolidated statement of comprehensive income, but is instead intended to provide additional comparability and understanding of the financial results.

Reconciliation of adjusted profit before tax to IFRS profit after tax (£m)	2023	2022
Affluent	124	105
High Net Worth	41	45
Head Office	2	(16)
Adjusted profit before tax*	167	134
Adjusting items:		
Impact of acquisition and disposal-related accounting	(39)	(42)
Business transformation costs	(28)	(30)
Finance costs	(19)	(10)
Customer remediation	(6)	12
Voluntary customer repayments	-	(6)
Exchange rate movement (ZAR/GBP)	(2)	4
Policyholder tax adjustments	(62)	138
Other adjusting items	1	(1)
Total adjusting items before tax	(155)	65
Profit before tax attributable to shareholder returns	12	199
Tax attributable to policyholder returns	76	(134)
Income tax (expense)/credit	(46)	110
IFRS profit after tax	42	175

The impact of acquisition and disposal-related accounting costs of £39 million (2022: £42 million) include amortisation of acquired intangible assets.

Business transformation costs of £28 million were incurred in 2023 (2022: £30 million). Simplification costs, as already noted in this financial review, amounted to £25 million for 2023 (2022: £17 million).

The customer remediation expense of £6 million in 2023 (2022: income of £12 million) reflects an estimate of redress payable and additional legal, consulting and other costs in 2023 related to the Group-managed past business review of Lighthouse. In 2022, insurance proceeds in relation to claims in respect of legal liabilities arising in connection with Lighthouse's DB to DC pension transfer advice cases were received, contributing £12 million to the Group's profit before tax. These impacts are excluded from adjusted profit on the basis that the advice activities to which the charge and benefit relates were provided prior to the Group's acquisition of the business.

Exchange rate movements for 2023 were an expense of £2 million (2022: £4 million income) which relate to foreign exchange movement on cash held in South African Rand in preparation for payments to shareholders.

Policyholder tax adjustments to adjusted profit were a credit of £62 million for 2023 (2022: charge of £138 million) in relation to the removal of timing differences arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between years. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS profit before tax.

Cash generation*

Cash generation measures the proportion of adjusted profit after tax that is recognised in the form of cash generated from operations. The Group achieved a cash generation rate of 82% of adjusted profit after tax over 2023 (2022: 75%).

Review of financial position

Capital and liquidity

Solvency II

The Group's Solvency II surplus is £972 million at 31 December 2023 (31 December 2022: £820 million), representing a Solvency II ratio of 271% (31 December 2022: 230%). The Solvency II information for the year to 31 December 2023 contained in this results disclosure has not been audited.

The Group's Solvency II capital position is stated after allowing for the impact of the foreseeable dividend payment of £50 million (31 December 2022: £45 million).

Group Solvency II capital (£m)	At 31 December 2023[1]	At 31 December 2022[2]
Own funds	1,540	1,451
Solvency capital requirement ("SCR")	568	631
Solvency II surplus	972	820
Solvency II coverage ratio	271%	230%

[1] Filing of annual regulatory reporting forms due by 17 May 2024.
[2] As reported in the Group Solvency and Financial Condition Report for the year ended 31 December 2022.

The 41 percentage point increase in the Group Solvency II ratio from the 31 December 2022 position is due to a number of favourable developments including the reduction to risk margin as a result of changes to the UK Solvency II rules, positive market variances, business initiatives, and the surpluses recognised by the asset management and advice businesses. The increase in solvency is partly offset by the effect of dividends to shareholders and the capital movements associated with the Odd-lot Offer.

Composition of qualifying Solvency II capital

The Group's own funds include the Quilter plc issued subordinated debt security which qualifies as capital under Solvency II. The composition of own funds by tier is presented in the table below.

Group own funds (£m)	At 31 December 2023	At 31 December 2022
Tier 1[1]	1,336	1,249
Tier 2[2]	204	202
Group Solvency II own funds	1,540	1,451

[1] All Tier 1 capital is unrestricted for tiering purposes.
[2] Comprises a Solvency II compliant subordinated debt security in the form of a Tier 2 bond, which was issued at £200 million in January 2023.

The Group SCR is covered by Tier 1 capital, which represents 235% of the Group SCR of £568 million. Tier 1 capital represents 87% of Group Solvency II own funds. Tier 2 capital represents 13% of Group Solvency II own funds and 21% of the Group Solvency II surplus.

Financial review *continued*

Final Dividend

The Quilter Board recommended a Final Dividend of 3.7 pence per share at a total cost of £50 million. Subject to shareholder approval at the 2024 Annual General Meeting, the recommended Final Dividend will be paid on Tuesday 28 May 2024 to shareholders on the UK and South African share registers on Friday 19 April 2024 (the "Record Date"). For shareholders on our South African share register, a Final Dividend of 89.02751 South African cents per share will be paid on Tuesday 28 May 2024, using an exchange rate of 24.06149.

Holding company cash

The holding company cash statement includes cash flows generated by the three main holding companies within the business: Quilter plc, Quilter Holdings Limited and Quilter UK Holding Limited. The flows associated with these companies will differ markedly from those disclosed in the statutory statement of cash flows, which comprises flows from the entire Quilter plc Group including policyholder movements.

Holding company cash (£m)	2023	2022
Opening cash at holding companies at 1 January	**392**	756
Return of capital to shareholders	–	(328)
Share repurchase and Odd-lot Offer	(14)	(28)
Cost of disposal of Quilter International	–	(23)
Single Strategy business sale – price adjustment provision	(4)	–
Debt issuance costs	(2)	–
Dividends paid	(65)	(78)
Net capital movements	**(85)**	(457)
Head Office costs and Business transformation funding	(43)	(52)
Net interest received	13	4
Finance costs	(18)	(9)
Net operational movements	**(48)**	(57)
Cash remittances from subsidiaries	176	163
Capital contributions, loan repayments and investments	(86)	(15)
Other net movements	–	2
Internal capital and strategic investments	**90**	150
Closing cash at holding companies at the end of the year	**349**	392

Net capital movements

Net capital movements in the year totalled an outflow of £85 million. This includes £65 million of dividend payments made to shareholders and £14 million relating to the Odd-lot Offer, £2 million relating to the issuance of new debt, plus £4 million in final settlement following the disposal of the Single Strategy business.

Net operational movements

Net operational movements were an outflow of £48 million for the year, which includes £43 million of corporate and transformation costs, finance costs of £18 million relating to coupon payments on the Tier 2 bonds and non-utilisation fees for the revolving credit facility, and £13 million of net interest received on money market funds, Group loans and cash holdings.

Internal capital and strategic investments

The net inflow of £90 million is principally due to £176 million of cash remittances from the trading businesses, partially offset by £86 million of capital contributions to support business operational activities and further investment in the underlying business.

Mark Satchel
Chief Financial Officer

Risk review

Priti Verma
Chief Risk Officer

Introduction

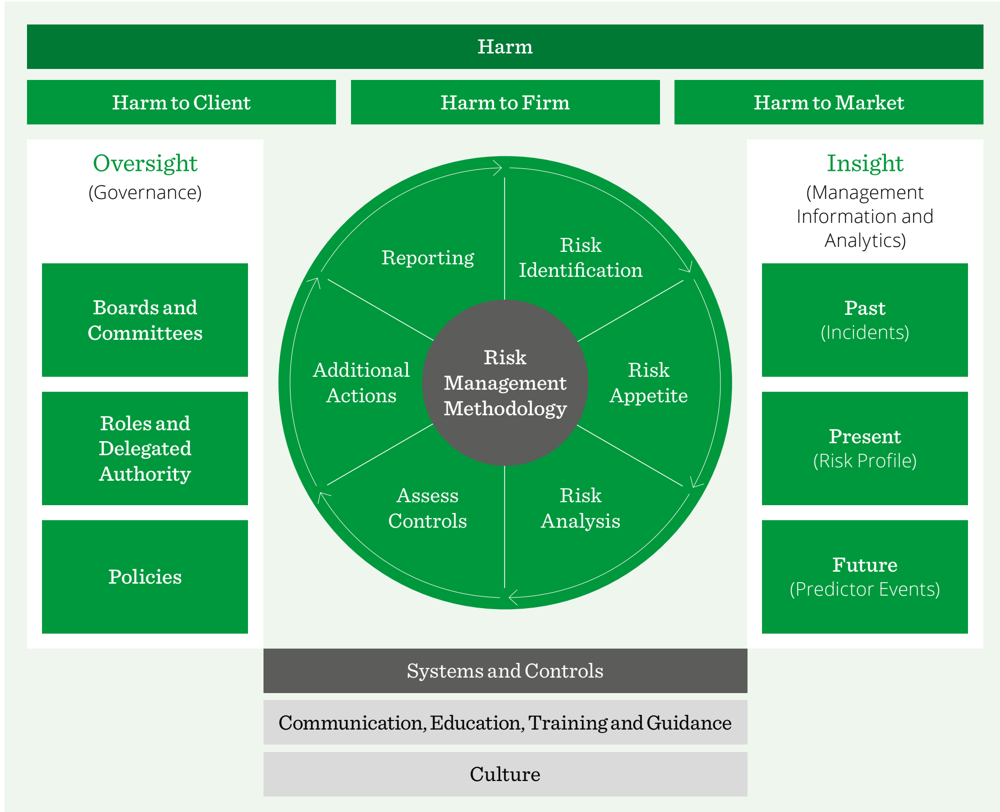
The external environment has remained challenging throughout 2023 with continued cost of living pressures faced by UK households and ongoing geopolitical tensions. With this backdrop, effective risk management remains key to generating value safely to support Quilter in managing through these difficult times.

Quilter has remained focused on its strategic priorities and successfully implemented the new Consumer Duty requirements in July 2023, embedding higher and clearer standards of consumer protection across our products and services.

My arrival as the new Chief Risk Officer in April 2023 provided an opportunity to further evolve the Risk Management Framework, strengthening the links between the component parts of the framework to support a clear focus on the right risks in the most efficient and effective manner in order to prevent harm. This supports Quilter's continued drive to embed a strong risk culture within the business, becoming more data-led and evidence driven in its risk approach and analysis, and ensuring lessons are learnt when risks crystallise. A strong and embedded risk culture is vital in ensuring that Quilter's risk profile is understood across the business in order to ensure that decisions are risk-based.

Risk management framework

Quilter's Risk Management Framework has been refined to enable the development of a more data-led risk intelligence strategy that enables the firm to take a more quantitative approach to the understanding and management of risks. This supports the evaluation and management of business opportunities, uncertainties and threats in a structured and disciplined manner.



Oversight
Quilter's governance structure has been reviewed and streamlined to facilitate risk-based discussions and decisions and to ensure that effective actions are taken, removing duplication and complexity where appropriate. Quilter's risk policy framework will be reviewed in 2024 to ensure that it aligns with our revised risk taxonomy and providing staff with further clarity on how to manage key risks.

Insight
Quilter uses a combination of key risk indicators and operational risk data to measure and manage key risks in line with appetite. Risk insight and analytics help us to monitor and act upon changes to the firm's risk profile and inform risk-based decisions.

Risk management methodology

Risk identification

The Quilter plc Board have carried out a robust assessment of the principal and emerging risks facing Quilter, including those that would threaten its business model, future performance, solvency and liquidity, as well as the risks that could lead to potential harm to customers. In 2023, the Quilter Board agreed a revised set of Level 1 and underlying Level 2 risk categories which describe the key risks that Quilter is exposed to. Risk identification is carried out throughout the business, through regular reviews, and when changes to operating model, or new products and services are introduced, or a significant internal or external event is experienced, all of which is challenged and overseen by the second line.

Risk appetite

Risk appetite statements have been refreshed for the material risks that Quilter faces, which define the amount of risk the Board is willing to take in the pursuit of our strategic priorities. This risk appetite approach is applied consistently across Quilter, with Level 1 statements being supported by a series of more granular risk appetite statements and measures at Level 2. Quilter's position against risk appetite is measured on a regular basis through the monitoring of underlying key indicators and management information reported to the Board. The Board expects management to maintain controls to ensure that risk exposures remain within appetite, or where indicators show Quilter is outside of risk appetite, to put in place actions to reduce exposure to acceptable levels. Quilter's risk appetite statements for Level 1 risk categories are shown in the table on the right.

Risk analysis

All material risks are assessed to consider their likelihood of occurrence and potential impact on Quilter's business. This includes the assessment and quantification of potential harms to customers, the firm and the wider market. This analysis informs Quilter's capital and liquidity requirements through the Internal Capital Adequacy and Risk Assessment ("ICARA") and Own Risk and Solvency Assessment ("ORSA"). We perform a range of stress tests and scenarios, covering a broad range of potential events, including; market stresses, events which could damage Quilter's reputation, and operational risk events.

Assess controls

Effective controls are essential for either supporting prevention of risks, or mitigating the effects once a risk has crystallised. We assess the effectiveness of our controls through Risk and Control Self Assessments (bottom up risk maps) which are facilitated by our risk management system and challenged by the second line.

Additional actions

Where there are differences between residual risk assessment and our risk appetite and it is not possible to further mitigate the risk, we take appropriate action to either accept, transfer or avoid the risk, or will reassess the risk appetite if appropriate. Remedial action tracking is facilitated and monitored through our risk management system and is regularly monitored and reported.

Reporting

The Quilter Group Executive Risk Management Committee is the primary committee overseeing the risk profile of Quilter. This committee is chaired by the Quilter Chief Risk Officer, with representation from across Quilter. Ongoing oversight of the risk profile and of risk management arrangements is undertaken by the Board Risk Committee, with relevant matters also being considered by the Board. On a quarterly basis, the Quilter Chief Risk Officer formally reports the second line perspective on the risk profile of the firm, performance against risk appetite and perspectives on the effectiveness of management responses.

Risk appetite statements

Business strategy and performance	We aim to ensure the business pursues sustainable and responsible growth and profitability in line with strategic priorities to enhance shareholder value.
Business operation	We aim to maintain an appropriately controlled and resilient operating environment, both internally and through our critical outsourced service providers, which is proportionate to the nature, scale and complexity of our business to ensure good customer outcomes.
Technology and security	We aim to manage the availability, integrity, functionality and security of our critical business processes, supporting systems and data, both internally and where managed by third parties. We acknowledge that moderately disruptive business or technology/security events will occur but aim to minimise their impact within pre-agreed thresholds designed to protect our customers.
Customer and product proposition	We aim to avoid foreseeable harm to clients, reputational issues and financial loss through ensuring that products and services are appropriately designed and maintained. We ensure that our advice proposition and the way that products and services are distributed is aligned to their target market, suitable to customer needs and delivers good customer outcomes.
Regulatory, tax and legal	We aim to maintain appropriate relationships with our regulators, comply with all relevant rules and legislation, and adopt a proportionate approach to the interpretation of rules and guidance that reflects the intent of the rules and protects against foreseeable harm to clients, firm and wider market.
People	We aim to attract and retain sufficient competent and diverse resource which is aligned to the business strategy. We aim to foster a positive and open culture where staff feel supported and able to speak up.

Principal risks and uncertainties

During 2023, the Quilter Board approved in principle a revised set of Level 1 risk categories which describe the main areas of risk exposure for Quilter. The table below sets out this revised list of Quilter's principal risks and uncertainties throughout 2023, including Executive Committee member ownership and key mitigants being implemented by management. The risk trend noted is the overall residual risk trend (after the application of risk controls) throughout 2023.

Risk trend key

→ Stable ↘ Decreasing ↗ Increasing

Business strategy and performance	Quilter's principal revenue streams are related to the value of assets under management and, as such, Quilter is exposed to the condition of global economic markets. Geopolitical risk remains high due to ongoing conflicts in Ukraine and the Middle East. Throughout 2023, external economic conditions have remained challenging and this has impacted flows, AuMA and revenues. Quilter has continued on its transformation journey during 2023, through strategic initiatives relating to business efficiency, cost reduction and proposition enhancement. Quilter's focus is to maintain pace of strategic delivery and agility in order to continue to provide a compelling proposition in a rapidly changing industry.	**Risk owner:** Chief Executive Officer Chief Financial Officer	**Mitigation in 2023** – Continued successful cost reduction and maintenance of operating margin within target. – Initiation of Wealth and Advice transformation programmes. – Launch of the Quilter Partners initiative. **Planned and ongoing activity** – Activities to support adviser and investment manager retention. – Further enhancement of adviser and investment manager services. – Ongoing management and delivery of business transformation programmes.	**Risk trend:** →
Business operation	Operational complexity and the efficacy of controls and processes related to the day-to-day running of the business pose an inherent risk to Quilter. This includes those processes which have been outsourced to third parties and where oversight is critical for Quilter to gain assurance over activities delegated outside of its direct control. Quilter's operations provide services to customers and, as such, need to be effective and resilient to ensure that good customer outcomes are delivered and maintained. Quilter has continued to work towards simplifying its operational environment, particularly in the Affluent segment where team synergies are being harnessed to support a reduction in duplication, inconsistency and complexity.	**Risk owner:** Chief Operating Officer Chief Financial Officer	**Mitigation in 2023** – Ongoing business simplification activity. **Planned and ongoing activity** – Operational transformation programme to further align and streamline operational processes across the Affluent segment. – Stress-testing activities and development of playbooks for significant resilience events.	**Risk trend:** →
Technology and security	A stable, reliable and up-to-date technology environment underpins the delivery of our services to customers and advisers and ensures that Quilter has technical resilience proportionate to its risk appetite. Disruption to the stability and availability of Quilter's technology, or that of its third parties, could result in damaging service outages and a potential breach of impact tolerances for Quilter's Important Business Services. The risk of an information security incident is a constant and evolving risk which has the potential to impact Quilter's reputation, regulatory standing, and the services it provides to customers. During 2023, Quilter completed the technical transition of the previously divested Quilter International business, and as a result reduced the complexity of Quilter's technical estate which drives an improved outlook for this risk.	**Risk owner:** Chief Operating Officer	**Mitigation in 2023** – Transfer of legacy infrastructure following the sale of the International business. **Planned and ongoing activity** – Ongoing activity to modernise and simplify our IT estate. – Implementation of enhanced supplier management framework to ensure consistent technical and security oversight of Quilter's suppliers. – Continued improvement of Information Security controls in response to Quilter's threat analysis and an ever-changing external threat landscape.	**Risk trend:** ↘

Risk review *continued*

Customer and product proposition	Quilter's purpose is underpinned by having a suite of product propositions which drive good customer outcomes and processes in place to ensure that foreseeable harm is identified and addressed. Delivery of quality advice, including the delivery of ongoing servicing and a high level of adviser conduct and competency, is essential. A lack of robust oversight by Quilter could lead to delayed identification of unsuitable advice or products resulting in poor outcomes for customers. As such, Quilter continually looks to improve its control environment in relation to the oversight of advice and remains focused on ensuring that products and services are designed and maintained in line with the Consumer Duty.	**Risk owner:** Chief Distribution Officer Quilter Cheviot Chief Executive Officer	**Mitigation in 2023** – Defined benefit transfer advice remediation activity close to completion in compliance with the FCA published section 404 compensation scheme. – Reprice of the Quilter Platform. – Reprice of the Cirilium fund range. **Planned and ongoing activity** – Continue to strengthen financial advice processes and supporting controls. – Continued evolution of the proposition with a focus on our cash and retirement propositions.	**Risk trend:** →
Regulatory, tax and legal	Quilter is subject to conduct and prudential regulation in the UK, provided by the FCA and PRA and in the other jurisdictions in which it operates. This includes the Consumer Duty, which sets a higher standard of consumer protection in financial services. Quilter is also subject to the privacy regulations enforced by the Information Commissioner's Office and international equivalents. Quilter faces risks associated with compliance with these regulations, and changes to regulation or regulatory focus in the markets in which Quilter operates and other statutory requirements. Failure to manage regulatory, tax or legal compliance effectively could result in censure, fines or prohibitions which could impact business performance and reputation.	**Risk owner:** Chief Risk Officer Chief Financial Officer	**Mitigation in 2023** – Successful implementation of activity to meet the Consumer Duty. – Enhanced Risk Management framework. – Refreshed approach to Compliance monitoring programme. **Planned and ongoing activity** – Ongoing activity to embed compliance with the Consumer Duty. – Delivery of refreshed Compliance monitoring programme. – Ongoing regulatory engagement management and regulatory horizon scanning.	**Risk trend:** →
People	Quilter is reliant on its talent to deliver its service to customers and to drive strategic enhancements. Failure to attract and retain talented and diverse colleagues can result in impacts to Quilter's strategy and business growth. A competitive labour market and a high inflation environment has resulted in a challenging environment for staff retention during 2023.	**Risk owner:** HR Director	**Mitigation in 2023** – Review of Quilter's People Strategy 2023-2025 to ensure it remains relevant to the changing needs of the business and its employees. – Dependency and resource mapping to support strategic initiatives in order to identify and retain key capabilities. – Review of performance management process. **Planned and ongoing activity** – Ongoing talent management and succession programme. – Ongoing regular employee engagement surveys. – Ongoing staff wellbeing initiative, 'Thrive'.	**Risk trend:** →

Emerging risks

Within Quilter, we monitor risks which are less certain in terms of timescales and impacts. This assessment is carried out regularly and the emerging risk profile is subject to regular review by management committees and the Board. The identification of these risks contributes to our stress and scenario testing, feeding into our strategic planning process. The table below sets out the most significant emerging risks to Quilter.

Geopolitical landscape Conflicts and political instability impact market risk, client sentiment and therefore strategic risk.	The UK General Election is likely to be held during 2024. Whilst party policies have not yet been defined nor an election date agreed, we recognise that any change in UK Government is likely to have some impact on customers' circumstances and may therefore affect attitudes toward financial investments. Shifts in the global political landscape are also expected in the near term. While the Ukraine crisis and conflict in the Middle East continue, the global economic impacts may be increased by elections in the US, Russia, Ukraine and Taiwan.
Cyber threats Malicious attempts by individuals or organisations to access, damage or disrupt networks.	There is increased malicious cyber activity in conflict zones and around upcoming elections. The rapid growth of artificial intelligence is likely to increase the nature and sophistication of attacks.
Disruptive competition and technology New technologies and changes in the competitive landscape increase margin pressure.	The potential entrance of "big tech" firms into financial service delivery, coupled with the white labelling of platforms and the alignment of private equity firms could see competitors acquire skills and technology, accelerating their digital capabilities. This, alongside advancements in Digital/Hybrid Advice, could see new players in the already highly competitive market, having the potential to erode Quilter's market share and increase fee pressure across the value chain.
Generational shifts Ageing population and intergenerational wealth transfer changes customer expectations.	A significant proportion of UK household wealth is held by the over 45s. The likelihood of intergenerational inequality increases as this population engages in inheritance planning and institutions (employers, the State and financial service providers) transfer pensions risk to individuals. Attitudes towards wealth management are shifting, with younger generations being increasingly attracted by digital propositions and by funds with greater positive social and environmental impacts. These trends present both opportunities and threats to Quilter in the form of changing consumer demands and expectations.
Advice evolution Changes in advice market impacting margin risk.	Increased demand from younger generations for digital propositions and Digital/Hybrid advice, and the potential increase in advice accessibility as a result of the FCA consultation on Advice Guidance Boundary, presents opportunities and threats for the advice market as consumers demand more advice at lower cost. Adviser consolidation is likely to continue, given the Consumer Duty and the ageing demographic of financial advisers, provided the macroeconomic landscape is relatively stable.
Climate change Transitional and physical risks.	To avoid a climate catastrophe, global emissions must reach net-zero by 2050. The speed of this transition to a greener economy impacts certain sectors and financial stability. For Quilter's customers, this is likely to impact the desirability of investment in sectors such as coal, oil, gas and manufacturing. Opportunities exist in the shift to a greener economy. Physical climate risks continue to crystallise and are expected to become more extreme and more frequent in future, threatening the stability of the UK's infrastructure. This poses challenges to both Quilter's and its critical third parties' operations which must be considered as part of operational resilience planning.

Viability statement and going concern

Risk management and internal control

The Directors are responsible for ensuring that management maintains an effective system of risk management and internal control and for assessing its effectiveness. Such a system is designed to identify, evaluate and manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Quilter is committed to operating within a strong system of internal control that enables business to be transacted and risk taken without exposing itself to unacceptable potential losses or reputational damage. The Board's role is to set and oversee the delivery of the Group's strategy, establishing an appropriate tone from the top. The Quilter Group Governance Manual sets out the Group's approach to internal governance and establishes the mechanisms and processes by which management implements the strategy.

Quilter's principles of internal control (covering financial, operational and compliance areas) are to maintain:

- clearly defined delegated authorities;
- clearly defined lines of responsibility;
- robust recording and reporting of transactions to support the financial statements;
- financial reporting controls procedures and systems which are regularly reviewed;
- protection of assets; and
- financial crime prevention and detection.

The Risk Management Framework is overseen by the Board Risk Committee and aims to align strategy, capital, processes, people, technology and knowledge in order to evaluate and manage business opportunities and threats in a structured, disciplined manner. The Group's principal risks and uncertainties are set out on pages 39 to 40.

Further information on the Directors' review of Risk and internal control can be found on pages 65 to 67.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the prospects of the Group for a period longer than the 12 months required in the Going Concern Statement.

Quilter's Risk Appetite Framework supports the delivery of Quilter's strategy and Business Plan with risk appetite playing a central role in informing decision making across the Group.

Every year, the Board considers the longer-term viability of the Group by reviewing the three-year Business Plan, the Own Risk and Solvency Assessment ("ORSA") and the Internal Capital Adequacy and Risk Assessment ("ICARA") for the Group. The three-year plan period is considered appropriate because it aligns with the timeframe focused on for the annual strategic review exercise conducted within the business and reviewed by the Board. The Business Plan makes certain key assumptions in respect of the competitive markets and the economic and political environments in which the Group operates, the level of support provided to companies within the Group and the impact of key strategic initiatives. This year, the Business Plan assumptions have been set with due consideration of the prevailing economic and geopolitical climate, and the risks and challenges this presents to the Group. In particular, the Business Plan includes a range of downside and upside sensitivities which consider variances in equity and bond values and net flows which would impact the Group's forecast AuMA, revenue and profitability.

The first year of the Business Plan has the greatest certainty and is used to set detailed budgets across the Group. Although three years is regarded as an appropriate period for the assessment of the Group's viability, the Board also regularly considers other strategic matters that may affect the longer-term prospects of the Group. This includes the Board's assessment of the principal risks and uncertainties facing the Group in the longer term, including climate change and emerging risks, such as evolving cyber threats and disruptive competition and technology. The Board's longer-term view is that the Group will continue to grow as a wealth manager, serving clients throughout their lives encompassing their accumulation and decumulation phases.

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

The ORSA and ICARA processes include an assessment of a range of stresses and scenarios. These are performed in order to assess capital and liquidity requirements and to test the impact of severe stresses on the Group. Certain scenarios are tested at severity levels which would be expected to occur once in every 50 and once in every 200 years. These scenarios are tested in order to confirm whether the Group and underlying operating entities have sufficient capital and liquidity to meet their financial risk appetites.

Quilter has a documented recovery plan which sets out the management actions and recovery options available to manage the impacts of severe stresses.

In all the severe but plausible adverse scenarios tested, the Group had sufficient capital and liquidity after allowing for management actions. This demonstrates the Group's resilience to adverse conditions. The management actions which were assumed included the cessation of dividend payments in the most extreme scenarios, as well as actions to reduce costs, including reductions in variable compensation costs and discretionary spending, and staff recruitment freezes, similar to the tactical cost savings made during 2020.

Reverse stress tests have been performed to identify idiosyncratic and market events which would make the current plan unviable. The results of these tests indicate that the stress events which could make the current plan unviable are extreme events which would be expected to occur less frequently than once in every 200 years. Therefore, the Group can reasonably expect to have sufficient capital and liquidity to be able to meet its liabilities over the planning period.

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

The Strategic Report, on pages 1 to 43, sets out the Group's financial performance, business environment, outlook and financial management strategies. In addition, details of the Group's principal risks and risk management framework are set out on pages 37 to 41.

Viability statement and going concern *continued*

Conclusion on viability

Considering the Group's current capital and trading position, its principal risks, and the remaining three-year period of the Business Plan, with due consideration of the impact of the current economic climate, the Board has a reasonable expectation that the Company and the Group can continue in operation and meet their liabilities as they fall due over the period to 31 December 2026.

Going concern

The Directors have considered the resilience of the Group, taking into account its current financial position, the principal risks facing the business and the effectiveness of the mitigating strategies which are or will be applied. As a result, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook and has sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these consolidated financial statements, and continue to adopt the going concern basis in preparing the consolidated financial statements.

This Strategic Report was approved by the Board on 6 March 2024.

Ruth Markland

Ruth Markland
Chair
On behalf of the Board

Governance Report