Together

we invest for a better future

Standard Life Aberdeen

Annual report and accounts 2019

Key performance indicators from continuing operations[1]

Fee based revenue KPI R
£1,634m
2018: £1,868m

Investment performance[2] KPI R
60%
2018: 50%

Cost/income ratio[3] KPI R
71%
2018: 68%

IFRS profit/(loss) before tax[3] KPI
£243m
2018: (£787m)

Adjusted profit before tax[3] KPI
£584m
2018: £650m

Adjusted diluted earnings per share[3,4] KPI R
19.3p
2018: 17.8p

Full year dividend per share KPI
21.6p
2018: 21.6p

Certain measures, such as fee based revenue, cost/income ratio and adjusted profit before tax are not defined under International Financial Reporting Standards (IFRS) and are therefore termed alternative performance measures (APMs). Further details on APMs are included in Supplementary information in Section 9.

Other financial highlights

Gross inflows
Total
£86.2bn
2018: £75.2bn

Net flows
Excl. Lloyds Banking Group[5]
£17.4bn outflow
2018: £40.9bn outflow

Net flows
Total
£58.4bn outflow
2018: £40.9bn outflow

Assets under management and administration (AUMA)
£544.6bn
2018: £551.5bn

Diluted earnings per share[3,4] (including discontinued operations)
11.1p
2018: 29.1p

See page 1 for footnotes.

KPI We have revised our key performance indicators (KPIs) in 2019 to reflect our increased focus on revenue rather than flows/AUMA and also to include IFRS profit as a KPI in addition to APMs. The KPIs that we use may not be directly comparable with similarly named measures used by other companies.

See Supplementary information in Section 9 for further information.

R Metric used for executive remuneration in the proposed 2020 remuneration policy. Gross inflows and net flows were metrics under the 2019 remuneration policy but are not included in the proposed 2020 remuneration policy.

See pages 83 to 84 for more information.

Non-financial highlights

Clients and customers

2020 Defaqto ratings
- **Gold rating for service**
  Wrap, Elevate and Parmenion
- **5 star rating for bespoke portfolio management and managed portfolio service**
  Aberdeen Standard Capital

2019 Financial News Asset Management Awards
- **Asset Management Innovation of the Year**

Best performing trusts/funds of 2019
- **Standard Life UK Smaller Companies and Aberdeen Smaller Companies** (both top 10 trusts)
- **ASI UK Impact Employment Opportunities Equity fund** (top 20 fund)

People

Employee engagement survey KPI R
- **Actions in place to address feedback from 2018 survey – See page 20**

Hampton-Alexander Review 2019 – FTSE100 gender representation
- **10th position and most improved company**

Society

FTSE4Good
- **Ranked in top 4% of companies**

Dow Jones Sustainability Indices (DJSI)
- **Ranked in top 4% of companies in our sector**

Contents

The Annual report and accounts 2019 and the Strategic report and financial highlights 2019 are published on the Group's website at **www.standardlifeaberdeen.com/annualreport**

Access to the website is available outside the UK, where comparable information may be different.

Details of forward-looking statements are on page 259.

The integration of environmental, social and governance (ESG) factors is fundamental to us both operationally and within our investment process. Details of our approach to ESG are integrated throughout this report, and in our Corporate sustainability report 2019 which can be found at **www.standardlifeaberdeen.com/annualreport**

This symbol indicates further information is available within this annual report or on the Group corporate website.

Download this report from: www.standardlifeaberdeen.com/annualreport

1. Strategic report

Governance

Financial information

Other information

[1] Continuing operations excludes the UK and European insurance business which was sold to Phoenix on 31 August 2018.

[2] Percentage of AUM above benchmark over three years. Calculated on a Pro forma basis (which combines the results for Standard Life Group and Aberdeen prior to completion of the merger in 2017) and gross of fees. A full definition is included in the Glossary.

[3] The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer to the basis of preparation section of the Group financial statements.

[4] In accordance with IAS 33, earnings per share has not been restated following the share consolidation in 2018 as there was an overall corresponding change in resources. As a result of the share consolidation and share buybacks, earnings per share from continuing operations for the year ended 31 December 2019 is not directly comparable with the prior year. Refer to Note 12 of the Group financial statements for information relating to the calculation of diluted earnings per share.

[5] Net outflows excluding Lloyds Banking Group (LBG) do not include the tranche withdrawals relating to the settlement of arbitration with LBG. Refer to Note 5 of the Group financial statements.

Together

we invest for a better future

We do it to make a difference to the lives of our clients and customers, our employees, society and our shareholders

Our purpose

Together we invest for a better future.

Our strategy is to build a vibrant and value-creating purpose-led organisation, with the current and future needs of our stakeholders at the heart of all we do.

- For our clients and customers, this means building solutions to create wealth and help meet their needs
- For our employees, it means creating an environment where everyone can thrive
- For society, it means promoting positive change through how we operate and invest
- For our shareholders, it means turning opportunities into sustainable long-term returns

Our business

We meet the evolving needs of investors and savers.

We do this by building lasting relationships and developing innovative products and services. We offer:

- Active asset management to institutional, wholesale and strategic insurance clients
- Wealth management, financial planning and advice services, either directly to customers or through financial advisers

We also have significant holdings in associate and joint venture businesses: Phoenix in the UK, HDFC Life and HDFC Asset Management in India, and Heng An Standard Life in China.

Our operations

We are headquartered in Scotland and listed in London, with around 6,000 employees in over 50 locations worldwide. We have operations in global financial capitals and important regional centres, which bring us closer to our clients and customers around the world, and provide invaluable knowledge and insight to share with our people.

Employees by location

1 UK 78%

2 Europe, Middle East and Africa 6%

3 Americas 6%

4 Asia Pacific 10%

■ Countries with office locations

A business with purpose

Sir Douglas Flint

2019 was, in many respects, a pivotal year in areas of great significance for our industry and for your company. We have more clarity on a number of geopolitical uncertainties; the finalisation of the agreement by which the UK departed from the European Union; a first stage agreement between the United States and China on trade matters which brought some relief to a trade war that had escalated during 2019; and, the election of a government in the UK with a sizeable majority, unlocking the potential for clear policy choices after a period of inactivity while the UK's position on exiting the EU was settled. In financial markets, we saw smooth leadership transitions at both the European Central Bank and the Bank of England. And finally, in investment markets, the importance of Environmental, Social and Governance (ESG) considerations was elevated into mainstream cognisance as the impact of human influence on climate change was compellingly exposed. Keith talks more about the market context for our business in his review.

Together we invest for a better future

Never has it been more important to recognise the impact we can have, not just in the financial returns we can deliver for our ultimate beneficiaries, but in the influence we have with the companies in which we invest and how this can contribute to a better future for all our stakeholders. In uncertain times, we have anchored our business with a common and unifying purpose to ensure that we deliver good financial outcomes responsibly, taking into account the concerns and aspirations of all our stakeholders.

I am pleased to report that the work we have done to improve investment performance for our clients and customers has made good progress. Equally important, I am proud of the culture we are building with our people and, through all of the above, our positive role in society and the communities of which we are a vital part.

To enable us to build on where we are, we have continued our progress in transforming our organisation to ensure that we are ready to embrace the challenges and opportunities of today and tomorrow. Nowhere is this more important than contributing to the transition to a lower carbon future and, as an active manager, we take our engagement responsibilities in this regard very seriously. Already we do a great deal, but we can and will do more. We look forward to COP26, the United Nations Climate Change Conference, in Glasgow later this year, at which we hope to demonstrate leadership in the discussions as to what more the investment industry can do.

Delivering value for shareholders

Last year I highlighted three priorities for 2019. First, improve investment performance; second, progress the integration and transformation of the two businesses into a coherent forward-looking entity; and third, unlock the revenue potential of the combined business.

I am pleased to report that investment performance has shown marked improvement; Keith will cover this in more detail. As regards integration, we made solid progress and while completion will now take a bit longer and cost more to deliver, the synergy benefits targeted have also increased; this is covered in detail in the financial review. Finally, we have been investing to grow our business and further diversify sources of revenue. This includes focusing on building our capabilities and assigning resources to markets where we see the most growth potential, and in the UK bringing together the proven capabilities in our Platforms and Wealth channel.

While the net fund flow of the business is improving, market conditions and competitive pricing are constraining the revenue growth we had expected. This had a consequential negative impact on the carrying value of goodwill on the Group balance sheet and resulted in a further impairment charge. Stephanie talks more about this in the Chief Financial Officer's review.

Market conditions however were very favourable to the unlocking of value from our Indian stakes. We completed four share sales with regard to HDFC Life, no longer regarded as strategic following the sale of our UK and European insurance business in 2018. In addition, we sold 3.02% of our stake in HDFC Asset Management, progressing towards the requirement to create a minimum free float. Together these stake sales realised £1.7bn and generated a profit of £1.5bn. We returned £0.5bn during 2019 through share buybacks. This was a contributing factor to our excellent share price performance over the year, resulting in a total shareholder return of 39%.

Together with the adjusted profits in 2019, these gains also allowed us, as planned, to maintain the dividend at a constant level while the business is transformed, cost synergies are delivered, and future financial performance confirms the sustainability of the level of distribution and provides line of sight to its future growth. As a consequence of this, your Board is proposing a final dividend of 14.3p, the same amount as last year. Assuming shareholders vote to approve this at the upcoming AGM, this would give a total dividend for 2019 of 21.6p, again the same as last year.

Board activity

Since we reported in August we have announced a number of important changes as we refresh and augment the skills and experience on the Board.

We welcomed Jonathan Asquith and Cecilia Reyes to the Board in September and October respectively. Jonathan brings a wealth of experience in the asset management industry and in financial services more generally and is chairing the Remuneration Committee as well as taking on the responsibilities of Senior Independent Director. Cecilia joins us after a long and distinguished career as Chief Investment Officer and Chief Risk Officer at one of Europe's leading insurance companies.

In his roles as Senior Independent Director and Remuneration Committee Chair, Jonathan has over the past six months spent time with many of our largest institutional shareholders to understand their views on the Company. One important outcome of this is that we will be proposing a new remuneration policy in 2020, a year ahead of the usual cycle. Jonathan shares more about this, and the approach we have taken, in his introduction to the Directors' remuneration report on page 78. We will be asking you to vote on the new proposed policy at our AGM in May.

In February of this year, we announced the appointment of Brian McBride, with effect from 1 May. As we position our business for a technology driven future, his direct experience of developing digital strategies and solutions in consumer-facing businesses tackling rapidly evolving markets will be of great benefit.

Turning to our executive Board directors, at the end of December, Rod Paris stepped down from the Board as part of simplifying our governance structure; he remains Chief Investment Officer and a key member of the executive leadership team.

In October we announced that Martin Gilbert will not seek re-election at the upcoming AGM and will retire from the Group at the end of September this year. This is a significant moment of transition for our business. As I said at the time, it is impossible to overstate Martin's achievement in building Aberdeen Asset Management over 37 years from virtually nothing into a truly global and widely respected investment firm. His foresight in recognising the factors that would reshape the industry and the opportunities that could be delivered from combining with Standard Life, led to the creation of Standard Life Aberdeen in 2017. We owe him a huge debt of gratitude and accept the significant responsibility to build on his legacy.

Looking ahead

At the opening to my statement I recognised that we now have more clarity, at least in the short term, on some key issues in the last year. Unsurprisingly in these times, other issues have emerged and a level of uncertainty remains for existing geopolitical tensions, all of which deserve continuing watchful oversight.

The spread of the COVID-19 coronavirus in China and beyond has already had a significant impact and could have a material disruptive effect on trade, supply chains and international travel.

Section 172 statement

The Board recognises that the long-term success of our business is dependent on the way it works with a large number of important stakeholders. The Directors have had regard to the interests of our stakeholders (including, for example, our clients and customers, our people, society and our shareholders) while complying with their obligations to promote the success of the Company in line with section 172 of the Companies Act. The Board has discussed these obligations throughout the year, including how stakeholder engagement is incorporated into our long-term decision-making with further details provided on page 59.

The Board's decision-making considers both risk and reward in pursuit of delivering long-term value for all of our stakeholders, and protecting their interests. Awareness and understanding of the current and the potential risks to the business, including both financial and non-financial risks, are fundamental to how we manage the business. Further information on how risks are appropriately assessed, monitored, controlled and governed is provided in the Risk management section.

A key example of stakeholder activity in 2019 was the appointment of Melanie Gee as the non-executive Director for employee engagement. Strong progress has been made in this area and regular communications will continue in 2020.

You can read more about how we connect with our stakeholders in the pages that follow.

In more traditional areas of concern, it is clear that the trade and diplomatic relationship between the United States and China will remain a source of friction for some time, particularly in the technology arena.

Likewise the resetting of the UK's trading relationships with the EU and the rest of the world will create both opportunities and challenges for national economies – and investment markets will respond accordingly.

Finally, the empowering yet disruptive impacts of technological innovation and data management will change many business models faster than we have seen in the past. It is for all these reasons we invest heavily in investment research, in our own technology and in human talent to build the agile and responsive active asset management capabilities that we believe are essential to meeting the demands of all our stakeholders.

Let me close by expressing on behalf of shareholders my gratitude to all my colleagues who have worked so hard in the past year to deliver the improved investment performance and organisational change needed to position Standard Life Aberdeen well for future success.

Sir Douglas Flint
Chairman

Transforming today, investing for tomorrow

Keith Skeoch

2019 was another year of intense change for both our industry and our business. To take advantage of the undoubted opportunities that these changes bring, we continued to invest in transforming the business in order to ensure we are future fit. While there is still important work to be done, particularly on systems integration, I am pleased to report significant progress on the priorities highlighted by Sir Douglas in his report.

Investment performance improved throughout the year. We built on the work done to bring our people together and created a single executive leadership team. This has put strong foundations in place for the development of a shared culture across the business. The heavy lifting to integrate our systems is also well underway.

We started to see evidence of progress in the second half of the year as flows improved. Our progress was also recognised by the industry as we received external recognition for investment performance, the quality of our platforms, our innovation and HR practices.

We also took advantage of favourable market conditions to monetise some of the value of our listed investments in India, in order to extend our share buyback programme and improve our financial resilience.

Driving performance, delivering for clients and customers

Turning to the financial results, I am pleased with the improved momentum in the second half of the year. IFRS profit before tax from continuing operations increased to £243m (2018: loss of £787m) primarily reflecting the gains realised from the sale of shares in HDFC Life and HDFC Asset Management. Adjusted profit before tax from continuing operations of £584m was a 10% reduction on 2018, mainly due to the impact on revenue of the outflows in both 2018 and 2019.

We have seen a significant improvement in investment performance following a particularly challenging year in 2018. At the end of 2019 74%, 60% and 67% of AUM was outperforming its benchmark over one, three and five years respectively. The three-year metric reflects improved performance in Multi-asset and continued strong performance in Fixed income and Asia Pacific equities. This in turn reflects the work of the team on our process enhancement plans, which helped us review and refine our investment approach on an ongoing basis. We have also developed decision support tools and quantitative frameworks to aid portfolio construction.

It was pleasing then, at the start of 2020, to see this improvement recognised with a number of our funds featuring in Investment Week's coverage of the best performers of 2019. One of those included was our ASI UK Impact Employment Opportunities Equity fund, illustrating our long-held belief that a fund oriented towards ESG considerations does not mean a compromise on returns. Both Standard Life UK Smaller Companies and Aberdeen Smaller Companies were featured in the top ten performing investment trusts, marking an outstanding year for the team.

Our focus, of course, is on meeting the needs of our clients and customers, wherever they are in the world. To this end, as well as improving investment performance, we have maintained our commitment to innovation. We have developed and launched 36 products and 48 funds globally during the year, including our first tactical Emerging Markets Bond Fixed Maturity Product and our China OEIC and China Bond fund. We also launched new and highly innovative technology on our Wrap platform, which allows for greater client portfolio personalisation.

We have evolved our multi-channel approach to focus on four channels: Institutional, Wholesale, Strategic insurance and Platforms and Wealth. This model reflects the new shape of our business and gives a sharp focus to our activities and how we can best utilise our brands. We also work with our partners to get closer to more UK consumers. We made some significant developments in our business in the UK in 2019 including our joint venture with Virgin Money and the launch of a strategic partnership with Skipton Building Society.

Leadership, culture and strategy

Sustaining our performance, and meeting our ambitions, requires that our people are united – working together towards a common purpose with a shared culture. This starts with leadership. Over the last year we have made a significant investment in our people and have taken major steps forward in building the culture that will enable us to deliver our strategy.

I have realigned my executive leadership team to ensure we can be quick and effective in decision-making. I have also brought together a wider global leadership group, a team of our top leaders from across the organisation who hold collective responsibility for delivering our business plan. These leaders have a key role in achieving our strategy.

Our purpose is that together we invest for a better future. Importantly we do this as a single cohesive team and with the interests of all our stakeholders at the heart of our decision-making.

Given the context for our business – the pace of change, the final stages of our transformation plan and the need to align our people's focus and energy – we are continually evolving our strategy to accelerate our progress towards achieving our ambitions. Alongside our purpose, we have defined our strategic drivers, the imperatives that underline how we will deliver and move forward as a business. Our people are coming together behind this single, focused approach. Details of these strategic drivers are opposite, and on pages 32 to 33.

A transforming business

We are now over two years on from our merger, and over a year on from the sale of our UK and European insurance business to Phoenix. A great deal has been achieved over the last two years with some 700 milestones delivered as we integrated the two fund management businesses. The positive benefits were reflected in improved investment performance and flows, excluding Lloyds Banking Group, in the second half of the year. Expected cost synergies from integration and transformation have increased. However, given the increased complexity that the separation programme has added to the already challenging integration programme, the expected gross cost of delivery has also increased and the timing of the completion has lengthened. While we plan to complete the build-out of the integrated investment platform and commence migration of portfolios in 2020, migration of all portfolios will now complete in 2021.

Our plan is working but there is still more we need to do, and we will need to sustain our focus and energy on this work while also looking to the future for our business.

Not least in this programme of work is a significant project to complete the full separation of our business from the operations that transferred to Phoenix. As an important strategic partner we will continue to work closely with Phoenix, helping to grow their open book business and as their asset manager of choice.

Sustainable return for long-term shareholders

Through this period of transformation, we are focused on reshaping our cost base to match our transformed business, while also investing to build a business fit for the future. Our financial stability is supported by our strong balance sheet, including our valuable listed investments in successful third party businesses including HDFC Life, HDFC Asset Management and Phoenix.

In last year's annual report, we stated our intention to maintain our dividend at a stable level through our transformation. During this period, we have sustained the dividend, despite tough market conditions, and our shareholders have also benefited from a substantial return of capital: with £1.75bn returned over 2018/2019 through our 'B' share scheme and our on-market share buyback. In 2020, we also announced a further share buyback of up to £400m.

In 2021 we will be a very different business to what we were at the start of 2018. This will mean a sharp focus on our Asset management, Platforms and Wealth activity. For shareholders who have held our stock for ten years, this represents a total return of 162%. We believe that we are well placed to continue to reward our patient shareholders with long-term value.

Our strategic drivers

The foundations from which we deliver for all our stakeholders.

High impact intelligence

Harness our intellectual capital, emotional intelligence and data to generate best in class impact.

Enduring relationships

Deepen our understanding of customers and clients to ensure we exceed their expectations and build relationships that last.

Connections without borders

Bring the best of our business to all our markets by constantly connecting our people, capabilities and assets to deliver a seamless proposition.

Future fit

Build a strong organisation, positioned for growth and ready to anticipate and meet the challenges of tomorrow.

Read more about our strategic priorities on pages 32 to 33.

Understanding our market

2019 was unusual for financial markets, with both ‘growth’ and ‘defensive’ assets producing strong positive returns. Investors entered the year expecting rising interest rates, but rates actually fell. This, and a flood of central bank liquidity, lifted asset classes across the market.

Over 2019 we saw global equities rise over 20%, global bonds rise almost 7% and gold rise nearly 20% – a group of assets that rarely march in such close step.

It was also a year when many of the worries expressed by investors at the start of the year proved less taxing by the end. Trade wars, Brexit, a looming US recession and rising interest rates were all much discussed over the year – but all proved less troublesome to markets than many had feared.

That said, the central bank assistance was principally driven by disappointing economic data. Economies struggled to shake off the hangover from the financial crisis of 2008. So while the global economy did grow, it was at lower levels than most expected.

The rise and rise of technology stocks fuelled further significant outperformance of ‘growth’ over ‘value’ styles. Similarly, in debt markets the hunt for yield and increased risk appetite resulted in huge demand for emerging market and high yield debt compared to low or negative yielding developed market government debt.

At the start of 2020, many of these themes hold true, though we face the added challenge of dealing with the COVID-19 coronavirus and its potential impact on the world’s economy and supply chains. We continue to see weak economic growth and little inflation. Meanwhile, interest rates look set to remain at the current very low levels. In this environment, and given more stretched valuations, we can expect more moderate returns for the year ahead. It continues to be an environment where careful diversification of portfolios is likely to be rewarded.

Key global trends

Democratisation of financial risk

Changes in regulation, legislation and demographics are shifting the savings landscape. Increasingly the financial risk of long-term saving is shifting away from governments and institutions towards the individual. In recognition of this, we are scaling up our advice business, which completed two significant acquisitions during 2019. Our strategic partnerships mean we have potential access to millions of UK savers.

Innovation, technology and digitalisation

Successful innovation is a key driver of value and the next generation of savers will expect a seamless digital customer experience. In 2019, we invested in new capabilities for our award-winning adviser platforms and launched 36 products and 48 new funds. One example is our new index of hedge funds which is a pioneering product in the market and has been one of the most successful UCITS fund launches in 2019.

Rebuilding trust in financial services

The global financial crisis damaged trust, and rebuilding this trust in the industry has not been helped by some poor corporate practices. We believe the best way we can help regain this trust is investing responsibly, encouraging diversity of thought and practising what we preach in how we act. It also means a continued focus on robust governance and risk management. As an example of acting on our principles, we are offsetting our operational carbon footprint to become carbon neutral in 2020.

Slow growth, low inflation, compressed return environment

Market volatility and uncertainty will be with us for some time and will continue to drive clients’ and customers’ demand for outcome-oriented products. We are a leader in ‘new active’ investment globally. This is an area of focus for us and we have brought together our private markets franchise with our real estate team, and we continue to invest in designing innovative funds.

A rapidly changing market

Our actions over the course of 2019 ensure we are in a strong position in a global market that continues to be volatile. The pace of change remains relentless and the coming year will naturally bring its own challenges. The outbreak of the COVID-19 coronavirus brings a unique set of risks for global businesses to deal with.

We will also have to deal with the practical challenges that Brexit, and retaining regulatory equivalence, will bring as we continue to serve our valued clients in the European Union. The negotiations on a Free Trade Agreement (FTA) between the UK and EU have begun. As part of our Brexit planning we have considered a range of scenarios and put in place arrangements to mitigate any potential disruption for our customers, clients and operations. We will continue to follow developments closely and regularly review the arrangements we have in place. As a global asset manager we have extensive experience of adapting to regulatory change and working across borders.

Importantly, we now have a government with a sizeable majority. This will bring political stability but also the ability to define and deliver its own economic and social agenda beyond Brexit.

In 2019 we took further action to improve our resilience so that our business is well placed to deal with the uncertainties the constantly changing external environment brings. We continue to invest in innovation, in our culture, our investment processes, our platforms and in the way we develop new funds, alongside the transformation programme, so that we can meet changing client and customer needs as they evolve.

A positive force for change

One area of notable change in 2019 was the increased attention on ESG factors in investment. Our responsible investment capabilities are nearly 30 years in the making and our impact on the companies we hold to account is important and necessary. In 2019, we voted on issues from human rights and employment practices to single-use plastics and pesticides. The number of environmental and social resolutions we voted on in 2019 increased by 26% compared to the previous year.

One issue that has characterised the past year, probably more than any before, is the overwhelming call to action by people around the world to address the urgent crisis of climate breakdown. We cannot underestimate the role our industry has in addressing this issue. Acting alone, governments around the world will not be able to provide the investment, or the will, to decarbonise the economy. It will need large scale realignment of capital. Through engagement and our voting rights, we can have a positive influence on companies around the world.

> **We are innovating to meet our customers' and clients' needs, investing in our culture and championing positive change for society and the environment. We remain financially strong and resilient, delivering sustainable value for shareholders.**

Looking ahead

Our strong financial position, capital generation potential and focus on operational efficiency enables us to invest in the business to drive profitable revenue growth and shareholder return.

The outlook for the markets and our industry in 2020 is turbulent with the additional complexity of COVID-19. We are focused on what we can control, namely: delivering for our clients, customers, colleagues and shareholders; diversifying our revenues; investing for the future, and maintaining financial discipline. By doing this we will build a business that is fit for the future and well positioned to manage through the uncertainties ahead.

Keith Skeoch
Chief Executive

Creating and preserving stakeholder value

Sustainable stakeholder value

Our simple business model is designed to create value and deliver long-term sustainable benefits to all our stakeholders. Read more about our stakeholders on page 59.

For clients and customers

Read more:
See pages 12 to 17

We focus on delivering outcomes that truly matter to our clients and customers, and are committed to active asset management. We draw on expertise and insight from our teams around the world to deliver long-term investment performance.

Our platforms and wealth management services help us respond to increasing demand for financial advice and guidance, and provide advisers with technology to support their customers effectively.

For our people

Read more:
See pages 18 to 21

We aim to provide a market-leading proposition for our people. We have made significant steps in developing new UK terms and conditions and harmonised policies that are fair and consistent.

We are committed to investing in attracting, retaining and developing talent at every career stage and we offer development opportunities that link to our business needs.

Our aim is to understand our people's diverse perspectives and reflect their views in how we operate, through an inclusive and unifying culture.

For society

Read more:
See pages 22 to 27

We have important responsibilities to society and the environment.

Through active engagement with the companies in which we invest, we maintain constructive relationships that help us understand their risks and opportunities, and positively influence their business practices. By investing responsibly, we play a critical role in financing the transition to a low-carbon economy, limiting environmental damage, protecting human rights and promoting fair work and pay.

We apply the same principles to our own corporate practices.

For shareholders

Read more:
See pages 28 to 33

By combining diverse revenue growth from asset management, platform and wealth capabilities with a strong balance sheet and careful management of our costs, we can create sustainable shareholder value over the long term. The sale of part of our holdings in HDFC Life and HDFC Asset Management has strengthened our capital position.

We have a strong track record of returning value to shareholders which includes the payment of dividends and share buyback activity.

Our resources to create and preserve value

Client and customer relationships

We focus on relationships with our clients and customers based on mutual trust and our ability to effectively meet their needs.

We invest in products and services so that they are relevant to our clients and customers today and in the future.

High quality customer service is a key focus for our operations teams.

In addition, we have important brands that we continue to invest in.

Investment capabilities

We aim to deliver innovative solutions and achieve better long-term investment outcomes for our clients and customers, through a combination of local market knowledge and global oversight. Our capabilities span a broad range of markets, asset classes and strategies which create diversification of our services.

Talented people

Our ability to deliver for clients and customers relies on having people with the right skills and knowledge, drawn from diverse backgrounds and experiences and through encouraging a collaborative approach.

The skills and knowledge of our people cover a range of areas including planning and advice, investment management and customer service.

Financial strength

We have a strong capital position which is further supported by substantial listed investments.

We actively manage our balance sheet to ensure we hold enough capital to allow us to invest for future business growth and deliver returns to shareholders.

How we generate profits and shareholder returns

Generating revenue

Revenue is primarily generated from asset management and platform and advice fees we charge based on the value of the assets we look after for clients and customers.

Controlling costs

We control expenses and invest strategically to improve both the scalability and efficiency of our business. Our cost base has a high proportion of fixed costs and we remain focused on reducing and altering our cost base as we reshape our business to respond to the changing external environment.

Optimising the balance sheet

We ensure that we have the appropriate level of capital and liquidity to support and protect our operations while continuing to invest in our business.

Delivering profit and shareholder returns

Generating revenue and controlling costs enables us to drive our profit and cash flow that allow us to invest in our business and deliver returns to shareholders. Cash generation for our Asset management and Platforms and Wealth activity is closely aligned with profit.

We balance investing for business growth, investing in our people and continuing to provide returns to shareholders.

Together we invest for a better future means

learning from our clients and customers so we build the solutions that meet their needs

How we engage with our clients and customers

We operate across the world, building and evolving relationships with over 12,000 institutional and wholesale clients globally, and over 500,000 customers through our platforms and wealth activity in the UK.

We aim for high-quality service and targeted interactions to build enduring relationships. Our clients and customers want to engage with us in different and evolving ways. Technology is a powerful enabler, so we utilise our digital capabilities, while others prefer a personal, tailored approach.

Our annual conferences, regular events, roadshows and sponsorship activity enable us to share knowledge and gain valuable feedback, while showcasing our capabilities and enhancing our relationships.

We go beyond providing products to act as a trusted adviser. This includes sharing high-impact market intelligence from our Research Institute and our adviser clients have access to our expert technical team. Importantly, it means we can act in partnership to build bespoke solutions that meet our clients' and customers' specific requirements for today and tomorrow.

Our multi-channel approach

We offer our clients and customers investment capabilities and services through four channels:

Institutional
We are a chosen investment partner for organisations ranging from financial institutions and pension funds to local authorities and charities.

Wholesale
We support private banks, wealth managers, and financial advisers, as well as making our products available directly to their underlying customers.

Strategic insurance
We provide investment solutions to manage assets on behalf of our strategic insurance partners.

Platforms and Wealth
We provide wealth management, financial planning and advice services, both directly to customers and through financial advisers.

Long-term savings and investments in the UK

Global investment capabilities

Working with our partners

Our strategic partnerships help us reach more clients and customers globally. In the UK, this includes our partnership with Phoenix, the largest life and pensions consolidator in Europe. Through this partnership we manage money on behalf of Phoenix's customers as their asset manager of choice. We have also established a joint venture with Virgin Money – with the ambition to combine their brand, scale and retail distribution with our market-leading investment solutions and digital expertise to meet the needs of retail investors.

We are also working with Skipton Building Society and their customers now have access to a new range of MyFolio Index funds using our Focus Solutions market-leading technologies.

We also have relationships with asset managers in some of the world's largest economies. We benefit from local expertise and together we are able to help drive product innovation and generate greater insights and active opportunities for clients and customers.

Building enduring relationships

Our investment capabilities

As an active asset manager, we look for ways to deepen our understanding of clients and customers to meet and exceed their expectations, wherever they are in the world.

To do this we offer products and innovative solutions across a diverse range of asset classes.

Equities
One of the world's largest active asset managers offering wide ranging equity strategies.

World-leading global fundamental research platform, providing deep company-level insights across a comprehensive suite of equity funds.

Particular strength across developed and emerging markets.

Fixed income
One of Europe's largest fixed income managers, offering capabilities across the full spectrum of fixed income markets.

Disciplined, research-driven and team-based approach, enabling us to target repeatable outcomes for clients.

Enhanced scale and resources providing a clear information advantage across global bond markets, allowing us to identify the best investment opportunities for client portfolios.

Multi-asset
Distinct and complementary multi-asset capabilities to meet a broad range of client needs.

Multi-manager and advanced strategies that constrain and control risk.

Scale, experience and structure to harness investment insight globally.

Private markets
One of the top ten largest managers of private markets (including real estate) assets globally.

Largest real estate manager in the UK and in the top three in Europe.

Capabilities across real estate, private equity, infrastructure, private credit and real assets, helping to deliver flexible solutions to clients.

Alternatives
Full range of global hedge fund and diversification strategies across the liquidity spectrum following active and passive approaches.

Outcome-orientated portfolios that use a disciplined and proven research-driven investment process.

Highly experienced team in alternative investing supported by global research coverage.

Quantitative
Experienced team managing assets across a range of strategies: traditional passive indexation, enhanced indexation, smart beta and active quant using artificial intelligence.

One of the first long-only asset managers to offer an active quantitative approach that uses machine learning to find potential sources of returns.

Cash/Liquidity
Managing assets for a diverse base of institutional clients.

Experienced team, delivering consistent returns through market cycles.

Offering pooled and tailored solutions to meet client needs.

How we consider clients and customers in strategic decisions: bringing together private markets

We work with our clients and customers to understand what they want from us and put this at the centre of the solutions we develop. Our ability to innovate and connect our different capabilities helps us to deliver better outcomes. This is what has driven our decision to take a fully integrated approach to private markets.

As global markets evolve, we are seeing a greater number of investors shifting assets from public to private markets. Access to private markets is increasingly considered essential to diversifying investors' portfolios, in order to benefit from areas of market growth.

We have a strong heritage in a wide range of private market capabilities. In 2019 we launched an integrated private markets franchise encompassing infrastructure, natural resources, private credit, private equity and real estate.

In combining real estate with the rest of our private markets capabilities, we believe it will help us improve cohesion and collaboration – leading to improved access to growth markets globally and best-in-class performance for clients.

Scale and growth

- More than 1,000 investment professionals worldwide
- Spanning a broad range of markets, asset classes and strategies
- Deep knowledge of local markets with the power of coordinated global oversight to drive better investment outcomes
- Across a full suite of asset class capabilities, we seek to provide the solutions to our clients at all stages of their investment life cycle
- Targeted approach to growth that concentrates on the markets where we have a strong track record
- Promotion of our strong brands

Active expertise

We continue to believe that active management and engagement deliver superior outcomes for clients over the long term.

We believe in a connected team-based ethos and fundamental research delivering insights to exploit market inefficiencies.

To deliver solutions for clients and customers that focus on their desired outcomes, rather than on benchmarks, we believe that all investment approaches require active decision-making at some level. This could be through incorporating fundamental discretionary or through systematic quantitative techniques.

Preparing for Brexit

Our priority is to ensure we are in the best possible position to provide our customers and clients with continuity of service, regardless of the scope and terms of any agreement which takes effect between the UK and the EU when the transition period comes to an end on 31 December 2020.

Arrangements that we have put in place to mitigate any potential disruption include the establishment of a fully staffed and operational EU MiFID firm in Dublin and we have also expanded the activities of our Luxembourg-based management company.

Responsible investing

For over two decades, we have led the way in embedding environmental, social and governance (ESG) considerations throughout our investment activities.

We encourage collaboration across asset classes, sharing research, experiences and understanding.

Regional investment teams are further supported by our centralised ESG Investment & Stewardship team. We believe that ESG factors have a material impact on a company's long term performance.

Our research process helps us to understand how well investee companies are managing ESG risks and opportunities alongside financial metrics and then whether the market has priced them accordingly. This insight allows us to make better investment decisions, leading to better outcomes for our clients.

In 2019 we were awarded 33 'Green Stars' across the real estate funds we manage by GRESB – the global ESG benchmark for real estate and infrastructure investments. Four funds achieved Five Star status, placing them in the top 20% of their peers. Additionally, three funds achieved the highest ESG performance of their peer group.

More information about our commitment to responsible investing, and the role our company plays in supporting positive change in society, is on pages 22 to 27.

Platforms and Wealth

With changes in demographics and regulation, particularly in the UK, individuals are increasingly having to take responsibility for their savings and investments. As they do so, there is an increasing demand for advice and guidance to meet their needs. The financial adviser community has a vital support role to play.

- We provide financial advisers with intuitive technology to help them run their businesses effectively and efficiently. We innovate and develop platforms and services to keep pace with the changing lives of UK customers, and to help advisers deliver good quality advice in response. This means developing sustainable and scalable solutions that support them to meet their customers' savings goals.
- We also support customers directly to help them make informed and effective financial decisions. Through our UK-based wealth management services, we offer full financial planning and personal tax advice services to meet long-term financial goals.

"

As individuals take greater responsibility for their financial future, demand for quality support and guidance increases. We enable advisers to meet that challenge, as well as support customers directly with their planning.

Keith Skeoch, Chief Executive

Making it easier for financial advisers

The highly rated and award-winning platforms we offer in the UK provide differentiated services to suit the full range of customer needs.

To help customers with complex investment requirements, Wrap offers financial advisers one of the fullest and most flexible adviser platforms on the market. Combining technology with customer service, it enables advisers to deliver high-quality financial planning to large numbers of customers.

Elevate is a lower-cost proposition for advisers. Elevate provides advisers with the core services to deliver advice at scale, offering an extensive range of investment options from across the market.

Parmenion integrates discretionary investment management, a range of platform services and intuitive technology. It is well suited to advisers who seek to outsource investment decisions and focus on core financial planning. It is intended that Parmenion will also provide the platform to support customers through our joint venture with Virgin Money.

We focus on continually innovating and improving the functionality across our platforms, all with the intent of making them easier for advisers to use. During 2019 we made progress in a number of areas:

- We repriced our Wrap and Elevate platforms and launched our drawdown price lock on Wrap – which allows advisers to lock their customers charges at their lowest level, with customers benefiting from reduced fees throughout their retirement.
- We launched Individually Managed Accounts on the Wrap platform – a cost-effective and scalable solution that, for the first time, allows advisers to personalise investment solutions for individual customers.
- We launched Parmenion's Sterling Solution in response to demand from advisers – whose customers are looking to diversify their portfolio by investing in a low-risk solution that still has the potential for positive returns.

Leveraging the value of our strategic partnerships

When we completed the sale to Phoenix of our UK and European insurance business in 2018, we created a strategic partnership with Phoenix in respect of our activity in the UK savings market. Wrap, Elevate and 1825 are all part of the Standard Life brand, through which we already have a relationship with millions of individuals throughout the UK, and are key to this strategic partnership.

Our strategic partnership with Phoenix provides us with the potential access to up to 10 million of their customers in the UK. Under our partnership, Phoenix also uses the Standard Life brand under licence from our company.

The partnership creates the potential for us to offer these customers products and services through our Platforms and Wealth channel. These products are complementary to those provided directly by Phoenix, which are typically workplace and individual pensions. The partnership has also created the potential for revenue growth that will allow us to further invest in our capabilities, including how we innovate and develop our offering to advisers and customers.

Financial advice and planning for individuals

Our financial planning and advice activity is undertaken through 1825, which brings together experienced professionals from across the UK to help people make sound financial decisions and plan effectively for their futures.

During 2019, we completed two acquisitions that accelerated our growth plans and strengthened our UK-wide presence:

- In July, we completed the acquisition of BDO Northern Ireland's wealth management business
- In November, we completed the acquisition of the wealth advisory business of Grant Thornton UK LLP

Combined, these deals resulted in a £1.8bn increase in assets under advice to a total of £5.7bn. 1825 now has over 110 financial planners and increased reach across the UK.

We continue to see strong opportunity for growth in other areas, particularly retirement advice. We announced our digital retirement advice proposition in 2019 and we will continue to develop this in 2020.

Discretionary investment management clients

Through Aberdeen Standard Capital we provide a discretionary investment management service across the UK and internationally.

Aberdeen Standard Capital manages investment portfolios for private clients, intermediaries acting for clients, charities and trustees, who can use these services either directly or through a professional adviser.

For professional advisers, there is also a managed portfolio service, available via a variety of well-known platforms.

In 2019 we further evolved our responsible investing offering, as we launched Aberdeen Standard Capital's Global Impact Strategy and fossil-fuel-free income unconstrained strategy. These strategies invest in companies whose activities or products are designed to have a positive social and environmental impact.

Together we invest for a better future means

engaging with our people to create a business where everyone can thrive

How we engage with our people

Our people around the world are encouraged to share their views openly and honestly with our leadership team, through our 'In Conversation with' and 'Meet the Board' sessions, as well as their local and department leaders.

In the UK, our people are represented by an Employee Forum which engages with the leadership team on key decisions. Globally, our people can join one of our diverse employee networks or regional inclusion committees.

In 2019 we continued the development of our digital workplace programme. Due to launch in 2020, it represents a modern and intuitive digital interface for our people across the world. Employees' insight is central to the work which will help foster the culture of the business while providing a seamless experience for our workforce.

You can find out more about our employee engagement activities in the Directors' report on page 58.

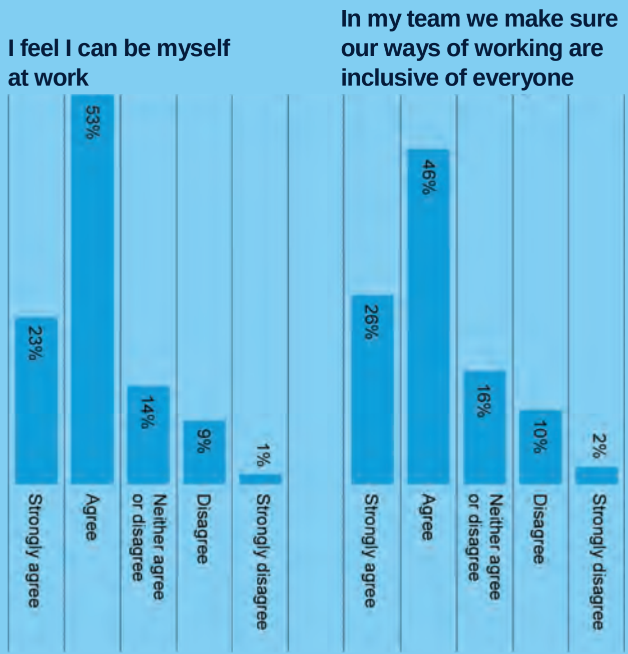
Building a workplace fit for the future

Extraordinary change in our industry means ongoing change for our people. We must ensure that how we work, our capabilities and the culture we foster are right for today, tomorrow and the future.

We recognise each of our colleagues is unique and our workforce is drawn from a variety of age groups, family circumstances and career aspirations.

Building an inclusive culture is central to how we operate and our efforts are recognised by our people. We undertook a survey in 2019 to seek views on our inclusive culture. The chart opposite shows the responses from 1,071 of our people. We will reflect their responses in our inclusion activities.

Read more about our approach to diversity and inclusion in our Corporate sustainability report, available on our website **www.standardlifeaberdeen.com/annualreport**



Leading through change and developing our people

In common with most companies, change is constant and leaders at all levels have a critical role in supporting their teams through this change.

Good leadership has great people management as its foundation. In 2019 we have made this a key focus, which we will continue in 2020.

In 2019, employees accessed 66,000 leadership, management and personal development resources.

More than 700 of our managers have benefited from workshops to help them understand what we expect from our people.

In January 2020, we also launched our new system for learning and development, providing an improved experience for our people.

Central to this new proposition is the importance we place on providing access to the training and development to succeed in our organisation.

All our people contribute to our success

Our success depends on our ability to retain and attract the right talent to drive business performance.

Our employee proposition

In 2019 we undertook significant work to develop our employment proposition in the UK, where the majority of our employees are based, that will enable our people to drive our business forward. It has been the foundation for a new, unified set of UK terms and conditions, which has also been a significant step on our journey towards full integration. We also moved all of our people onto a single HR system for the first time.

Through this piece of work we considered our employment proposition and supporting policies and how to balance our overall offer. Comparisons with our competitors helped us decide where we would choose to be market-leading.

A set of key principles underpinned the detailed development of the new UK terms and conditions and our harmonised policies. As an example it was important that they were fair and consistent, irrespective of how long someone has worked here.

We designed our proposition to support our multi-generational workforce and the upcoming generation that will take our business forward. We are leading the industry in designing a family friendly proposition that is fully inclusive and helps our people to manage their personal and professional responsibilities in a flexible way.

Our new market-leading parent policy

From 1 January 2020, all of our employees in the UK welcoming a child into their family are entitled to:

- 52 weeks' leave in total
- 40 weeks of full paid leave
- The option to take these 52 weeks as one, two or three periods of leave, during the two years following the birth or placement
- Additional paid leave if they have a pre-term baby

The policy means that the primary caregiver does not have to share their entitlement and end their leave early. The policy applies whether the mother gives birth to the baby, the baby is born via surrogacy, or if the child is adopted. All new parents are eligible, regardless of gender, family set-up or how long they have been at the company.

By equalising the opportunity to take paid leave for parents of all genders, the policy is a tangible step towards ensuring that becoming a parent does not limit their career potential.

The policy has generated positive feedback both from our people and the market. In January 2020 members of the Scottish Parliament lodged a cross-party motion congratulating us on our new parent leave policy.

Employee feedback

As we reported last year, 69% of our workforce responded to our global employee survey at the end of 2018. The engagement score was 56%.

The main themes that emerged from the survey included the need to improve how we communicate our strategy to colleagues, and how we minimise factors that can prevent people from doing their jobs as effectively as possible.

Positive feedback centred on how our managers lead through change, people feeling able to be themselves at work and our continued focus on all aspects of inclusion.

During 2019, we put actions in place to address this employee feedback. This included a focused programme of internal communications activity to engage our people on our strategy. Our next employee survey, to measure progress, is planned for later in 2020.

"Our purpose, together we invest for a better future, is the North Star for our colleagues that ensures we are truly building a one-team culture across all our businesses and geographies."

Rose Thomson, Chief HR Officer

Employee voice at the Board table

The UK Corporate Governance Code has established new requirements for Boards of UK listed companies to set out how employees' views have been considered in Board discussions and decision-making. Melanie Gee is our non-executive Director responsible for leading this work.

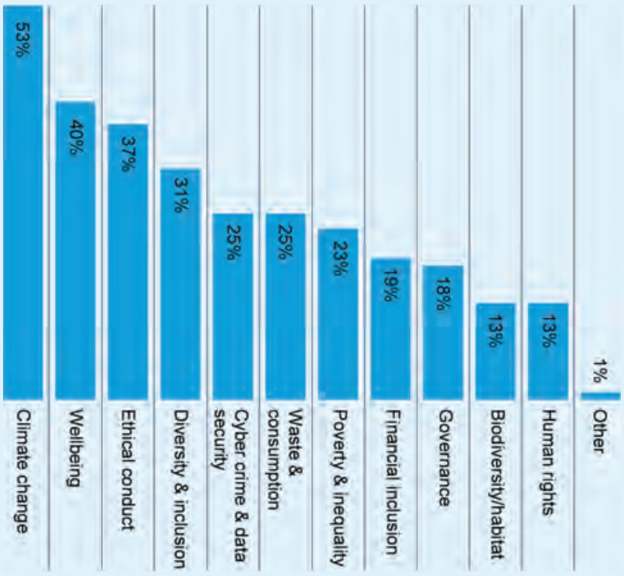
In 2019 she set up a Board Employee Engagement Group, which met twice in 2019 and will continue to meet in 2020. The group includes representatives from our UK employee forum, our global employee networks, and our HR function.

Melanie has implemented a programme of face-to-face activity with non-executive Directors, which has included 'Meet the Board' sessions in Edinburgh, London and Philadelphia.

In tandem, Melanie initiated a series of deep-dive surveys on issues of interest to employees. In 2019 we undertook two surveys focused on ESG and diversity. 1,021 employees responded to the first survey on ESG issues. Climate change came out as the most important issue for our people. You can find out about our response to climate change on page 25.

Read more about Board employee engagement on page 58.

Employees were asked which three ESG themes were most important to them in how we operate as a business



Gender representation

Balanced representation of men and women is vital to building an inclusive culture and effective business. As part of our HM Treasury Women in Finance Charter pledge, we have set targets for representation of women.

In 2019 our progress was recognised by the Hampton-Alexander Review in which we ranked tenth in the FTSE 100, up from ranking 92nd in 2018. We are pleased with this progress but we are not complacent. We know that sustaining improvement is vital.

A key driver of our gender pay and bonus gaps is the lower number of women in senior roles and the higher number of women in junior roles; and we believe progress against our senior leadership targets will result in a reduction of these gaps.

This is the second year we have disclosed a gender pay gap. Progress has been slow and this pace of change does not meet our aspirations. We are carrying out in-depth analysis to understand where we should be prioritising efforts to make a sustainable and significant change.

Hampton-Alexander Review 2019
10th position and most improved company in FTSE 100

Our Women in Finance Charter targets

Level	Women as %[1]	2020 Target (WiFC)	Change since target set (2017)
Board	**45% (5 of 11)**	**33%**	**+20%**
CEO-1 & CEO-2[2]	**36% (53 of 146)**	**33%[1]**	**+9%**
Subsidiary directors[3]	**40% (8 of 20)**	**N/A**	**N/A**
UK	**46% (2,209 of 4,846)**	**50% (+/-3%)**	**-1%**
Global	**46% (2,861 of 6,213)**	**50% (+/-3%)**	**-1%**

1 Data shown as at 7 January 2020.

2 Targets are set for our senior leadership population CEO-1 and CEO-2 (leaders one and two levels below CEO, minus administration roles).

3 Relates to Directors of the Company's principal subsidiaries as defined in the Standard Life Aberdeen plc Board Charter and not classified above as Board Directors or CEO-1 or CEO-2.

	Mean pay gap	Median pay gap	Mean bonus gap	Median bonus gap
April 2019	**39.5%**	**31.4%**	**67.1%**	**54.2%**
April 2018	39.7%	30.6%	69.1%	56.5%

Our full pay gap disclosure and more information about our work on gender equality can be found in our Gender Report **www.standardlifeaberdeen.com/annualreport**

Together we invest for a better future means

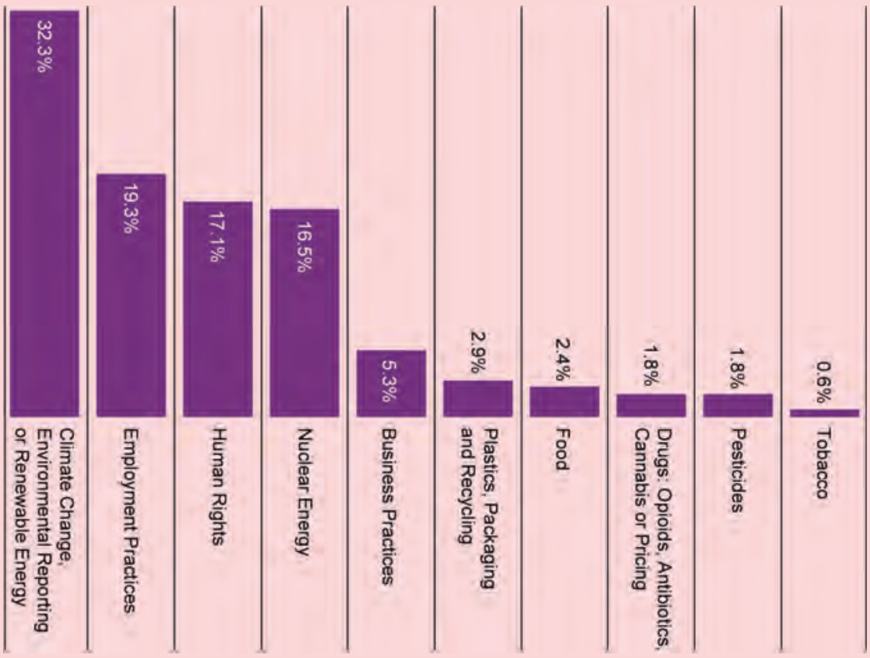
championing positive change in business and society

How we engage with society

At a time when trust in businesses remains low, and people are having to take more responsibility for their own financial futures, it is important that we engage with how today's investment choices can determine the world we live in tomorrow:

- We promote global economic development that is sustainable for the planet and society. As a signatory to the UN Global Compact, we integrate the UN Sustainable Development Goals into our business. These goals offer a clear shared vision for a better future, and a framework that helps us align to client and customer interests.
- We aim to take a lead role in addressing key societal issues, through our investment approach and innovative products and services. An example is impact investing – strategies that seek to generate attractive returns while having a measurable, positive environmental and societal impact.
- We also engage with and support communities and charitable causes – for example, by running programmes that help to promote fair employment and social inclusion
- To protect stakeholder interests, and understand material risks and opportunities we need to address, we collaborate with initiatives both within our industry and more widely
- We worked with an external organisation to gather views of our stakeholders, including our employees and charities, to review our approach to charitable giving. We also carried out a materiality survey to understand the ESG topics that are most important to our stakeholders.

Shareholder meetings 2019 – environmental and social topics we voted on



As investors, we always pay close attention to the strategy, financial resilience and management performance of the companies in which we invest. We also believe environmental and social factors have a material impact on a company's long-term performance. The number of environmental and social resolutions we voted on in 2019 increased by 26% compared to the previous year. Climate change, environmental reporting and renewable energy topics made up the highest percentage of such resolutions we voted on.

Read more about active engagement at **www.aberdeenstandard.com/responsible-investing**

Active stewards and owners

As an active steward of our customers' and clients' capital, we support the principles of good stewardship set out in the UK Stewardship Code. As part of our regular interactions with investee companies, we seek to provide constructive challenge to management and boards.

Voting at shareholder meetings represents one of our most important duties, and we cast our votes in line with our investment views. During the year we voted at 5,193 shareholder meetings, and on 58,839 resolutions.

Unlike certain passive investment strategies, where research may be limited, we review proposed resolutions and where appropriate engage with stakeholders, including proxy advisors, investee companies and the proponents of resolutions, before reaching a decision.

We conduct independent internal research to ensure we are comfortable with our voting positions rather than outsource decisions and simply follow a proxy voting service's recommendations.

Investing responsibly

Environmental, social and governance (ESG) investment focuses on active engagement, with the goal of improving the performance of assets we manage around the world.

There are numerous academic studies and research that examine the relationship between integrating ESG considerations and strong stewardship with investment performance. We believe, supported by strong evidence, that

- Long-term responsible investing is important for all investment managers in order to fulfil their fiduciary duties
- There is no trade-off in terms of financial return
- Funds with strong ESG characteristics, and effective management of material ESG risks, typically are at lower risk of suffering losses

This is consistent with our investment approach in looking to generate sustainable, consistent and positive risk-adjusted returns for clients and customers over the long term.

Active engagement

We engage actively with investee companies for two core reasons:

- To understand more about company management, which enables us to learn more about a company's strategy and performance
- To encourage best practice and drive change

Through our discussions we share insights from our experiences and knowledge across geographies and asset classes.

We expect the companies in which we invest to be good corporate citizens. Where we believe we need to encourage change we do so through constructive dialogue, engagement, voting, and other stewardship tools depending on the asset class.

In 2019, we challenged, advocated, or made recommendations to companies around the world on topics including climate change and the transition to a low carbon economy, executive remuneration, deforestation, labour practices, plastics recycling and board composition.

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Our objective is to deliver the best outcomes for our clients and customers, and that is why we make ESG considerations core to our investment approach.

Euan Stirling, Global Head of Stewardship and ESG Investment

Using our influence

To help encourage best practice where we operate, we are actively involved, directly and indirectly, in the ongoing development of policy initiatives on a broad range of topics, including stewardship, sustainable finance, ESG integration, audit quality, the audit market, gender diversity and climate change.

We participate in a number of influential committees, including the Investment Association's committees on Stewardship and on Sustainable and Responsible Investment. Through our membership of the Stewardship, Market Integrity & ESG investment standing committee – which is part of the European Fund and Asset Management Association – we take an active role in monitoring and seeking to influence European policy developments.

We seek opportunities to engage with policymakers directly by replying to calls for evidence and feedback on policy developments, and also by meeting with officials to discuss changes to policy relating to sustainable finance, ESG integration and corporate governance.

We have also been involved in several policy consultations that have provided opportunities to share information and collaborate within our industry. The purpose of these is to promote the best interests of our clients:

- In the UK, for example, we contributed to consultations in 2019 by the Department for Business, Energy & Industrial Strategy, aiming to improve quality and competition in the audit market
- We also took part in the German Regierungskommission consultation on proposed amendments to the Deutscher Corporate Governance Kodex, which proposes improvements to governance arrangements in German companies

Our approach to tackling climate change

The risks of climate change, and the implications for individuals, businesses and investors, are increasing. We believe companies should be transparent on the financial implications of climate change for their business, and set out what action they are taking.

The Taskforce on Climate-Related Financial Disclosures (TCFD) encourages company disclosure of material climate-related risks and opportunities. We are fully supportive of the recommendations and have published our first TCFD report, detailing our approach.

Governance

Our Chief Executive is the overall executive lead for our work on climate change. He delegates operational oversight to the Chief Operating Officer and investment oversight to the Chief Investment Officer. We have a working group that addresses the impact of climate change risks and opportunities on our investment activities, and another to ensure we have the governance, strategy and metrics to manage our material climate-related risks and opportunities.

Strategy

Through our operations and investments, we have a strategy to support the transition to a low-carbon future. We believe that understanding climate-related risks and opportunities leads to better investment decisions. In 2019 we published a report setting out our approach to this, titled 'Climate Change: Our approach for investments'. We also published two white papers for investors: 'Investing in a changing climate' and 'Going Green: A climate policy toolkit for investors'.

Providing climate-related research and data to understand its financial materiality is a core part of our strategy. We have developed capabilities to assess the carbon footprint across our Equity and Credit portfolios. We have also selected a specialist provider to help deepen our understanding of the financial impact of different climate change scenarios on our portfolios.

Operationally, we focus on the material areas of our carbon footprint and have long-term targets to reduce our emissions. We aim to reduce where we can, then offset what remains. We have pledged to offset our entire operational footprint in 2020 by supporting projects around the world that help to reduce carbon emissions – such as renewable energy and social impact projects.

Risk and opportunity management

We monitor risks and opportunities related to climate change and align these with the TCFD framework. For our investments, we assess the financial materiality of transition and physical risks across regions, sectors and companies. Our aim is to influence and assess which companies will perform well in a low-carbon world, so stewardship and engagement are critical.

> “ ”
>
> **Active investors have a critical role to play in accelerating the transition to a low-carbon economy. We do not have much time.**
>
> Keith Skeoch, Chief Executive

Metrics and targets

We have been measuring our operational carbon footprint since 2006. It is mostly comprised of the energy we use in our buildings and air travel, and the data is independently assured. From a baseline year of 2018, we aim to reduce emissions from our fleet of cars and from energy use in our buildings by 50% by 2030, and our energy use in Megawatt hours (MWh) by 30% by 2030. We also pledge to procure 100% renewable electricity at the offices we operate across the globe by the end of 2020.

Our total greenhouse gas emissions are down 39% in comparison to 2018. Greenhouse gas emissions from our fleet and energy use are down 32%, and energy use (MWh) is down by 33%.

Having reliable climate-related data is critical to effective investment decisions. We currently provide a carbon footprint for portfolios in Equities, Fixed income and Real estate. This helps identify carbon-intensive companies and drive corporate engagement, but has limitations as a backwards-looking measure. As of 2020 we introduced an ESG House Score for each listed company to create a consistent framework for analysing and communicating our ESG company views across our listed company investments. One quadrant of the scorecard is climate change, providing both backward (carbon footprint) and forward looking data (such as targets and projects) to assess a company's response to its climate risks.

Read more in our TCFD report, available on our website **www.standardlifeaberdeen.com/annualreport**

Operational greenhouse gas emissions – Continuing operations

		2019			2018		
		Location-based (tonnes CO_2e)[1]	**Market-based (tonnes CO_2e)[2]**	**MWh[1]**	Location-based (tonnes CO_2e)	Market-based (tonnes CO_2e)	MWh
	Scope 1	**1,784**	**1,784**	**6,420**	2,667	2,667	10,201
	Scope 2	**4,807**	**2,147**	**17,109**	7,069	4,376	24,908
	Scope 3	**13,078**	**12,870**	**–**	22,482	22,106	–
Greenhouse gas emissions	Total	**19,669**	**16,801**	**23,529**	32,218	29,149	35,109
Tonnes CO_2e/FTE ratio		**3.2**	**2.7**	**3.8**	5.2	4.7	5.7

1 2019 emissions data have been independently assured by Bureau Veritas. Bureau Veritas assurance can be found at **www.standardlifeaberdeen.com/annualreport**

2 Emissions have been calculated using renewable energy contracts, residual mix emissions factors for European sites, and grid mix emissions factors for all other sites.

Working collaboratively for a better society

We want to drive meaningful social and environmental change, but we know we cannot do this alone. Collaborating with others is key to delivering innovative solutions that address key societal issues.

We are taking direct action relating to a number of the UN's 17 Sustainable Development Goals (SDGs). SDG 17, Partnerships for the Goals, underpins everything we do as we believe collaborating with others enables greater impact. We work to understand the material risks and opportunities for our business and stakeholders, and link up with others to take targeted action – whether as part of investor groups or in multi-partner charity projects.

We believe that people have a right to equality of opportunity, for work to pay fairly, and to find routes out of poverty. Promoting fair work and inclusive employment is an area of particular focus for us, and aligns with SDG 8 – Decent Work and Economic Growth.

Living Hours

Our company is one of four organisations piloting the Living Wage Foundation's 'Living Hours' programme. Living Hours provides a new standard for ensuring more certainty over working hours, and more predictable work patterns and pay. It calls on employers to provide the right to fair notice periods, and contracts offering guaranteed minimum hours of work unless the worker requests otherwise.

Our company has also been part of the Living Wage Foundation's steering group, providing strategic guidance on this project.

Big Issue Invest

We aim to provide investment strategies that reflect society's concerns about key issues, and promote societal as well as financial returns.

We collaborate with Big Issue Invest, the social investment arm of The Big Issue, and an example of our work with them is our UK Impact Employment Opportunities Equity Fund. The fund aims to promote 'decent jobs' – stable employment, with wages that enable people to live at a socially acceptable standard, and opportunities for learning and progression – particularly in the UK's most deprived communities.

In 2019 we published the fund's first annual report assessing the impact it has made since it was launched in 2018, which highlights the positive progress the fund is making towards its societal aims. A percentage of the fund's annual management charge also goes to Big Issue Invest, to help finance social enterprises that deliver business solutions to social problems.

Read more in our Corporate sustainability report, available on our website **www.standardlifeaberdeen.com/annualreport**

Our impact through charitable giving

During 2019 we reviewed the social and environmental impact of our approach to charitable giving. Combined with data from measurement of past community investment programmes and philanthropy, we conducted stakeholder interviews and analysed activities taking place externally.

Some of our key charity partnerships in recent years have highlighted the significant value they get from our strategic support and in-kind expertise. These include:

- Career Ready and The Prince's Trust in the UK – which focus on building skills and confidence in young people, to help break down barriers to employment
- Primary school breakfast clubs in the UK and MANNA, a nutrition services provider in the USA – which help to support wellbeing and social inclusion
- AbleChildAfrica, a UK charity that works with local partners in Africa to improve the lives of children with disabilities.

Additionally, there is clear demand from our people and the public for us to do more to respond to climate and ecological breakdown. We aim to reflect the insights built up in our new social and environmental impact strategy later in 2020.

We are also committed to maintaining our charitable contribution at a consistent level, both directly and through the Standard Life Aberdeen Charitable Foundation.

£3.4m total charitable contribution in 2019 (2018: £3.2m)

17,921 total number of volunteering hours donated by our people in 2019 (2018: 15,118)

A responsible business

Global code of conduct

Our global code of conduct, which details the standards of behaviour we expect in our business, is reviewed and updated annually. All our employees are required to read, agree and adhere to the principles of the code which focuses on doing the right thing and putting our clients and customers at the heart of our business.

In 2019, 100% of employees confirmed they understand and will comply with the code. Reminders are sent to individuals who have not completed the confirmation and these are escalated through line management. A six-monthly report is presented to our Conduct and Conflicts Committee. If employees have any concerns relating to issues covered by the code such as bribery and corruption, environmental or human rights issues, we encourage them to speak to their manager in the first instance. If they feel they cannot raise their concern in this way, or wish to raise it anonymously, we provide an independent and confidential hotline that they can use.

Working with our suppliers

We aim to build effective and supportive relationships with our suppliers. Our supplier code of conduct sets out the standards and principles we require our suppliers to follow, and that we expect them to demand from their own supply chains.

We also recognise the importance of prompt payment. Our organisation has gone through significant change and bringing together two businesses has meant operating two finance systems. Whilst in general our payment turnaround times have been maintained within Prompt Payment Code requirements, for one of our entities we have fallen short of the standards we committed to. We have put actions in place to put this back on track. We are moving to one combined payment system with well-defined supplier terms. This will include a renewed commitment to our policy of prompt payment.

Modern slavery statement

We want to do all we can to help tackle human trafficking, forced labour, bonded labour and child slavery. We worked to raise awareness of modern slavery issues with a new employee training module in 2019, which was completed by 92% of employees, and we continue to encourage good practices among our suppliers and the companies in which we invest. Our 2019 statement and outcomes are published on our website, reinforcing our commitment to this important issue.

Human rights policy

Our policy summarises our approach to identifying and upholding the human rights of our people, clients and customers, community and those impacted by our suppliers, partners and the companies we invest in. As an investor, we assess the management of human rights impacts and engage when appropriate to highlight issues and promote good practice. We publish the outcomes of our ESG engagements with investee companies in a quarterly summary available on our website.

Financial crime prevention

We have a zero-tolerance approach to financial crime, bribery and corruption. Policies, frameworks and controls are in place to help ensure that we only receive or pay money to or from clients, third parties, partners and suppliers that we've identified as suitable to do business with. Mandatory annual training is held for our employees, which requires passing a test that confirms their understanding of both our policies and the part our people play. We also maintain a register for gifts and entertainment we receive or provide. Processes for reporting and reviewing breaches of our policies are in place. In 2019 we had no breaches. Further information on our approach to managing the risk of fraud and financial crime is included within the Risk management section.

Non-financial information statement

Standard Life Aberdeen aims to comply with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. This information is intended to help stakeholders better understand how we address key non-financial matters. This aligns with the work we already do in support of the Taskforce on Climate-Related Financial Disclosures, UN Global Compact and UN Sustainable Development Goals. Further details of the activities we undertake in supporting these frameworks is available in our Corporate sustainability report. Details of our principal risks and how we manage those risks are included in the Risk management section.

Reporting requirement	Relevant policies and publications	Where to find more information
Environment	Our approach to climate change	Our role in society (page 25)
Employees	Global code of conduct[1]	Our role in society (page 27)
	Gender representation	Our people (pages 19 to 21)
	Anti-bribery and corruption	Our role in society (page 27)
Human rights	Human rights policy[1]	Our role in society (page 27)
	Modern slavery statement[1]	Our role in society (page 27)
Social matters	Our impact through charitable giving	Our role in society (page 26)
	Supplier code of conduct[1]	Our role in society (page 27)
Other matters	Business model	Our stakeholders and business model (pages 10 to 11)
	Non-financial KPIs	Highlights (Inside front cover)
		Our role in society (page 25)

[1] Group policy published on our website at **www.standardlifeaberdeen.com/annualreport**

Together we invest for a better future means

creating long-term sustainable value for shareholders

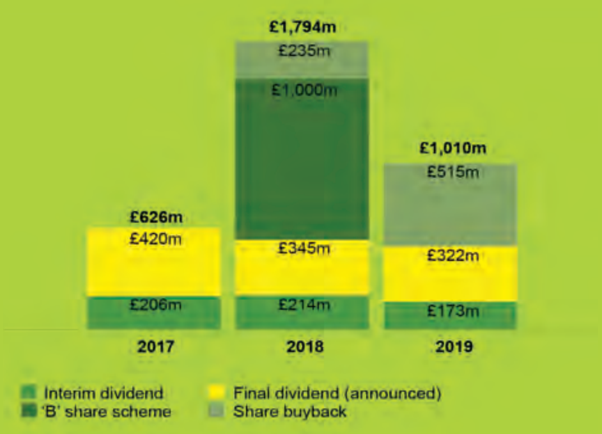
How we engage with our investors and shareholders

We have an extensive programme of investor engagement involving Directors and members of our executive leadership team. This includes meeting with institutional investors, fund managers, analysts and shareholder representative groups to discuss a wide range of topics including business strategy, financial performance, operational activities and corporate governance.

We are equally committed to the interests of our one million individual retail shareholders, engaging through a variety of channels including regular direct communications, the information that we publish on our website and a dedicated shareholder phone line.

Read more about how we engage with shareholders on page 59.

Using strength of balance sheet to create value for shareholders



"Our strong capital position has enabled us to reward shareholders through the period of transformation of the business."

As well as the payment of regular dividends, we have also returned an additional £1.75bn to shareholders during 2018 and 2019 through the 'B' share scheme and the share buyback programme. On 7 February 2020 we announced a further share buyback of up to £400m.

Read more on page 41.

The strength of our capital position and balance sheet supports ongoing investment in the business and continuing returns to shareholders

Investing in the business:

- Growing our platforms and wealth proposition
- Enhancing our investment capabilities and global coverage
- Attracting, retaining and developing talented people

Continuing returns to shareholders:

- Maintaining dividend through period of transformation
- Over £1bn returned to shareholders in 2019
- Creating strong capital surplus and distributable reserves

+162%
Total shareholder return over 10-year period to 31 December 2019 (FTSE 100: +104%)

£1.7bn
Group capital surplus

£2.3bn
Distributable reserves

Key source of further shareholder value

We have significant and valuable investments in leading companies in the UK, India and China. As well as representing substantial potential for future growth and giving insight into important markets, these investments are a source of earnings and dividends, further strengthen our balance sheet and provide a strong source of value for shareholders.

Phoenix

Holding[1]	Listed value of holding[1]
19.97%	£1.0bn

- We are asset manager of choice for Phoenix (£146bn of AUM)
- Potential for new asset management mandates from further Phoenix acquisitions
- Provides Platforms and Wealth access to up to 10m potential customers

HDFC Asset Management

Holding[1]	Listed value of holding[1]
26.90%	£1.7bn

- Leading asset manager in India, one of the world's fastest growing markets
- Potential collaboration opportunity as investor behaviours and regulations change
- Sale of 3.02% for £0.2bn in 2019 – further reduction in stake required to achieve 25% required free float by August 2021 (free float currently c20%)

Heng An Standard Life

Holding[1]	Listed value of holding[1]
50.00%	Unlisted

- Long-term strategic opportunity through exposure to the pensions market in China which is expected to grow significantly
- Approval obtained in Q1 2019 to form a pensions company
- Potential collaboration opportunity to use our investment expertise with HASL

HDFC Life

Holding[1]	Listed value of holding[1]
14.73%	£1.6bn

- Consistently ranked in top three private life insurers in India
- Sale of 14.49% for £1.5bn in 2019
- Intention to monetise holding over time – 9% of holding locked-up until end March 2021; 5.73% unrestricted

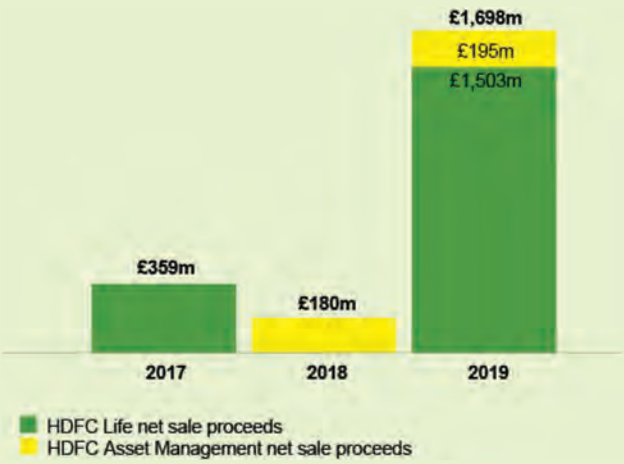
[1] As at 9 March 2020.

Realising the value of our listed investments

The successful public listings of HDFC Life in 2017 and HDFC Asset Management in 2018, resulted in greater transparency of the value of these investments.

During 2019, we reduced our stake in HDFC Life through sales totalling 14.49%, realising £1.5bn of net proceeds. We also sold a 3.02% share of HDFC Asset Management.

Over the last three years we have generated total cash proceeds of £2.2bn which allows us to invest for future business growth and deliver returns to shareholders.



Our investment case

Transforming today, investing for tomorrow

We are transforming our business and continue to invest for future growth.

We aim to:

Increase diversification into growth areas to drive overall revenue growth

Continue to reduce and alter our cost base

This will allow us to drive growth in future earnings and cash generation. Combined with our strong balance sheet, with potential for further stake sales of listed associates – supports ongoing investment in innovation, technology and our people. This is aligned with our strategic priorities for growth and to generate sustainable dividends and returns to shareholders.

Drivers of our business

We believe that we are well positioned for future growth.

Asset management

AUM[1]
£469bn

- Active asset management for institutional and wholesale clients
- Offering innovative investment solutions at scale across four regions

Platforms and Wealth

AUMA[1]
£86bn

- Advisory and platforms services for intermediaries and individuals
- Award-winning customer service across UK market

Associates and JVs

Value[2]
£4.3bn

- Strategic benefits for accessing customers
- Managed for capital realisation and efficiency on the balance sheet

1 Stated prior to eliminations.

2 Listed value as at 9 March 2020.

The foundation for long-term growth

Our strategic drivers

2019 progress

High impact intelligence

Harness our intellectual capital, emotional intelligence and data to generate best in class impact.

- Gained industry recognition for our investment capabilities, including winning Asset Management Innovation of the Year at the 2019 Financial News Asset Management Awards
- Launched innovative new technology on Wrap platform – Individually Managed Accounts
- Partnered with Asian Infrastructure Investment Bank to drive ESG investing and develop sustainable debt capital markets in emerging Asia

Enduring relationships

Deepen our understanding of customers and clients to ensure we exceed their expectations and build relationships that last.

- Developed our global ESG offering by more deeply embedding it into our proposition to meet client and customer demand
- Won industry awards across all three of our UK platforms recognising our service to clients and customers
- Lower fee based revenue in 2019 reflected continued net outflows which were impacted by investor sentiment, as well as weaker 2018 investment performance in both Equities and Multi-asset
- Established joint venture with Virgin Money, which will aim to serve UK retail customers by combining a unique mix of Virgin Money's brand, scale and retail distribution expertise with our market-leading investment solutions

Connections without borders

Bring the best of our business to all our markets by constantly connecting our people, capabilities and assets to deliver a seamless proposition.

- Significantly strengthened our private markets and real estate franchise globally
- Refreshed the 1825 visual identity to create a closer association with the valuable Standard Life brand, strengthening 1825's brand positioning in the marketplace
- Collaborated across our EMEA business to put robust arrangements in place to mitigate any impact of Brexit on our clients, customers and operations
- Heng An Standard Life was granted approval to establish and develop a pensions business in China

Future fit

Build a strong organisation, positioned for growth and ready to anticipate and meet the challenges of tomorrow.

- Achieved key integration milestones: employees are now co-located, and we are making strong progress towards one common IT platform with employees now on the same human resources and risk management systems
- Experienced delays in the integration of our investment platform due to additional complexity resulting from the separation of technology infrastructures
- Continued to expand our 1825 advice business with two further acquisitions completed in 2019
- Introduced a new price lock on the Wrap platform, an innovative approach for customers utilising income drawdown

Performance highlights	Key risks	Focus for 2020 and beyond
Investment performance KPI **1 year: 74%** 2018: 47% **3 years: 60%** 2018: 50% **5 years: 67%** 2018: 62%	1, 6	• Further expand our capabilities, including next generation fixed income, sustainable development equity funds and enhancements to our quantitative and systematic investing franchise • Develop market-leading digital capability to provide digital advice at retirement • Deliver a global, integrated investment platform
Fee based revenue KPI **£1,634m** 2018: £1,868m **Net flows** Excl. Lloyds Banking Group **£17.4bn outflow** 2018: £40.9bn outflow	1, 3, 8, 9, 11	• Optimise performance for our chosen channels: Institutional, Wholesale, Strategic insurance, Platforms and Wealth – in order to drive profitable growth • Continue to develop trusted client relationships at a local level through our investment centres worldwide • Enable the technology strategy that will deliver the digital needs of the business for engaging with clients and customers • Leverage UK strategic partnerships to grow retail business and access new customers
AUMA **£544.6bn** 2018: £551.5bn **Gross inflows** **£86.2bn** 2018: £75.2bn	1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12	• Drive accelerated growth and increase flows through combining proven capabilities in platforms and wealth channel • Continue to embed our group-wide culture and the agreed behaviours that have been collectively identified by our leaders in order to drive successful team performance • Further develop modern working practices to enhance efficiency and the work environment • Build increased connectivity between teams to enable delivery of shared strategic priorities
Cost/income ratio KPI **71%** 2018: 68% **Adjusted profit before tax** KPI **£584m** 2018: £650m **IFRS profit/(loss) before tax** KPI **£243m** 2018: (£787m)	1, 2, 4, 5, 6, 7, 10, 11, 12	• Complete integration and platform activity, and progress Phoenix separation activity to ensure that we are 'fit for growth' • Focus on operational efficiency and cost control through the implementation of our simplified global operating model • Seek further opportunities to grow and diversify our business, including by selective bolt-on acquisitions • Further improve scalability of our platforms to benefit from industry growth in this channel

Key risks

Read more about risk management on pages 44 to 48.

1 Strategic risk
2 Financial risk
3 Conduct risk
4 Regulatory and legal risk
5 Process execution and trade errors
6 People
7 Technology
8 Business resilience and continuity
9 Fraud and financial crime
10 Change management
11 Supplier risk
12 Financial management process

Focus on profitable growth and financial discipline

Stephanie Bruce

> We continue to focus on financial discipline through a period of change internally and as a result of the impact of ongoing external pressures. We have intensified our focus on profitable growth to ensure the business is fit for our future strategies.

2019 has been a busy year across the business:

- The focus on delivering value for clients has generated much improved investment performance across one, three and five-year benchmarks and we have enhanced our focus on client and customer service. These have contributed to the improving trend in the pattern of flows into and from the business.
- We are seeing growth in new services and from past investments
- We have continued to progress with the transformation activity, which incorporates both the aspects arising from the corporate transactions in 2017/18, and the development of the business in line with our strategic priorities for success in these more volatile market conditions
- We have invested in the business to support new opportunities which align to our strategic priorities, including growing our Platforms and Wealth proposition, enhancing our investment capabilities and global coverage and attracting, retaining and developing talented people
- We have realised value from our listed investments in India which has benefited our balance sheet
- We have completed the £750m share buyback programme

IFRS profit benefited from India stake sales:

We delivered IFRS profit before tax from continuing operations of £243m in 2019, an increase of £1bn from the loss of £787m in 2018. This principally reflects the gains realised from the sale of shares in HDFC Life and HDFC Asset Management of £1.5bn. In addition, the arbitration case with Lloyds Banking Group (LBG) was resolved in our favour, resulting in receipt of compensation of £140m. In 2019 there was an asset management goodwill impairment of £1,569m (2018: £880m) partly offset by a reversal of the impairment relating to our investment in Phoenix of £243m (2018: loss on impairment £228m).

Looking forward we will continue to focus on:

- Diversification of revenue streams to drive profitable growth
- Ensuring our cost base is future fit
- Capital generation to support investment in the business and shareholder returns

The following commentary provides more detail on our financial results.

Alternative performance measures

We assess our financial performance using a variety of measures. Some of these measures are defined under IFRS such as IFRS profit. Others, such as adjusted profit, are not defined under IFRS and are therefore termed alternative performance measures (APMs). APMs are used to help provide a fuller understanding of the performance of our business.

APMs should be read together with the Group's IFRS consolidated income statement, IFRS consolidated statement of financial position and IFRS consolidated statement of cash flows, which are presented in the Group financial statements section of this report. Further details on alternative performance measures including reconciliations to relevant IFRS metrics are provided in the Supplementary information in Section 9.

Key performance indicators	2019	2018
Fee based revenue	**£1,634m**	£1,868m
Investment performance – 3 years[1]	**60%**	50%
Cost/income ratio[2]	**71%**	68%
IFRS profit/(loss) before tax[2]	**£243m**	(£787m)
Adjusted profit before tax[2]	**£584m**	£650m
Adjusted diluted earnings per share[2,3]	**19.3p**	17.8p
Full year dividend per share	**21.6p**	21.6p

Other financial highlights	2019	2018
Gross inflows	**£86.2bn**	£75.2bn
Net flows		
Excluding LBG[4]	**(£17.4bn)**	(£40.9bn)
Total	**(£58.4bn)**	(£40.9bn)
Assets under management and administration	**£544.6bn**	£551.5bn
Diluted earnings per share (including discontinued operations)[2,3]	**11.1p**	29.1p

All figures are shown on a continuing operations basis unless otherwise stated.

Adjusted profit before tax of £584m is a decrease of 10% on 2018, reflecting principally the impact on revenue of the outflows in both 2018 and 2019. The fee based revenue decrease of 13% has been driven by a 19% reduction in revenue in the institutional and wholesale channels, with revenue in Platforms and Wealth channel increasing by 4%. Revenue has been adversely impacted by flows and margin, partly offset by a benefit from markets.

- Continued net outflows are disappointing, however the trend is improving. In 2019, net outflows reflect the expected LBG tranche withdrawal of £41bn. Excluding this item, net outflows reduced by 57% on 2018 to £17bn and H2 2019 net outflows of £1.5bn was an improvement of 91% on H1 2019 of £15.9bn. This trend includes the benefit of both the continued strengthening of investment performance, albeit there is a time lag until such improvements are reflected in flows, and the continued high levels of client and customer service we provide. Stronger investment performance also contributed to an increase in revenue from performance fees to £37m (2018: £9m).
- On margins, the overall average revenue yield has decreased to 27.9bps (2018: 31.1bps) which principally reflects the lower proportion of assets that we manage for our clients in Equities and Multi-asset
- Fee based revenue, particularly in relation to equities, benefited from positive market movements. The average daily MSCI World Index was 2% higher in 2019 than 2018.

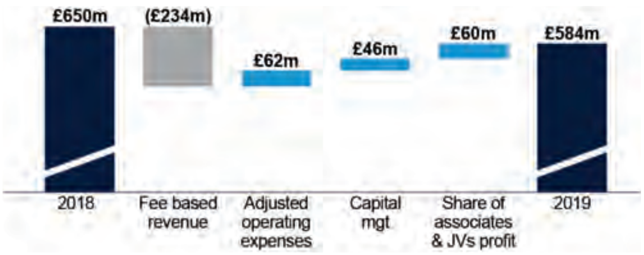
Adjusted operating expenses are 4% lower than 2018. We are undertaking a targeted cost reduction programme of which more details are provided below and also continuing to invest in the business to support future sustainable growth. However, our cost income ratio at 71% remains too high, reflecting the fact that our cost base has a high proportion of fixed costs. Our focus will continue on reducing and altering our cost base as we reshape our business in order that it is set up to take advantage of the trends impacting our industry globally.

Adjusted diluted earnings per share was 19.3p. We have continued to deliver value to shareholders through a substantial return of capital which continues to benefit earnings per share. This includes £515m returned in 2019 in respect of the previously announced £750m share buyback programme which completed in 2019. On 7 February 2020, we announced a further share buyback of up to £400m and expect that it will complete in the second half of 2020.

With the proposed final dividend of 14.3p, the full year dividend per share will be the same as 2018. This is aligned with the Board's stated intention for the period of transformation.

Adjusted profit before tax from continuing operations	2019 £m	2018 £m
Fee based revenue	**1,634**	1,868
Adjusted operating expenses	**(1,333)**	(1,395)
Adjusted operating profit	**301**	473
Capital management	**37**	(9)
Asset management associates and joint ventures	**57**	46
Asset management, Platforms and Wealth	**395**	510
Insurance associates and joint ventures	**189**	140
Adjusted profit before tax	**584**	650

Analysis of adjusted profit before tax



1 Percentage of AUM above benchmark. Calculated on a Pro forma basis and gross of fees. A full definition is included in the Glossary on page 257.

2 The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer to the basis of preparation section of the Group financial statements.

3 In accordance with IAS 33, earnings per share has not been restated following the share consolidation as there was an overall corresponding change in resources. As a result of the share consolidation and share buyback earnings per share from continuing operations for the year ended 31 December 2019 is not directly comparable with the prior year. Refer to Note 12 of the Group financial statements for information relating to the calculation of diluted earnings per share.

4 Net outflows excluding LBG do not include the tranche withdrawals relating to the settlement of arbitration with LBG. Refer to Note 5 of the Group financial statements.

Asset management, Platforms and Wealth

Reduction in revenue reflects impact of net outflows in Institutional and Wholesale. Positive impact of synergies on operating expenses.

Revenue analysis	Fee based revenue		Fee revenue yield	
	2019 £m	2018 £m	**2019 bps**	2018 bps
Institutional and Wholesale	**1,011**	1,253	**42.8**	47.9
Strategic insurance partners	**317**	347	**12.2**	13.1
Platforms and Wealth				
Wrap and Elevate	**150**	142	**25.3**	25.6
Wealth[1]	**107**	105	**48.4**	57.5
Fee revenue[2]	**1,585**	1,847	**27.9**	31.1
SL Asia	**12**	12		
Performance fees	**37**	9		
Fee based revenue	**1,634**	1,868		

1 Wealth fee revenue yield calculation excludes revenue of £13m (2018: £16m) for which there are no attributable assets.

2 Restated to include revenue and assets under advice relating to our 1825 advice business. Previously AUMA excluded assets under advice.

Fee based revenue

Institutional and Wholesale

Fee based revenue in Institutional and Wholesale reduced by 19% to £1,011m (2018: £1,253m) reflecting outflows which were concentrated in Equities and Multi-asset. The average fee revenue yield decreased to 42.8bps (2018: 47.9bps), reflecting the lower proportion of higher margin Multi-asset and Equity assets.

Performance fees, which primarily relate to Institutional and Wholesale, increased to £37m (2018: £9m) reflecting improved investment performance and included £12m in relation to maturing Real estate funds.

Strategic insurance partners

Revenue from Strategic insurance partners reduced to £317m (2018: £347m) as a result of net outflows, in particular the £41bn LBG tranche withdrawals.

Platforms and Wealth

Platforms and Wealth comprises our Wrap and Elevate platforms, our Parmenion discretionary investment management platform, our 1825 financial planning and advice business, and the Aberdeen Standard Capital discretionary investment management business. It also includes assets relating to our joint venture with Virgin Money which will utilise Parmenion platform technology.

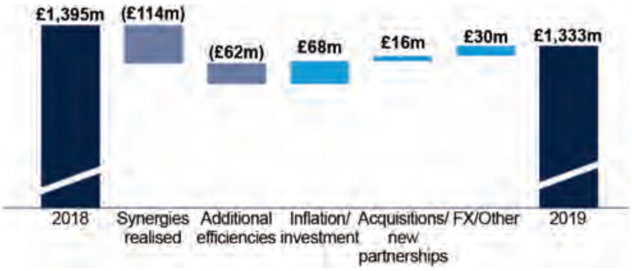
Revenue from Wrap and Elevate increased by 6% to £150m (2018: £142m) reflecting the continuing growth in our platform offering.

Wealth fee based revenue increased to £107m (2018: £105m) largely due to higher average assets. The average revenue yield decreased to 48.4bps (2018: 57.5bps), as a result of £3.5bn of lower margin assets in this channel from Virgin Money in Q1 2019.

Further information on the fee revenue yield is included in the Supplementary information section of this report.

Adjusted operating expenses

Movement in adjusted operating expenses



Adjusted operating expenses decreased by 4% to £1,333m (2018: £1,395m) mainly due to further synergies of £114m which included lower staff, premises and infrastructure costs arising through the ongoing integration process. In addition we realised further efficiencies of £62m from investing in transforming our business, from improving the efficiency of how we work and enhancing our infrastructure.

Cost inflation of £68m includes wage inflation as well as investment in enhanced capabilities. There were also £16m of higher costs following acquisitions in our 1825 advice business, acquisitions in the US and Asia during 2018 and early 2019, and expenses relating to our new partnership with Virgin Money.

The cost/income ratio, which includes our share of associates' and joint ventures' profit, was 71% (2018: 68%) reflecting principally the fall in revenue. Excluding our share of associates' and joint ventures' profit, the cost/income ratio was 82% (2018: 75%).

We remain focused on financial discipline and actions are underway to align our cost base to the current revenue outlook. This includes completion of the integration activity and modernising and improving the efficiency and scalability of our Platforms and Wealth business.

Synergies

We have made solid progress with the integration and we are advanced in implementing our simplified operating model. We now expect to deliver £400m of annual synergies, £350m by end of 2020 and an additional £50m during 2021.

However, the integration of our investment platform is proving more complex and is now expected to take until 2021 to complete due to additional complexity resulting from the separation of technology infrastructures required following the sale of our UK and European insurance business to Phoenix.

As at 31 December 2019, actions have been taken which will deliver £283m of annualised synergies, benefiting 2019 operating expenses by £234m (2018: £120m) with further benefits to come in 2020 and 2021. Cost synergies have been realised from a reduction in staff costs, rationalisation of premises, and efficiencies in supplier spend.

The related implementation costs, which are included in restructuring expenses, incurred to date are £436m, of which £214m were incurred in 2019. We expect that the total costs to deliver the £400m of annualised synergies will be £555m, compared to the previous estimate of £430m to deliver £350m of synergies, reflecting additional costs relating to the investment platform integration.

Capital management

Capital management generated a profit of £37m (2018: loss £9m) mainly due to the positive impact of markets on pooled investment fund holdings and the benefit of lower finance costs following the repurchase of £408m of subordinated debt in 2019.

Asset management associates and joint ventures

Our share of profit from asset management associates and joint ventures increased to £57m (2018: £46m) due to strong revenue growth in HDFC Asset Management.

Our percentage ownership of HDFC Asset Management at 31 December 2019 reduced to 26.91% (2018: 29.96%) due to the sale of 3.02% of the shares in December 2019 in order to increase the public shareholding towards the minimum required under Indian listing rules by August 2021. This sale generated net cash proceeds of £195m.

Insurance associates and joint ventures

	Ownership at 31 Dec 2019 %	**2019 £m**	Ownership at 31 Dec 2018 %	2018 £m
Phoenix	**19.97**	**136**	19.98	86
HDFC Life	**14.73**	**36**	29.23	42
HASL	**50.00**	**17**	50.00	12
Adjusted profit before tax		**189**		140

Adjusted profit before tax in our insurance associates and joint ventures increased by 35% to £189m (2018: £140m) mainly due to the inclusion of a full 12-month share of Phoenix adjusted profit in 2019 arising from our stake in Phoenix following the sale of our UK and European insurance business on 31 August 2018. Our share of Phoenix adjusted profit before tax included a reduced benefit from actuarial assumption changes of £30m (2018: £42m).

HDFC Life profits increased in 2019 due to strong premium growth. However, our share of profits decreased to £36m (2018: £42m) due to the reduction in our shareholding from 29.23% to 14.73%. Our combined sales of 14.49% of HDFC Life generated net cash proceeds of £1.5bn.

Our share of HASL profits increased to £17m (2018: £12m) mainly due to favourable investment returns.

Profitability

IFRS profit before tax from continuing operations increased to £243m (2018: loss £787m) mainly due to the gain on sale of shares in both HDFC Life and HDFC Asset Management.

IFRS profit	2019 £m	2018 £m
Adjusted profit before tax	**584**	650
Adjusting items	**(333)**	(1,397)
Share of associates' and joint ventures' tax expense[1]	**(8)**	(40)
Profit/(loss) before tax from continuing operations	**243**	(787)
Tax expense	**(28)**	(43)
Profit/(loss) for the year from continuing operations	**215**	(830)
Profit attributable to non-controlling interests	**(5)**	(5)
Profit/(loss) for the year from continuing operations attributable to equity shareholders of Standard Life Aberdeen plc	**210**	(835)
IFRS profit from discontinued operations	**56**	1,665
Profit for the year attributable to equity shareholders of Standard Life Aberdeen plc	**266**	830

1 2019 includes £38m (2018: £3m) relating to a tax credit on adjusting items.

Adjusting items are shown in the table below.

The profit on disposal of interests in associates of £1,542m includes £1,337m relating to the combined sales of 14.49% of the shares in HDFC Life and £204m, pre-tax, from the sale of 3.02% of the shares in HDFC Asset Management.

Restructuring and corporate transaction expenses were £407m (2018: £239m) primarily reflecting ongoing transformation costs for integration, separation from Phoenix, and implementing our simplified operating model. 2019 also included £49m relating to the repurchase of subordinated debt. Further details on restructuring and corporate transaction expenses are provided in the Supplementary information section.

The amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts increased to £1,844m (2018: £1,155m) mainly due to the £1,569m (2018: £880m) impairment of the asset management goodwill intangible asset in 2019. The impairment reflects the impact of 2019 net outflows, market conditions and competitive pricing on future revenue projections and excludes expected significant benefits from planned future expense savings. Further details are provided in Note 15 of the Group financial statements.

The reversal of impairment of associates of £243m relates to our investment in Phoenix. The Phoenix share price has recovered in 2019 and the impairment recognised in 2018 has therefore been reversed. Further details are provided in Note 16.

Investment return variances and economic assumption changes loss of £25m relates to our share of Phoenix adjusting items. Further details are provided in Note 13.

Other adjusting items of £158m include £140m relating to the settlement of arbitration with LBG. Restructuring and corporate transaction costs above include £20m of variable compensation funded from the settlement.

Analysis of adjusting items	2019 £m	2018 £m
Profit on disposal of interests in associates	**1,542**	185
Restructuring and corporate transaction expenses	**(407)**	(239)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	**(1,844)**	(1,155)
Reversal of/(loss on) impairment of associates	**243**	(228)
Investment return variances and economic assumption changes	**(25)**	54
Other	**158**	(14)
Total adjusting items from continuing operations	**(333)**	(1,397)

See pages 123 and 152 for further details on adjusted profit and reconciliation of adjusted profit to IFRS profit.

Settlement of arbitration with Lloyds Banking Group/ Scottish Widows

On 24 July 2019, the Group announced that it had agreed a final settlement with LBG in relation to the arbitration proceedings concerning LBG's attempt to terminate investment management arrangements with the Group.

We are pleased with the settlement with LBG and believe that it represents a fair and positive outcome. The retention of c£35bn of assets in our passive strategies as well as active real estate portfolios, positions us to benefit from scale and growth in these growing parts of the asset management industry. As part of the settlement we received an upfront payment of £140m. Further details are included in Note 5 of the Group financial statements.

The initial withdrawals of £41bn of the previously announced c£70bn of transferring LBG AUM were made in H2 2019. An additional c£25bn is expected to be withdrawn by the end of March 2020. The remaining tranche withdrawals are expected to be made over the following 12 months.

IFRS profit from discontinued operations

The IFRS profit from discontinued operations of £56m in 2019 reflects a change in the value of indemnities relating to the sale of the UK and European insurance business to Phoenix. 2018 included the £1,780m gain on sale of the insurance business.

The FCA announced in July 2019 that they had fined SLAL £31m for failures relating to non-advised sales of annuities. As part of the sale of SLAL we provided an indemnity to Phoenix covering this fine, and provided for an estimate of the financial impact of this indemnity in our 2018 results. As a result of this indemnity provision there was no adverse impact of the fine on our 2019 results.

Phoenix separation costs

We announced in May 2018 that we expected to incur one-off costs relating to the separation of the UK and European insurance business sold to Phoenix of approximately £250m. As this work has progressed additional complexity has been identified relating to the separation of the technology infrastructure and as a result these one-off separation costs are now expected to be £310m. Total separation costs accounted for to date amount to £170m and include £37m in 2019 (£133m in 2018).

Tax expense from continuing operations

The total IFRS tax expense attributable to the profit for the year was £28m (2018: £43m) including a credit of £41m (2018: credit £52m) relating to adjusting items. The effective tax rate on total IFRS profit is 11.5% (2018: negative 5.5%). The main factors that have caused the effective tax rate to be below the UK rate of corporation tax of 19% are:

- The gains arising from the sales of shares in HDFC Life did not give rise to taxable gains due to reliefs available under India's tax legislation and its international tax treaties, and the long-term capital gain arising from the sale of shares in HDFC Asset Management was subject to tax in India at a lower rate than the UK corporation tax rate
- The reversal of the loss on the impairment of investments in associates is not taxable and our share of profit from our associate and joint venture holdings is already included on a net of tax basis and so no further amount is included in the tax expense

These factors are partially offset by:

- Impairment losses on intangible assets are not tax deductible
- Deferred tax assets have not been recognised on tax losses in some jurisdictions in which we operate and existing deferred tax assets relating to certain overseas tax losses brought forward have been written down due to uncertainty of recovery

The tax expense attributable to adjusted profit before tax totalled £115m (2018: £138m), of which £46m (2018: £43m) represents equity holders' share of tax which is borne directly by our associates and joint ventures. The effective tax rate on adjusted profit is 19.7% (2018: 21.2%). This difference to the 19% UK rate primarily reflects the deferred tax not recognised on certain tax losses and the write down of deferred tax assets.

Total tax contribution from continuing operations

Total tax contribution is a measure of all the taxes the Group pays to and collects on behalf of governments in the territories in which we operate. Our total tax contribution for continuing business was £526m (2018: £538m). Of the total £211m (2018: £218m) was borne by Standard Life Aberdeen whilst £315m (2018: £320m) represents tax collected by us on behalf of the tax authorities. Taxes borne by the Group mainly consist of corporation tax, employer's national insurance contributions and irrecoverable VAT. The taxes collected figure is mainly comprised of pay-as-you-earn deductions from employee payroll payments, employee's national insurance contributions, VAT collected and income tax collected on behalf of HMRC on platform pensions business.

Tax policy

Understanding tax risk, how to manage it, and how it impacts all our stakeholders are important elements of running our business responsibly and as a responsible business we recognise the contribution the taxes we pay and collect make to wider society. The tax environment is also dynamic and to ensure we meet our responsibilities we employ an in-house tax team to oversee the tax affairs of the Group and have a tax risk management policy that is approved annually by the Board.

You can read our tax strategy on our website
www.standardlifeaberdeen.com/annualreport

Investment performance

Investment performance over three years improved in 2019 to 60% (2018: 50%).

% of AUM ahead of benchmark[1]

	1 year		3 years		5 years	
	2019	2018	**2019**	2018	**2019**	2018
Equities	**59**	40	**31**	31	**31**	29
Fixed income	**83**	50	**86**	76	**72**	64
Multi-asset	**68**	20	**46**	35	**61**	62
Alternatives	**89**	77	**98**	82	**100**	79
Real estate	**39**	71	**48**	56	**36**	61
Quantitative	**44**	69	**52**	59	**58**	67
Cash/Liquidity	**91**	81	**88**	81	**88**	82
Total	**74**	47	**60**	50	**67**	62

1 Investment performance excludes non-discretionary portfolios and funds, where no applicable index is available. Includes strategic insurance partners.

Our investment teams have a continuous improvement philosophy, with the initiatives identified over the past two years supporting the improved investment outcomes across a range of strategies.

Three-year investment performance improved in 2019, with 60% (2018: 50%) of total assets under management ahead of benchmark on a gross of fees basis. This reflects improved investment performance within Multi-asset, in particular in absolute return strategies such as GARS, and strong performances for Fixed income, Cash/Liquidity and Alternatives. This was partly offset by weaker performance in Real estate and Quantitatives.

Weaker three-year performance continued in most Equity classes, although strong performance continued in Asia Pacific equities. Shorter-term equity performance over one year improved in most Equity classes with Emerging markets equities particularly strong. A number of capabilities such as Smaller Companies and European Long-Term Quality equities have maintained strong performance resulting in top decile ranking relative to peers.

We are encouraged by additional strategies receiving positive ratings from investment consultants, bringing the total to 46 strategies. The new ratings were in liability driven investments, Alternatives/Private markets and Fixed income.

The investment performance calculation covers 79% of total AUM, with certain assets excluded where no applicable index is available, such as private markets and Aberdeen Standard Capital funds. Further details about the calculation of investment performance are included in the Glossary.

Assets under management and administration and net flows

AUMA at £545bn is lower than 2018 (£552bn) due to redemptions, including LBG tranche withdrawals of £41bn, partly offset by increased gross inflows and positive market movements. Net outflows continued but slowed to £17bn excluding LBG tranche withdrawals.

	Gross inflows		Net flows	
	2019 £bn	2018 £bn	**2019 £bn**	2018 £bn
Institutional	**27.1**	19.3	**(14.2)**	(27.7)
Wholesale	**20.2**	18.4	**(7.3)**	(12.1)
Strategic insurance partners (Excluding LBG tranche withdrawals[1])	**26.9**	28.6	**(3.4)**	(5.5)
Platforms and Wealth				
Wrap and Elevate	**7.0**	8.5	**2.3**	4.2
Wealth	**7.1**	2.7	**4.7**	0.4
Eliminations	**(2.1)**	(2.3)	**0.5**	(0.2)
Total (Excluding LBG tranche withdrawals[1])	**86.2**	75.2	**(17.4)**	(40.9)
LBG tranche withdrawals[1]	**–**	–	**(41.0)**	–
Total	**86.2**	75.2	**(58.4)**	(40.9)

1 Net outflows excluding Lloyds Banking Group (LBG) do not include the tranche withdrawals relating to the settlement of arbitration with LBG. Refer to Note 5 of the Group financial statements.

Gross and net flows

Institutional and Wholesale

Institutional gross inflows improved significantly in 2019 to £27.1bn (2018: £19.3bn) with a higher level of inflows in Quantitatives, Fixed income and Alternatives, which benefited from a win of £5.5bn in Q4 of a lower margin US advisory mandate. Wholesale gross inflows increased to £20.2bn (2018: £18.4bn).

Net outflows continued reflecting investor sentiment towards emerging markets and equity markets more generally, as well as weaker 2018 investment performance in both Equities and Multi-asset. However, net outflows for Institutional and Wholesale significantly reduced to £21.5bn (2018: £39.8bn) due to lower redemptions in Equities and Multi-asset, strong Cash/Liquidity flows and the higher gross inflows described above.

Multi-asset redemptions were dominated by GARS, despite the significant improvement in investment performance, with GARS net outflows of £10.6bn (2018: £16.7bn) reducing GARS AUM in Institutional and Wholesale channels to £10.6bn (2018: £19.9bn).

Strategic insurance partners

Gross inflows of £26.9bn (2018: £28.6bn) continued to benefit from additional assets from our strategic partnership with Phoenix and included £10.6bn (2018: £8.5bn) from LBG. Net outflows were £3.4bn (2018: £5.5bn) reflecting redemptions from maturing insurance business in long-term run-off, partly offset by the gross inflows.

Tranche withdrawals of LBG funds were £41bn (£27bn in Q3 2019 and £14bn in Q4 2019).

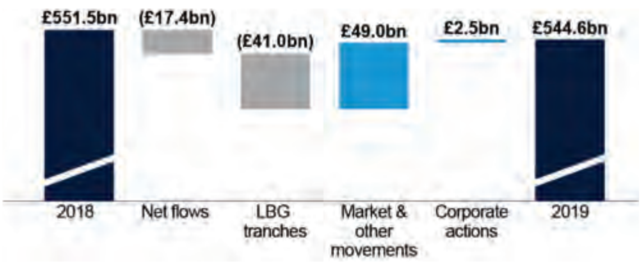
Platforms and Wealth

Net inflows continued on Wrap and Elevate at £2.3bn (2018: £4.2bn). This is an encouraging level of inflows given the weak market sentiment caused by the political uncertainty in the UK during 2019, as well as a further reduction in defined benefit to defined contribution transfers. Wealth had strong net inflows of £4.7bn (2018: £0.4bn) including £3.5bn from Virgin Money in H1 2019.

Further information on AUMA and net flows are included in the Supplementary information section of this report.

AUMA

Movement in AUMA



For 2019, we changed our definition of AUMA to include assets under advice as we continue to build scale in the 1825 business. Opening assets under advice of £4.0bn are included within market and other movements in the chart above.

AUMA has benefited from positive market movements supported by robust investment performance, primarily within Equities and Multi-asset.

Corporate actions include £1.8bn of assets under advice following 1825's acquisition of Grant Thornton's wealth advisory business and BDO Northern Ireland's wealth management business. These acquisitions increase Wealth assets and help to drive forward our advice capability in alignment with the strategic ambitions for our financial planning and advice business in the UK.

AUMA	**2019 £bn**	2018 £bn
Institutional	**160.6**	166.7
Wholesale	**72.4**	72.5
Strategic insurance partners	**235.8**	255.0
Platforms and Wealth		
Wrap and Elevate	**62.6**	54.2
Wealth	**23.4**	10.9
Eliminations	**(10.2)**	(7.8)
Total AUMA	**544.6**	551.5

Financial strength and liquidity

Strong balance sheet and capital generation to support investment and shareholder returns.

Shareholder equity

IFRS equity attributable to equity holders of Standard Life Aberdeen plc decreased to £6.6bn (2018: £7.4bn) mainly due to distributions to shareholders including the return of capital. This was partly offset by profitability in the year which included the gain on sale of shares in both HDFC Life and HDFC Asset Management.

Intangible assets of £1.7bn (2018: £3.4bn) primarily relate to goodwill, customer relationships, technology and brands from acquired businesses. The reduction in intangibles is due to the impairment of asset management goodwill of £1.6bn, further details are provided in Note 15 of the Group financial statements.

The principal defined benefit staff pension scheme, which is closed to future accrual, continues to have a significant surplus of £1.1bn (2018: £1.1bn). Further details are provided in Note 34.

Subordinated liabilities reduced to £0.7bn (2018: £1.1bn) reflecting the repurchase of debt in March 2019. Further details are provided in Note 33.

We hold £275m (2018: £179m) in newly established investment vehicles which the Group has seeded and co-investments of £84m (2018: £37m). The Group sets limits for investing in seed capital and co-investment activity and regularly monitors exposures arising from these investments. Additional detail is provided in Note 38.

Surplus regulatory capital

Capital resources comprise shareholders' equity reduced by a number of deductions (including deductions for intangible assets, defined benefit pension plan surpluses and significant investments in certain associates). Under regulatory rules, the vast majority of the value of our shareholdings in listed associates is not recognised in capital resources. At 31 December 2019, the indicative regulatory capital position was as follows:

CRD IV Group regulatory capital position	2019 £bn	2018 £bn
Common Equity Tier 1 capital resources	**2.2**	1.1
Tier 2 capital resources	**0.6**	0.6
Total capital resources	**2.8**	1.7
Total capital requirements	**(1.1)**	(1.1)
Surplus regulatory capital	**1.7**	0.6

The £1.7bn capital surplus above includes a deduction to allow for the proposed final dividend in 2019 which will be paid in May 2020. Capital resources includes c£0.3bn from holdings in insurance associates and JVs that will no longer be eligible following changes to the capital regime during 2021. The position is also shown before a deduction for the further share buyback of up to £400m announced in February 2020.

Note 46 of the Group financial statements of this report includes a reconciliation between IFRS equity and surplus regulatory capital and also details of our capital management policies.

Capital generation

Our strong capital position supports ongoing investment in the business and delivering shareholder returns.

Adjusted capital generation

This measure aims to show how adjusted profit contributes to regulatory capital, and therefore provides insight into our ability to generate capital to support the payment of dividends to shareholders. As explained further in Section 9, Supplementary information, adjusted capital generation is a new APM that we are reporting for the first time.

Adjusted capital generation	2019 £m	2018 £m
Adjusted profit after tax	**469**	512
Remove staff pension scheme returns	**(29)**	(21)
Remove associates' and joint ventures' adjusted profit after tax	**(200)**	(143)
Add associates' and joint ventures' dividends received	**93**	47
Adjusted capital generation	**333**	395

Adjusted capital generation reduced to £333m (2018: £395m) as a result of the lower revenue in 2019. The increase in dividends was primarily due to holding our Phoenix associate for a full year.

Net movement in surplus regulatory capital

In addition to the adjusted capital generation, significant capital was generated in 2019 through the £1.7bn of proceeds from the sale of shares in HDFC Life and HDFC Asset Management.

The primary uses of capital in 2019 related to £0.5bn for the payment of the interim and final dividends to shareholders and £0.4bn for funding the remainder of the £750m share buyback programme which commenced in 2018.

Analysis of movements in surplus regulatory capital	2019 £bn
Opening 1 January	**0.6**
Adjusted capital generation	**0.3**
HDFC Life and HDFC Asset Management sale proceeds	**1.7**
Restructuring and corporate transaction expenses (net of tax)	**(0.3)**
Dividends	**(0.5)**
Remainder of £750m share buyback programme	**(0.4)**
Other	**0.3**
Closing 31 December	**1.7**

Liquidity management

Cash and liquid resources

Cash and liquid resources were £2.7bn at 31 December 2019 (2018: £2.6bn) which includes cash and cash equivalents of £1.3bn (2018: £0.9bn), short-term debt securities (Certificates of Deposit) of £0.9bn (2018: £1.2bn), bonds of £0.3bn (2018: £0.3bn) and holdings in pooled investment funds of £0.2bn (2018: £0.2bn). Of these cash and liquid resources £1.4bn were held in the Standard Life Aberdeen plc holding company (2018: £1.3bn).

Net cash inflows

Following the sale of the UK and European insurance business in 2018, the IFRS consolidated statement of cash flows now presents a shareholder view of cash generation, and therefore the Group no longer reports adjusted cash generation as an alternative performance measure. Further details are provided in Section 9, Supplementary information.

Net cash inflows from operating activities were £201m which includes outflows from restructuring costs, net of tax, of £242m and the LBG settlement inflow, net of tax, of £113m.

Cash inflows from investing activities of £1.8bn includes proceeds of £1.7bn from the sale of shares in HDFC Life and HDFC Asset Management.

Cash outflows from financing activities of £1.6bn primarily relate to the repayment of subordinated debt of £0.5bn, the purchase of shares as part of the buyback programme of £0.5bn and £0.5bn for dividends paid in the year.

Shareholder return

Total shareholder return (TSR)

TSR represents the total return to shareholders in a period and includes share price growth and the reinvestment of dividends. The TSR was 39%, 5% and 162% over one-year, five-years and ten-years respectively.

Earnings per share[1]

Adjusted diluted earnings per share was 19.3p and diluted earnings per share from continuing operations was 8.8p. This reflects our focus on financial discipline and a 22% reduction in our share count arising from the £1.75bn capital return to shareholders via the 'B' share scheme and related share consolidation, and share buyback programme.

Dividends

Dividend policy

Management actions, in terms of improving underlying profitability and reducing the share count, are designed to deliver a level of dividend that is sustainable and progressive over the medium term. As disclosed in last year's Annual report and accounts, it is the Board's current intention that the total annual dividend per share will be held at the 2018 level of 21.6p while the business is transformed, cost synergies are delivered and future financial performance confirms the sustainability of this level of distribution and provides line of sight to its future growth.

Proposed dividend

The Board is recommending a final dividend for 2019 of 14.3p (2018: 14.3p) per share. Subject to shareholder approval, this will be paid on 19 May 2020 to shareholders on the register at close of business on 3 April 2020.

The dividend payment is expected to be £322m. At 31 December 2019 Standard Life Aberdeen plc held £1.4bn of cash and liquid resources and £2.3bn of distributable reserves, which will be used to support the dividend.

The final dividend, combined with the 2019 interim dividend of 7.3p, brings the total dividend for the year to 21.6p. Adjusted capital generation for 2019 was £333m, with a further £1,698m of capital generated from HDFC stake sales.

How the dividend is funded

External dividends are funded from the cumulative dividend income that Standard Life Aberdeen plc receives from its subsidiaries and associates. To provide some protection against fluctuations in these dividends, Standard Life Aberdeen plc holds a buffer of distributable cash and liquid resources. The need to hold appropriate regulatory capital is the primary restriction on the Group's ability to pay dividends. Further information on the principal risks and uncertainties that may affect the business and therefore dividends is provided in the Risk management section of this Strategic report.

Return of capital

The general meeting on 25 June 2018 approved a return of capital of £1bn via a 'B' share scheme, and a return of up to £750m by a share buyback programme. The 'B' share scheme return took place in November 2018 and the £750m share buyback was completed in December 2019. A total of 273m shares have been repurchased in 2018 and 2019 at an average price of £2.75 per share.

Following the sale of shares in HDFC Asset Management in December 2019, we announced that we intended to undertake a further share buyback programme. On 7 February 2020 we announced a further share buyback of up to £400m and expect that it will complete in the second half of 2020.

Dividend per share paid by the Company

1 In accordance with IAS 33, earnings per share have not been restated following the share consolidation as there was an overall corresponding change in resources. As a result of the share consolidation and share buyback earnings per share from continuing operations for the year ended 31 December 2019 is not directly comparable with the prior year. Refer to Note 12 of the Group financial statements for information relating to the calculation of diluted earnings per share.

Viability statement

In accordance with the UK Corporate Governance Code, the Directors have carried out a robust assessment of the key risks facing the Group in considering the Group's viability and longer-term prospects. This assessment is based on information known today.

Viability

We consider that three years is an appropriate period for this viability assessment as this is in line with our business planning horizon and the period over which strategic actions such as the launch of new investment propositions are typically delivered.

The key processes used by the Board to assess viability are set out below.

The business planning process includes the projection of Group profitability, regulatory capital and liquidity over a three year period, under a range of scenarios. The most severe economic scenario assumes a significant global recession in 2020 with a sharp fall in global equity markets of around 45% before recovering by 15% in 2021 and by 15% in 2022; bond yields fall and remain at lower levels throughout the forecast period. Viability was not threatened under any of the scenarios explored.

Stress testing and scenario analysis looks at the key risk exposures of the business and the financial resilience of the business to severe, and in some cases extreme, individual and combined stresses. We explored a broad range of stresses that could adversely impact future profitability, capital and liquidity including:

- Individual stresses applied to fixed interest, equity and property market values, reduction in bps fees and increased costs
- Combined stress scenarios considering severe economic conditions, poor fund performance, adverse flows, a spike in operational errors, integration/ separation/ transformation stalling and pressure on fees

The most onerous scenario incorporated the severe economic scenario with flows being 20% worse than experienced in 2018 and transformation stalling resulting in transformation costs increasing by 50% and the cost-savings anticipated from this activity being deferred by 12 months.

Whilst capital was eroded and liquidity fell under all scenarios, the strength and quality of our capital base and the diverse range of management actions available mean that the Group is able to withstand these extreme stresses and remain viable. The range of possible management actions that are available includes reducing costs, deferring project expenditure, realising the value of our holdings in joint ventures and listed associates, and reducing dividends.

Reverse stress testing gives a quantitative and qualitative understanding of extreme but plausible risk scenarios which could threaten business model viability.

In 2019 we explored three scenarios which were:

- A market shock with adverse impacts on our joint ventures and listed associates: this work highlighted that viability was only threatened under a specific set of assumptions and the likelihood of this scenario occurring was considered very remote.
- A significant breakdown in the SLA-Phoenix relationship: this work highlighted that, in the event of a breakdown in the relationship, SLA's viability was not expected to be threatened over the short to medium-term as a result of any commercial impacts; the work also highlighted the importance of actions being taken to reduce the operational reliance on Phoenix for certain outsourced services.
- The outage of a key payment mechanism: SLA's viability was considered most at risk from a prolonged outage impacting one or more of SLA's significant customer / client segments or SLA's main corporate banking counterparty. Mitigants are in place to reduce this risk including contingency plans to respond to short-term outages and controls around the use of outsourced service providers.

Developments relating to reverse stress tests performed in previous years were also reassessed to support the Board in their assessment of viability.

Reverse stress tests are, by their very nature, intended to explore scenarios that could potentially threaten viability. However, the remoteness of the scenarios reviewed and the mitigants that are in place mean the viability assessment is supported and no qualification is considered necessary.

Assessment of viability

The Directors confirm that they have a reasonable expectation that Standard Life Aberdeen will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Longer-term prospects

The Directors have determined that three years is an appropriate period over which to assess prospects. In addition to aligning with our business planning horizon this reflects the timescale over which changes to major regulations and the external landscape affecting our business typically take place.

The Group's prospects are primarily assessed through the strategic and business planning process which considers our business model and how this is designed to be sustainable and resilient in the long term as described on pages 10 to 11 and 13 to 17 of this report.

The Directors' assessment of prospects also takes into account:

- The Group's strong surplus regulatory capital, as set out on page 41
- The substantial holdings of Group cash and liquid resources as set out on page 42
- The Group's holdings in listed associates as set out on page 30

Assessment of prospects

Based on the above, the Directors consider the Group's focus on operational and strategic delivery, including the completion of transformation activity, will deliver the environment, capability and focus to grow revenue sources and manage the cost base. The Group's financial position and business model are considered to support the assumptions within the business plan regarding maintaining a strong capital position and the dividend policy described on the previous page.

Strong risk management focused on delivering the right outcomes

Our approach to risk management

A strong risk and compliance culture flows from our strategic drivers and behaviours and is fundamental to how we manage the business. Effective risk-based decision-making is essential to the delivery of the right outcomes for our clients, customers and all our stakeholders. Ultimate accountability for risk management rests with the Board who oversee the effectiveness of the Enterprise Risk Management (ERM) framework.

Three lines of defence

We operate 'three lines of defence' in the management of risk so that there are clearly defined roles and responsibilities within our ERM framework:

- **First line:** Day-to-day risk management, including identification and mitigation of risks and maintaining appropriate controls
- **Second line:** Risk oversight is provided by the Risk and Compliance function which reports to the Chief Risk Officer
- **Third line:** Independent verification of the adequacy and effectiveness of our risk and control management systems is provided by our Internal audit function under the direction of the Chief Internal Auditor

Enterprise Risk Management framework

As part of our corporate transformation, we have continued to strengthen the ERM framework and embed it in the activities of our business. This ensures that the framework keeps pace with industry standards and is appropriate for the risk profile of the business.

During 2019, key improvements to the ERM framework included:

- Streamlining the policy framework to support the management of risk in all locations
- Completing the roll-out of our risk system, Shield, so that it can be used by all our people
- Strengthening our risk appetite framework by introducing new risk tolerances to support governance and risk management
- Extending and refining our risk taxonomy to support better articulation and discussion of the risks
- Continuing the programme to refresh risk-control self-assessments across our global functions
- Implementing a single internal capital adequacy assessment process across Standard Life Aberdeen
- Extending the Senior Manager and Certification Regime across all of our UK regulated subsidiaries, including training and support for our senior managers and certified staff

Business risk environment

Our commercial risk profile improved in 2019. Investment performance strengthened in contrast to a particularly challenging year in 2018. Gross inflows strengthened across a range of asset classes. However, net flows have remained negative and revenue margins across the industry continue to be under pressure.

We have strengthened our capital and liquidity positions while also returning capital to our shareholders through our buyback programme.

In the near-term, operational stretch continues to exist as work is progressing to transform the business. It is proving complex to undertake the separation activity and associated consequences and will require further cost to do so. Ongoing actions are in place to retain talent and support staff engagement. We have undertaken careful resource planning with executive ownership and accountability for delivery of our transformation programmes, alongside delivery of our business as usual activities.

Following the ratification of the EU/UK Withdrawal Agreement in January, the Brexit process has entered a transition period up to 31 December 2020. We will closely monitor developments in relation to the negotiations for the UK's future relationship with the EU and actively engage with industry groups such as the Investment Association. This phase of Brexit presents the prospect of further political and commercial uncertainty in the UK.

We maintain a heightened level of vigilance to risks to our operations from cyber intrusion. Dedicated teams of internal experts, augmented by external expert input, help to ensure we actively manage this continually evolving risk.

We are managing the impact of COVID-19 coronavirus, utilising business continuity and resilience processes where appropriate. Its spread could begin to materially impact the global economy and delivery of our business plan. Our joint venture in China, HASL, is similarly managing its operations given its exposure to risks impacting the wider Chinese market.

We continue to strengthen our conduct risk framework and ensure that we bring the interests of our clients and customers to every conversation.

We are committed to managing our direct impact on climate change and are very mindful of the positive influence we can have as a global active fund manager, for example, to encourage positive change by companies in which we choose to invest. You can read more about our approach to tackling climate change on page 25.

Emerging risks

We are vigilant to emerging risks which could impact our strategy and operations. Many of these have geopolitical, economic, societal, technological, legal/regulation and environmental themes. We draw on internal experts and external specialist reports to build a picture of how these risks could crystallise in the future and inform our approach to addressing them. Specifically, emerging risks include availability of talent in our future workplace, new cyber threats, disruptive technologies, unprecedented market shifts and climate change.

Our principal risks and uncertainties

The specific risks we face as a business are driven by what we choose to do and how we do it, as well as the wider environment in which we operate. We group these under 12 principal risks which form the basis of our detailed risk taxonomy. This sets the framework for assessing, monitoring, controlling and governing the risks of the business. Our principal and emerging risks were subject to robust assessment by the Board and the principal risks are described in the following pages.

1 Strategic risk ◄ ►

Risks to our business

Those risks which threaten the achievement of the strategy through failing to meet customer/client expectations, poor strategic decision-making, implementation or response to changing circumstances.

Our strategy is to build a vibrant and value-creating purpose-led organisation, with the current and future needs of our stakeholders at the heart of what we do. We build solutions for our customers and clients to create wealth and help meet their needs. We have strategic holding in associates and joint venture businesses in the UK, India and China that generate value for our shareholders. Performance failure in any of these strategic activities may have short-term and/or long-term financial impacts.

How has this risk evolved in 2019

The Chief Executive's review (pages 6-9) outlines how this risk has evolved across the drivers of investment performance, flows, ESG (climate risk in particular), Brexit and geopolitical uncertainty more generally.

Our approach to managing these risks

- The Chief Executive (supported by the executive leadership team) is responsible for the development and promotion of our strategy and the monitoring of its progress and success
- Regular assessments of the business plan are performed
- Brexit planning has refocused to consider the operational impacts of the outcome of UK/EU negotiations in advance of the end of the transition period
- Actively involved with ESG from an investment and operating perspective and the TCFD (page 25)
- Representation on the boards of our associates and joint ventures as well as wider business engagement

Strategic drivers

High impact intelligence

Enduring relationships

Connections without borders

Future fit

2 Financial risk ▼

Risks to our business

The risk that we have insufficient financial resources or suffer loss from adverse markets or the failure/default of counterparties.

Our business is exposed to the overall level of revenue margins on our investment mandates, platforms and wealth services as well as inflows and outflows throughout the year and global markets. Financial discipline is required to manage our cost base and align it to our revenue outlook to manage our overall financial efficiency. Our capital and liquidity positions are directly impacted by our profitability.

How has this risk evolved in 2019

The cost/income ratio has risen due to falls in revenue which have only been partially offset by reductions in our costs. The loss of the LBG mandates was compensated by a one-off gain arising from the settlement with LBG. Targeted disposals of shares in our Indian associates generated value that strengthens our capital base and increases strategic optionality for the future.

Our approach to managing these risks

- Capital is held against our risks and we review these risks on an ongoing basis
- In light of the ongoing transformation activities, we remain vigilant to opportunities to generate further cost efficiencies
- Stress testing assesses our financial resilience to market risk, operational risk and business risk
- We maintain external liquidity facilities as part of a wider liquidity management framework
- Management of fees and costs in relation to our proposition

Strategic driver

Future fit

3 Conduct risk ◄ ►

Risks to our business

The risk that through our behaviours, strategies, decisions and actions we fail to meet customer/client expectations, and/or deliver unfair outcomes, and/or have poor market conduct.

Our business relies on our ability to ensure fair client and customer outcomes. Failure to achieve these outcomes poses significant reputational damage and likely financial losses for our business.

How has this risk evolved in 2019

Our conduct risk framework was strengthened during 2019 and our conduct risk metrics have been stable throughout the year.

Our approach to managing these risks

- A Global Code of Conduct which is applicable for all of our people
- Mandatory training modules embed a strong conduct culture across our business
- Conduct embedded within our Enterprise Risk Management Committee, Client Committee and Conduct & Conflicts Committee to ensure we are meeting our commitments
- Regular conduct risk agenda items at the Risk and Capital Committee

Strategic drivers

Enduring relationships

Connections without borders

Trends

▲ Increase

◄ ► Stable

▼ Decrease

Link to strategic priorities

High impact intelligence

Enduring relationships

Connections without boarders

Future Fit

4 Regulatory and legal risk

Risks to our business

The risk of regulatory or legal sanction, reputational damage or financial consequences as a result of a failure to comply with, or adequately allow for changes in, all applicable laws and legislation, contractual requirements or regulations in any of the countries in which we operate.

As part of a highly regulated global industry, we work with a number of different regulators and legal systems. The high volume of regulatory change continues and this often presents interpretation and implementation challenges and hence risk of non-compliance.

How has this risk evolved in 2019

Delivery of certain regulatory projects was challenged by tight implementation deadlines.

The complexity of MiFID II highlighted some prior implementation challenges which needed to be remediated.

Our approach to managing these risks

- Legal team support for our senior management in relevant areas across our business
- Scanning of the regulatory horizon to ensure we engage early in any areas of potential regulatory change
- Open and transparent relationships with our key regulators to support trust and clarity in terms of their expectations

Strategic drivers

Connections without borders

Future fit

Operational risks (5-12)

5 Process execution and trade errors

Risks to our business

The risk that people, processes, systems or external events impede our ability to meet our strategic objectives.

Risks arising from process execution and trade errors are inherent in our business and we seek to minimise the incidence and impact of these through our controls and management actions. Our transformation programme will deliver simpler and more reliable processes, however while this programme is being implemented this principal risk will be elevated.

How has this risk evolved in 2019

While there has been a rise in risk events that warrant investigation and remediation, this has not led to any material adverse impact on our customers or clients, or breached our risk appetite. Outages of important systems were successfully dealt with through our incident management processes.

Our approach to managing these risks

- Monitoring underlying causes of operational errors with a view to identify commonalities that require action
- Strengthening our three lines of defence by promoting greater accountability and awareness of risks and improving processes to address risk issues
- Well-established incident management processes for dealing with system outages that impact important processes that might cause harm to customers or clients
- Continued improvements to key components of our ERM framework

Strategic drivers

Connections without borders

Future fit

6 People

Risks to our business

The risk that resources and employment practices do not align with our strategic objectives.

We are a people business and the engagement of our people is critical to the implementation of our business plan, our strategy and the overall success of the business.

How has this risk evolved in 2019

The ongoing transformation programme and industry environment continued to place extensive demands on our people. Involuntary turnover remained stable in 2019 and well within acceptable business levels.

Our approach to managing these risks

- Significant progress in 2019 in building stronger staff cohesion and commenced the roll-out of refreshed values and purpose, improving communication and harmonising UK employees' terms and conditions
- Promoting stability, engagement and diversity in our workforce
- Actively seek to be a leading employer with a strong employer proposition

Strategic drivers

High impact intelligence

Connections without borders

Future fit

7 Technology ▲

Risks to our business	Our approach to managing these risks	Strategic drivers
The risk of the failure of technology systems to adapt to changing business needs and from unwanted actions of unauthorised users including through cyber-attacks. Our current IT estate is complex and will remain so until separation from Phoenix is complete. Our dependence on third party outsource firms also adds a level of risk that needs to be managed in a dedicated way. Our business is exposed to a wide range of threats which can impact its resilience and continuity, e.g. weather events, internal failure, external intrusion or supplier failure. **How has this risk evolved in 2019** Separation of our technology infrastructure is proving more complex than anticipated. This is covered in more detail in the Chief Financial Officer's overview on page 37.	• Ongoing benchmarking of our IT systems environment to identify areas for improvement • Regular penetration testing and crisis management exercises • Ongoing programme of investment and improvements in enhancing and developing controls in IT infrastructure • Outsourcing some critical IT processes to Cognizant with a view to enabling these services to be delivered and developed by a specialist third party	Connections without borders Future fit

8 Business resilience and continuity ◀ ▶

Risks to our business	Our approach to managing these risks	Strategic drivers
The risk of business interruptions from a range of internal and external incidents or threats including environmental and climatic issues, terrorism, economic instabilities, pandemic and operational incidents. Our business is exposed to a wide range of threats which can impact its resilience and continuity. **How has this risk evolved in 2019** During 2019, the risk of internally-generated disruption remained broadly stable however, the risks from external parties especially cyber intruders increased as tools for exploiting IT vulnerabilities became more widely available. Concerns around Brexit-related supplier disruption abated as 2019 progressed.	• Enhancing our operational resilience framework to strengthen our responses to disruptions • Business continuity and contingency planning processes which are regularly reviewed and tested • Operating workplace recovery locations to allow key functions to continue servicing clients and customers • Managing the impact of COVID-19 coronavirus, utilising business continuity and resilience processes where appropriate	Enduring relationships Connections without borders

9 Fraud and financial crime ◀ ▶

Risks to our business	Our approach to managing these risks	Strategic drivers
The risk of fraudulent and dishonest activities. As a business, we handle clients' and customers' money which exposes us to the risk of fraud. We also engage with a wide number of external parties and we have to be vigilant to the risk that these parties are connected with criminal behaviour or are subject to sanctions by national or global authorities. **How has this risk evolved in 2019** We continue to experience very low levels of fraud and have sound processes in place to identify customer and client activity linked with financial crime globally.	• Controls covering anti-money laundering, anti-bribery, fraud and other areas of financial crime • Continued investment in systems and process to improve our monitoring of fraud and financial crime risks • Global Code of Conduct and Policy Framework providing our people with minimum standards and drives our culture	Enduring relationships Connections without borders

10 Change management ◀ ▶

Risks to our business	Our approach to managing these risks	Strategic drivers
The risks of failure in the management of strategic and operational change initiatives. This risk is a function of implementing strategies for effecting change, controlling change and helping staff to adapt to change. We have a significant change programme arising from the ongoing integration of legacy systems and the decoupling of IT systems from Phoenix. **How has this risk evolved in 2019** The complexity of this work has led to some delay and to increased budget forecasts for the change programme. We are closely managing the potential impact of the IR35 tax change on our contractor population.	• Central management of major change projects with clear governance processes and consolidation of our change workload • Defined roles for second and third lines in overseeing the progress of change activities • Actively managing risks around IT contractors arising from IR35	Connections without borders Future fit

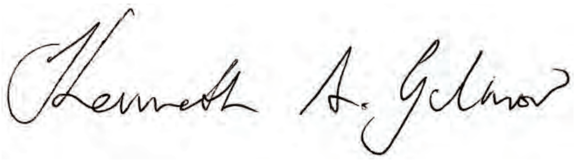
11 Supplier risk

Risks to our business	Our approach to managing these risks	Strategic drivers
The risk that suppliers fail to deliver products/services in accordance with their contractual obligations. Outsourcing of key activities to firms with specialist capabilities is part of our strategy. We remain responsible for the delivery of activities by these firms and continue to streamline the delivery of these services so as to reduce complexity. Increased outsourcing brings with it an increased risk associated with the failure of that supplier to deliver the service required of them. **How has this risk evolved in 2019** Cognizant became a key supplier of IT support services in 2019. We actively engaged with our key suppliers in relation to their Brexit preparations throughout 2019 so as to mitigate the impact of disruption to their services were a no-deal Brexit to arise. We are closely monitoring the negotiations between the UK and EU during the transition period.	• Strong relationships with our external providers to ensure we understand the risks that they pose to our operations and reputation • Maintaining close oversight of our key suppliers and their impact on the risk profile of the business • Improvements to our operational resilience framework include actions to better manage the risks from our suppliers	Enduring relationships Connections without borders Future fit

12 Financial management process

Risks to our business	Our approach to managing these risks	Strategic drivers
The risk of the failure of financial planning processes. Sound and reliable financial reporting is critical to informing how the business is performing and for future planning. It is also essential for the disclosures that we provide to external stakeholders. Failures in these processes have the potential to result in sub-optimal decisions being taken by our business and our shareholders. **How has this risk evolved in 2019** This risk was broadly stable throughout 2019 however delays were experienced with the payment of invoices in respect of some subsidiaries during 2019 which required remedial action.	• Financial reporting is aligned to external reporting standards and industry best practices • Our Audit Committee challenges reporting as part of financial planning and control processes • The second line challenges our business plan to support decision-making • Transformation of the Finance function is ongoing	Connections without borders Future fit

Pages 2 to 49 constitute the Strategic report which was approved by the Board and signed off on its behalf by:



Kenneth A Gilmour
Company Secretary,

Standard Life Aberdeen plc (SC286832)

10 March 2020

Governance

Contents

2. Board of Directors

Our business is overseen by our Board of Directors. Biographical details (and shareholdings) of the Directors as at 9 March 2020 are listed below.

Sir Douglas Flint CBE – Chairman

Appointed to the Board	Age
November 2018	64
Nationality	**Shares**
British	89,024
Board committees:	NC

Sir Douglas' wide-ranging international and financial experience is an important asset to the business as it delivers against its strategy. His strong track record of board leadership as a chairman helps to facilitate open and constructive boardroom discussion.

Previously, Sir Douglas served as chairman of HSBC Holdings plc from 2010 to 2017. For 15 years prior to this he was HSBC's group finance director, joining from KPMG where he was a partner. Between 2005 and 2011 he also served as a non-executive director of BP plc.

In other current roles, Sir Douglas is chairman of IP Group plc, and serves as HM Treasury's special envoy to China's Belt and Road Initiative.

Additionally, he is chairman of the Just Finance Foundation, non-executive director of the Centre for Policy Studies, member of the global advisory council of Motive Partners and board member of the Institute of International Finance. He also chairs the Corporate Board of Cancer Research UK and is a trustee of the Royal Marsden Cancer Charity.

He holds a BAcc (Hons) from the University of Glasgow, a PMD from Harvard Business School and is a Member of the Institute of Chartered Accountants of Scotland.

Keith Skeoch – Chief Executive

Appointed to the Board	Age
May 2006	63
Nationality	**Shares**
British	2,615,458*

Keith joined the business in 1999 as Chief Investment Officer of Standard Life Investments, before becoming Chief Executive of that division in 2004. In 2015 he was appointed Chief Executive of Standard Life plc, and led the merger with Aberdeen Asset Management in 2017. He was named as sole Chief Executive in 2019. He has accountability for the day-to-day running of the business, and leads its integration and transformation activities.

Keith started his career in 1979 at the Government Economic Service. He moved into financial services in 1980 and became chief economist with James Capel (HSBC Securities from 1996), where he was latterly managing director of international equities.

Keith holds a BA from the University of Sussex and an MA from the University of Warwick. In recognition of his wider contribution to the financial services industry, particularly his work in response to the global financial crisis, he has been awarded honorary doctorates from the University of Sussex and Teesside University. For services to the economics profession, he has been named a Fellow of the Society of Business Economists.

He is deputy chair of the Investment Association, and assumes the role of chair on 1 May 2020. He is also a board member of the Financial Reporting Council and a trustee of the Edinburgh International Festival.

Stephanie Bruce – Chief Financial Officer

Appointed to the Board	Age
June 2019	51
Nationality	**Shares**
British	Nil

Stephanie was appointed Chief Financial Officer on joining the Board in June 2019. She is a highly experienced financial services practitioner with significant sector knowledge, both technical and commercial. She brings experience of working with boards and management teams of financial institutions in respect of financial and commercial management, reporting, risk and control frameworks and regulatory requirements.

Before joining Standard Life Aberdeen, Stephanie was a partner at PwC, a member of the Assurance Executive and led the financial services assurance practice. She joined Price Waterhouse in 1990, qualified as a chartered accountant in 1993 and joined the PwC partnership in 2002.

During her career, she has specialised in the financial services sector, working with organisations across asset management, insurance and banking, with national and international operations.

Stephanie is a council member of the Institute of Chartered Accountants of Scotland and the chair of the audit committee for the Institute. Stephanie is also an associate of the Association of Corporate Treasurers.

She holds a Bachelor of Laws (LLB) from the University of Edinburgh.

Key to Board committees

- R Remuneration Committee
- RC Risk and Capital Committee
- A Audit Committee
- NC Nomination and Governance Committee
- Committee Chair

* Shares include qualifying awards as described on page 88 of the Directors' remuneration report 2019.

Martin Gilbert –
Vice Chairman Standard Life Aberdeen and Chairman Aberdeen Standard Investments

Appointed to the Board	Age
August 2017	64
Nationality	**Shares**
British	1,010,016*

Martin brings significant entrepreneurial and executive leadership experience, with a particular focus on global client engagement and business development. He is co-founder and former chief executive of Aberdeen Asset Management and was a director from 1983. In March 2019 he was appointed Vice Chairman, Standard Life Aberdeen and Chairman, Aberdeen Standard Investments.

Martin is a non-executive director and senior independent director of Glencore plc, and non-executive chairman of the online bank Revolut. He is a member of the Monetary Authority of Singapore's international advisory panel and the BritishAmerican Business international advisory board. From January 2016 to October 2018 he was deputy chairman of Sky PLC having joined the board in 2011.

A chartered accountant, Martin holds an MA in Accounting and a Bachelor of Laws (LL.B) from the University of Aberdeen. He is Adjunct Professor of Finance at Imperial College Business School and, in 2014 he was awarded a Doctorate of Letters from Heriot-Watt University. Martin also has two honorary degrees for services to business and entrepreneurship from University of Aberdeen and Robert Gordon University.

In October 2019 Martin advised that he will not seek re-election at the Standard Life Aberdeen 2020 Annual General Meeting, and will retire from the Company on 30 September 2020.

Jonathan Asquith –
Non-executive Director and Senior Independent Director

Appointed to the Board	Age
September 2019	63
Nationality	**Shares**
British	20,000
Board committees:	R NC

Jonathan has considerable experience as a non-executive director within the investment management and wealth industry. This brings important insight to his roles as Senior Independent Director and Chair of our Remuneration Committee.

Jonathan is deputy chairman and senior independent director of 3i Group plc and non-executive director of CiCap Limited (Coller Capital), Northill Capital Services Limited and Northill UK Management Holdings Limited. Previously, he has been chairman of Citigroup Global Markets Limited, Citibank International Limited, Dexion Capital PLC and AXA Investment Managers. He has also been a director of Ashmore Group plc and AXA UK PLC.

In his executive career Jonathan worked at Morgan Grenfell for 18 years, rising to become group finance director of Morgan Grenfell Group, before going on to take the roles of chief financial officer and chief operating officer at Deutsche Morgan Grenfell. From 2002 to 2008 he was a director of Schroders, during which time he was chief financial officer and later executive vice chairman.

He holds an MA from the University of Cambridge.

John Devine –
Non-executive Director

Appointed to the Board	Age
July 2016	61
Nationality	**Shares**
British	28,399
Board committees:	A NC R RC

John's previous roles in asset management, his experience in the US and Asia and his background in operations and technology, are all areas of importance to our strategy. John's experience is important to the Board's discussions of financial reporting and risk management, and in his role as Chairman of our Audit Committee.

John was appointed a Director of Standard Life plc in July 2016. From April 2015 until August 2016, he was non-executive Chairman of Standard Life Investments (Holdings) Limited.

He is non-executive chairman of Credit Suisse International, Credit Suisse Securities (Europe) Limited and a non-executive director of Citco Custody Limited and Citco Custody (UK) Limited.

From 2008 to 2010, John was chief operating officer of Threadneedle Asset Management Limited. Prior to this, he held a number of senior executive positions at Merrill Lynch in London, New York, Tokyo and Hong Kong.

He holds a BA (Hons) from Preston Polytechnic and is a Fellow of the Chartered Institute of Public Finance and Accounting.

Melanie Gee – Non-executive Director

Appointed to the Board	Age
November 2015	58
Nationality	**Shares**
British	67,500
Board committees:	NC RC A

Melanie brings to the Board significant executive experience in creating successful businesses and leading teams of bankers in various roles. This experience was derived from her career in financial services, where she has specialised in advisory and corporate finance work. She has also had a particular focus on the evolution of cultures and working practices, and is able to draw on these insights as our designated non-executive Director for employee engagement.

Melanie was appointed as a Director of Standard Life plc in November 2015. She is a non-executive director and chair of the healthcare company Syncona Limited, a FTSE 250 company. She is also chair of Ridgeway Partners Holdings Ltd and of its wholly-owned subsidiary Ridgeway Partners Limited. Melanie was appointed a managing director of Lazard and Co. Limited in 2008 and became a senior adviser in 2012.

Previously Melanie held various roles with UBS, having been appointed a managing director in 1999 and served as a senior relationship director from 2006 to 2008. She was a non-executive director of The Weir Group PLC between 2011 and 2017 and the Drax Group plc between 2013 and 2016.

She holds an MA in Mathematics from the University of Oxford.

Martin Pike – Non-executive Director

Appointed to the Board	Age
September 2013	58
Nationality	**Shares**
British	69,476
Board committees:	RC NC A

Martin provides broad commercial insight into strategy and risk to the Board, and to his role as Chair of our Risk and Capital Committee. He has particular knowledge of enterprise-wide risk management. His actuarial and strategic consultancy background brings a strong understanding of what drives success in the markets in which we operate.

Martin was appointed as a Director of Standard Life plc in September 2013. He is also chairman and non-executive director of Faraday Underwriting Limited – where he is a member of the audit and risk committee and chair of the nomination and remuneration committee. Between 2015 and 2018 he served as a non-executive director of esure Group plc where he was chair of the remuneration committee.

He joined R Watson and Sons, consulting actuaries, in 1983, and progressed his career with the firm to partner level. His senior roles included head of European insurance and financial services practice, Watson Wyatt from 2006 to 2009, vice-president and global practice director of insurance and financial services, Watson Wyatt during 2009, and managing director of risk consulting & software for EMEA, Towers Watson from 2010 to 2013.

Martin holds an MA in Mathematics from the University of Oxford. He is a Fellow of the Institute and Faculty of Actuaries and a Fellow of the Institute of Directors.

Cathleen Raffaeli – Non-executive Director

Appointed to the Board	Age
August 2018	63
Nationality	**Shares**
American	9,315
Board committees:	RC R

Cathi has strong experience in the financial technology sector and background in the platforms sector, as well as international board experience. She brings these insights to her role as non-executive chairman of the boards of Elevate Portfolio Services Limited and Standard Life Savings Limited. This role provides a direct link between the Board and the platform businesses that help us connect with customers and their advisers.

Cathi is a non-executive director of Federal Home Loan Bank of New York, where she is vice chair of the compensation and human resources committee and of the technology committee. She is also a member of the executive committee. She is managing partner of Hamilton White Group, LLC which offers advisory services, including business development, to companies in financial services growth markets. In addition, she is managing partner of Soho Venture Partners Inc, which offers third party business advisory services.

Previously, Cathi was lead director of E*Trade Financial Corporation, non-executive director of Kapitall Holdings, LLC and president and chief executive officer of ProAct Technologies Corporation.

She holds an MBA from New York University and a BS from the University of Baltimore.

Key to Board committees

- R Remuneration Committee
- RC Risk and Capital Committee
- A Audit Committee
- NC Nomination and Governance Committee
- Committee Chair

Cecilia Reyes – Non-executive Director

Appointed to the Board	Age
October 2019	61
Nationality	**Shares**
Swiss and Philippine	Nil
Board committees:	R RC

Cecilia brings great insight from operating in leadership positions in international financial markets. Her direct experience of risk management and her knowledge of the investment process are of great benefit to the work of the Board.

Before joining our Board, Cecilia was with Zurich Insurance Group Ltd (Zurich) for 17 years where she was most recently its group chief risk officer, leading the global function comprising group risk management and responsible for its enterprise risk management framework.

Prior to that, she was their group chief investment officer, responsible for the execution of the investment management value chain – including analysis, development and global implementation of the investment strategy for the group's investments. In both positions, she was a member of Zurich's executive committee.

Cecilia started her career at Credit Suisse, following which she held senior positions at ING Barings, latterly as head of risk analysis, asset management. She is also the founder of Pioneer Management Services GmbH which seeks to develop a non-profit social enterprise.

She holds a BSc from Ateneo de Manila University, an MBA from the University of Hawaii and a PhD (Finance) from the London Business School, University of London.

Jutta af Rosenborg – Non-executive Director

Appointed to the Board	Age
August 2017	61
Nationality	**Shares**
Danish	8,750
Board committees:	R A

Jutta has extensive knowledge of international management and strategy, from sector operational roles in a number of listed companies. Her previous experience, which includes group finance and auditing, risk management and mergers and acquisitions, allows her to offer valuable perspectives to strategic discussions.

Jutta was appointed a non-executive director of Aberdeen Asset Management PLC in January 2013. She is a non-executive director of JPMorgan European Investment Trust plc and chair of its audit committee. In addition, she is a non-executive director of NKT A/S and Nilfisk Holding A/S, and chairs the audit and remuneration committees of both organisations. She is also a member of the supervisory board of BBGI SICAV S.A, where she chairs the audit committee.

Previously, she was the executive vice president, chief financial officer, of ALK-Abelló A/S and was chairman of Det Danske Klasselotteri A/S.

A qualified accountant, she holds a Master's degree in Business Economics and Auditing from Copenhagen Business School.

Board diversity

Gender

Executive and Non-executive mix

Nationality

Tenure as at March 2020

3. Corporate governance statement

Sir Douglas Flint

Letter from the Chairman

I am pleased to introduce the 2019 Corporate governance statement which reflects the work of both myself and the Board during my first year as Chairman of the Group and of the Nomination and Governance Committee.

The revised UK Corporate Governance Code (the Code)

We have taken time to identify how our governance framework needed to be amended to allow us to implement the revised Code. This gave us the opportunity to revisit our governance processes on stakeholder engagement, employee engagement, succession planning, diversity and inclusion, and some elements of remuneration. Where we have proposed revisions as a result, they have been reflected in the Board Charter. Revisions approved include a specific reference to the Board's commitment to hearing the employee voice in the Boardroom.

Stakeholder engagement and the Board's duty

Recognising our obligations under the Companies (Miscellaneous Reporting) Regulations 2018, the Directors have explained how we have complied with our duty to have regard to the matters in section 172 (1) (a)-(f) of the Companies Act. These matters include our responsibilities with regard to the interests of employees, suppliers, customers, the community and the environment, all within the context of promoting the success of the Company. During the year the Nomination and Governance Committee mapped out our key stakeholder groups and how engagement with them is incorporated into our discussions. The Strategic report includes our section 172 compliance statement, and on page 59, the Corporate governance statement shows how we consider these responsibilities in our discussions and decision-making.

Employee engagement

As we announced in the Annual report and accounts 2018, Melanie Gee was appointed as the non-executive Director (NED) who would take forward employee engagement and you can read about progress during the year on page 58. Melanie's work has built upon the strong processes we had in place and her direct communication with our employees has been very well received. We report later in this statement on the various engagement mechanisms including employee surveys, Meet the NEDs sessions and NED dinners.

External Board evaluation

Acknowledging that the Board continues to refresh and develop following on from the transformational transactions in 2017 and 2018, we agreed that it would be beneficial to have a further externally facilitated review during 2019 to build on the findings and recommendations from the 2018 review. Independent Board Evaluation once again facilitated this review and you can read about the process and its outcomes on pages 61.

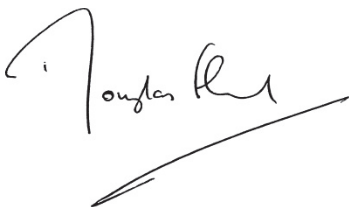
Culture

Continuing to build on the integration and transformation work across the business, the Board has discussed the Group's culture and considered the executive leadership team's (ELT) initiatives to embed it throughout the organisation. One of my operating principles is to operate in a culture of openness and debate, and show the Board leading in promoting the desired cultural outcomes throughout the organisation. You can read more about the activities to oversee culture in this statement and in the Strategic report.

Board developments and diversity

Continuing our focus on building a Board with the best skills and diversity mix to lead the Group, we have welcomed new Directors and said farewell to long-serving Directors over the year. I am particularly pleased to have welcomed Jonathan Asquith, Cecilia Reyes and Stephanie Bruce to the Board and to thank Bill Rattray, Richard Mully and Simon Troughton for their many years of service. Rod Paris stood down from the Board on 31 December 2019 but remains our Chief Investment Officer and we also announced that Martin Gilbert will retire from the Board at the conclusion of the 2020 Annual General Meeting. In addition, I look forward to welcoming Brian McBride who will join the Board on 1 May 2020. You can read more about the Board changes and our wider work on diversity and inclusion on pages 76 and 77.

The Board continues to emphasise the importance of strong governance and I look forward to updating you on this in future reports.



Sir Douglas Flint
Chairman and Chairman of the Nomination and Governance Committee

Statement of application of and compliance with the UK Corporate Governance Code 2018

The statement below, together with the rest of the Corporate governance statement, explains the main aspects of the Company's corporate governance structure and gives a greater understanding of how the Company has applied the principles in the Code. For the year ended 31 December 2019, the Board considers that it has complied in full with the provisions of the Code, available at **www.frc.org.uk**. The Corporate governance statement also explains the relevant compliance with the Disclosure Guidance and Transparency Sourcebook. The table on page 110 sets out where to find each of the disclosures required in the Directors' report in respect of Listing Rule 9.8.4 R.

Together with the Directors' remuneration report, this statement explains how our governance framework supports the way we apply the Code's principles and provisions of good governance.

1. Board leadership and company purpose

Governance framework

The Group's governance framework is approved by the Board and documented in the Board Charter, which is reviewed annually and updated as appropriate.

You can read the Board Charter on our website at **www.standardlifeaberdeen.com/annualreport**

Governance framework

Board

The Board's role is to organise and direct the affairs of the Company and the Group in accordance with the Company's constitution, all relevant laws, regulations, corporate governance and stewardship standards. The Board's role and responsibilities, collectively and for individual Directors, are set out in the Board Charter. The Board Charter also identifies matters that are specifically reserved for decision by the Board. During 2019, these included approving, overseeing and challenging:

- The development and implementation of strategy and the business plan
- Capital and management structures including capital allocation and how it supports the Group's long-term sustainable growth
- Oversight of culture, our standards and ethical behaviours
- Dividend policy
- Financial reporting which during 2019 included the impact of the arbitration with Lloyds Banking Group
- How risks are managed, including the Enterprise Risk Management (ERM) framework, risk strategy, risk appetite limits and internal controls
- Remuneration policy
- Succession planning
- Significant corporate and other transactions which during 2019 included public offerings of shares in our Indian life assurance and asset management associate businesses, preparation for the sale of our Hong Kong insurance subsidiary and commencing joint ventures with Virgin Money and Investcorp
- The sustainability of the Group's business and our own sustainability responsibilities to stakeholders, including wider society and the environment
- Significant external communications
- The work of the Board Committees
- Appointments to the Board and to Board Committees
- Matters escalated from subsidiary boards to the Board for approval

The Board regularly reviews reports from the Chief Executive and from the Chief Financial Officer on progress against approved strategies and the business plan, as well as updates on stock market and global economic conditions. There are also regular presentations from the Chief Investment Officer as well as key business functional leaders and regional heads.

Chairman

- Leads the Board and ensures that its principles and processes are maintained
- Promotes high standards of corporate governance
- Together with the CE and the Company Secretary, sets agendas for meetings of the Board
- Ensures Board members receive accurate, timely and clear information on the Group and its activities
- Encourages open debate and constructive discussion and decision-making
- Leads the performance assessments and identification of training needs for the Board and individual Directors
- Speaks on behalf of the Board and represents the Board to shareholders and other stakeholders

Chief Executive (CE)

The CE operates within authorities delegated by the Board to:

- Develop strategic plans and structures for presentation to the Board
- Make and implement operational decisions
- Lead the other executive Directors and the ELT in the day-to-day running of the Group
- Report to the Board with relevant and timely information
- Develop appropriate capital, corporate, management and succession structures to support the Group's objectives
- Together with the Chairman, represent the Group to external stakeholders, including shareholders, customers, suppliers, regulatory and governmental authorities, and the local and wider communities

On 13 March 2019, Keith Skeoch became sole CE and Martin Gilbert continued his individual accountability for managing relationships with clients, winning new business and realising the potential from our global network and product capabilities. This structure was in place until 2 October 2019 when the timing of Martin's standing down from the Board was announced. Since then, he has continued to focus on strengthening the Group's relationships with clients.

Senior Independent Director (SID)

The SID is available to talk with our shareholders about any concerns that they may not have been able to resolve through the channels of the Chairman, the CE or Chief Financial Officer, or where a shareholder considered these channels as inappropriate.

The SID leads the annual review of the performance of the Chairman.

Non-executive Directors (NED)

The role of our NEDs is to participate fully in the Board's decision-making work including advising, supporting and challenging management as appropriate.

Nomination and Governance Committee (N&G)

Board and Committee composition
Succession planning
Board appointments
Governance framework

Audit Committee (AC)

Financial Reporting
Internal audit
External audit
Whistleblowing
Financial crime
Regulatory financial reporting

Remuneration Committee (RC)

Development and Implementation of remuneration policy
Incentive design and setting of targets
Employee benefit structures

Risk and Capital Committee (RCC)

Risk management framework
Compliance reporting
Risk appetites and tolerances
Transactional risk assessments
Capital adequacy

Executive leadership team (ELT)

The role of the ELT is to support the CE by providing clear leadership, line of sight and accountability throughout the business. The ELT is responsible to the CE for the development and delivery of strategy and for leading the organisation through challenges and opportunities.

Investment Management Committee

Support the Chief Investment Officer by overseeing the application of investment processes across asset classes.

Client and Customer Committee

Support the Global Head of Distribution by overseeing the development, delivery and monitoring of client and customer initiatives.

Operating Committee

Support the Chief Operating Officer by overseeing global functions and the delivery of functional priorities.

Enterprise Risk Management Committee

Support the CE in the first line management of risk.

The governance framework also sets out the Board's relationship with the boards of the principal subsidiaries (as defined in the Board Charter) in the Group. In particular, it specifies the matters which these subsidiaries refer to the Board or to a Committee of the Board for approval.

The Group's Code of Conduct guides our people to do the right thing and complements the Board Charter. It sets out our standards of conduct and culture, and shows the governing principles for operational excellence, compliance responsibilities, customer service, and how we should treat our people, and other stakeholders.

Board employee engagement (BEE)

Melanie Gee is the designated NED to support workforce engagement and during 2019, she has sought to engage from two standpoints – top-down engagement through direct all-employee surveys on key topics and bottom-up engagement from regular meetings with relevant employee representatives.

During 2019, there were two all-employee surveys – the first on Environmental, Social and Governance (ESG) from the point of view of the Group as both an investor and an operating company, and the second on diversity and inclusion. For how we operate as a company, the top three ESG themes important to employees were climate change, wellbeing and ethical conduct. For how we invest/develop products, the top three ESG themes were climate change, ethical conduct and poverty & inequality. From the diversity and inclusion (D&I) survey, the key areas where staff thought progress had been made were the strength of the culture, the parental leave policy and the commitment to diversity and inclusion.

The BEE group met twice in 2019 and will meet regularly in 2020. On a rotating basis, employees attending these meetings include:

- The UK employee representative forum
- Representatives of the employee networks (Unity, YPDN, Lighthouse, Balance, Armed Forces, Mind Matters)
- Regional HR representatives to discuss local initiatives on employee engagement
- The Talent and Leadership team and the Diversity and Inclusion Team to discuss how they are taking forward employee engagement matters, including those arising from the Viewpoints survey
- The Innovation Team, to consider how employees' views are reflected in innovation activities
- The Sustainability team, to consider how operational ESG and climate change initiatives are being taken forward

At these meetings, there is general discussion of engagement themes which have been raised to the various representatives. At each Board meeting, Melanie gives a formal report on the issues that have been raised through both the general discussion and the surveys, and the Board considers how the ELT can be asked to take any specific actions to address the points raised, and agree who is accountable to implement the action.

Melanie has also implemented a programme of NED engagement dinners, which are attended by several of the NEDs, and which take employee engagement as their theme.

In further BEE activities, there were three Meet the NEDs sessions – in Edinburgh, Philadelphia and London. These informal sessions were hosted either by Melanie Gee or the Chairman, and employees took the opportunity to raise a wide variety of questions with the NEDs. Feedback from the NED engagement dinners and the Meet the NEDs sessions has been very positive and they complement the 'Town Hall' sessions held by the ELT throughout the year, all across the Group's operations.

The general feedback themes which Melanie escalated to the Board during 2019 included the need for continuing focus on comprehensive and quality communications to help employees understand clearly the ongoing transformation activities, and resolving the outstanding practical challenges arising from these activities cost effectively and pragmatically. The ELT, in particular the Chief HR Officer, the Chief Communications Officer and the Chief Operating Officer (COO), have taken forward the points raised.

Stakeholder engagement

The Board recognises that the long-term success of our business is dependent on the way it interacts with a large number of stakeholders. The table below sets out the Board's focus on our key relationships and shows how the relevant stakeholder engagement is reported up to the Board or Board Committees.

Who are our key stakeholders?	How does the Board engage with them/understand their views directly?	How does the Board engage with them/understand their views indirectly (via information from management)?	How does that engagement support the Board's decision-making?
Clients and customers Read more on pages 12 to 17.	• The Chairman, CE and Vice-Chairman meet directly with key clients and report to the Board • Board met with clients during its visit to Philadelphia	• Global Head of Distribution reports at each Board meeting on key client engagement, support programmes and client strategies • Specific Board report on key client management • Reasons for client wins/losses reported • Results of client perceptions survey/customer sentiment index reported	• Engagement supported the development of the key client management process, the Wealth business, and initiatives such as the 'students of clients' programme
Our people Read more on pages 18 to 21.	• Meet the NEDs sessions and NED engagement dinners • Employee engagement NED appointed • CE and CFO 'Town Hall' sessions	• Updates from Melanie Gee on a wide range of employee engagement activities • Full specific programme supported by the Board (see page 58)	• Engagement feedback recognised in Board discussions
Society – Business partners/ supply chain Read more on pages 22 to 27.	• Risk and Capital Committee review the number of suppliers and how they are managed • Audit Committee leads on assessment of external audit performance and service provision • Engagement with FNZ in relation to the Platforms business	• COO attends each Board meeting and reports on key supplier relationships • Supplier surveys undertaken • Tendering process include smaller level firms • Access and audit rights in place to key suppliers • Modern slavery compliance process in place • Procurement/payment principles in place • Certain key suppliers regularly discussed at Audit Committee, Risk and Capital Committee, Board and SLSL Board	• The Platforms strategy, IT and transformation discussions have included a focus on the quality, service provision, availability and costs of relevant suppliers
Society – Communities Read more on pages 22 to 27.	• Chairman/NEDs/EDs attend relevant events • Board support for EDs taking up outside appointments	• Stewardship/sustainability teams report regularly to the Board • Feedback on annual Sustainability and TCFD Reports • Review of charitable giving strategy • ESG presentations to the Board	• Considered as input to the Group's culture and strategic drivers
Society – Regulators/ policymakers/ governments Read more on pages 22 to 27.	• Regular engagement with CE, Chairman and Committee Chairs • FCA presents to the Board at least annually • 'Dear Board/CE' letters • Relevant CE engagement with regulators in overseas territories (MAS, CSSF, CBI, SEC)	• Chief Risk Officer (CRO) updates at every Board meeting • Reports on the results of active participation through industry groups	• Relevant Board decisions recognise regulatory impact and environment
Shareholders – Strategic partners Read more on pages 28 to 33.	• CE on Board of HDFC Asset Management and CFO on Board of HDFC Life • ED direct meetings	• Specific updates in CE report • As appropriate, reports to Board/ Committees from representative Directors • Two ELT members serve on the Phoenix Board	• The development of our business through our relationships with Strategic partners is an important element of the Board's strategy
Shareholders – Shareholders Read more on pages 28 to 33.	• Results, AGM presentations and Q&A • Chairman, CE and CFO meetings with investors • Remuneration Committee Chair meetings with institutional investors • Publication of Shareholder News • Dedicated mailbox and shareholder call centre team • Chairman/CE/CFO direct shareholder correspondence	• Regular reports from the Investor Relations Director/ Chairman/ Chairman of Remuneration Committee summarising the output from their programmes of engagement • Weekly Investor Relations reports distributed to the Board • As relevant, feedback from corporate brokers	• Engagement supported various decisions including the final terms of the CFO Deferred Share Plan award in 2019

2. Division of responsibilities

The roles of the Chairman and the CE are separate and are summarised on page 57. Each has clearly defined responsibilities, which are described in the Board Charter.

The heads of each business function and each region manage their teams within the scheme of delegation. This includes reporting to the CE on how they are performing against approved plans and budgets.

The Company Secretary is responsible for advising the Board on governance matters.

3. Composition, succession and evaluation

Board composition, balance and diversity

The Board's policy is to appoint and retain non-executive Directors who bring relevant expertise as well as a wide perspective to the Group and its decision-making framework. The Directors believe that at least half of the Board should be made up of independent non-executive Directors. As at 10 March 2020, the Board comprises the Chairman, seven independent non-executive Directors and three executive Directors. The Board is made up of six men (55%) and five women (45%) (2018: men 75%, women 25%). The Board continues to support its Board Diversity statement which states that the Board:

- Believes in equal opportunities and supports the principle that due regard should be had for the benefits of diversity, including gender, ethnicity, age, and educational and professional background when undertaking a search for candidates, both executive and non-executive
- Recognises that diversity can bring insights and behaviours that make a valuable contribution to its effectiveness
- Believes that it should have a blend of skills, experience, independence, knowledge, ethnicity and gender amongst its individual members that is appropriate to its needs
- Believes that it should be able to demonstrate with conviction that any new appointee can make a meaningful contribution to its deliberations
- Is committed to maintaining its diverse composition
- Supports the CE's commitment to achieve and maintain a diverse workforce and an inclusive workplace, both throughout the Group, and within the ELT
- Has a zero tolerance approach to unfair treatment or discrimination of any kind, both throughout the Group and in relation to clients, customers and individuals associated with the Group

You can read more about our Directors in their biographies in Section 2.

You can read more about our diversity activities and current targets in the Our people section of the Strategic report and in our stand alone Sustainability report. We are committed to working to make the Group as inclusive a place to work as possible. Our activities and targets are published in the Strategic report and in the Sustainability report. You can find our gender pay gap disclosure statement on page 60. The Nomination and Governance Committee continues to follow the development of, and the Group's participation in, significant diversity reviews, including the Hampton-Alexander Review and the Parker Review, and we were one of the initial signatories to the Women in Finance Charter. We became one of the founding members of the UK Government Race at Work Charter. The Nomination and Governance Committee supports our commitments under these charters and continues to oversee our progress against these, which we report publically on an annual basis.

Board changes during the period

Appointments

Stephanie Bruce was elected to the Board at the 2019 AGM as Executive Director and Chief Finance Officer, and took up those roles on 1 June 2019. Jonathan Asquith was appointed as non-executive Director and SID on 1 September 2019, and Cecilia Reyes was appointed as a non-executive Director on 1 October 2019. MWM Consulting were engaged to support the appointments of Jonathan and Cecilia. The Group has additionally used the services of MWM Consulting to support other senior management searches. As announced on 26 February 2020, Brian McBride will join the Board on 1 May 2020.

Retirements

Simon Troughton and Richard Mully retired from the Board on 14 May 2019. Bill Rattray retired from the Board on 31 May 2019. As announced, Rod Paris stood down from the Board on 31 December 2019, remaining as CIO, and Martin Gilbert will retire from the Board at the conclusion of the 2020 AGM.

Board appointment process, terms of service and role

Board appointments are overseen by the Nomination and Governance Committee.

Each non-executive Director is appointed for a three-year fixed term and shareholders vote on whether to elect/re-elect him or her at every AGM. Once a three-year term has ended, a non-executive Director can continue for further terms if the Board is satisfied with the non-executive Director's performance, independence and ongoing time commitment. There is no specified limit to the number of terms that a non-executive Director can serve. Taking account of their appointment dates to the predecessor boards, the current average length of service of the non-executive Directors is 3 years. For those NEDs who have served two three-year terms, the Nomination and Governance Committee considers any factors which might reflect on their independence or time commitment prior to making any recommendation to the Board.

The letter of appointment confirms that the amount of time we expect each non-executive Director to commit to each year, once they have met all of the approval and induction requirements, is a minimum of 35 days. The service agreements/letters of appointment for Directors are available to shareholders to view on request from the Company Secretary at the Company's registered address (which can be found in the Shareholder information section) and at the 2020 AGM. Non-executive Directors are required to confirm that they can allocate sufficient time to carry out their duties and responsibilities effectively.

Director election and re-election

At the 2020 AGM, all of the current Directors will retire. Jonathan Asquith, Stephanie Bruce. Cecilia Reyes and Brian McBride, having been appointed since the previous AGM, will retire and stand for election. All the others with the exception of Martin Gilbert will stand for re-election.

As well as in Section 2, you can read more background information about the Directors, including the reasons why the Chairman, following their annual reviews, believes that their individual skills and contribution supports their election or re-election, in our AGM guide 2020, which will be published online at **www.standardlifeaberdeen.com** in advance of this year's AGM.

Director independence, external activities and conflicts of interest

The Board carries out a formal review of the independence of non-executive Directors annually. The review considers relevant issues including the number and nature of their other appointments, any other positions they hold within the Group, any potential conflicts of interest they have identified and their length of service. Their individual circumstances are also assessed against independence criteria, including those in the Code. Following this review, the Board has concluded that all the current non-executive Directors are independent and consequently, the Board continues to comprise a majority of independent non-executive Directors.

The Directors continued to review and authorise Board members' actual and potential conflicts of interest on a regular and ad hoc basis in line with the authority granted to them in the Company's articles of associations (the Articles). As part of the process to approve the appointment of a new Director, the Board considers and, where appropriate, authorises his or her potential or actual conflicts. The Board also considers whether any new outside appointment of any current Director creates a potential or actual conflict before, where appropriate, authorising it. All appointments are approved in accordance with the Group's Outside Appointments and Conflicts of Interest policies.

In February 2020, the Board reviewed all previously authorised potential and actual conflicts of interest of the Directors and their connected persons, and concluded that the authorisations should remain in place until February 2022. Under the terms of the approval, conflicted Directors can be excluded from receiving information, taking part in discussions and making decisions that relate to the potential or actual conflict. The Board and relevant Committees follow this process when appropriate.

The Board's policy encourages executive Directors to take up one external non-executive director role as the Directors consider this can bring an additional perspective to the Director's contribution. Keith Skeoch does not have any FTSE 100 non-executive roles but continued as a non-executive director of the Financial Reporting Council (FRC) and will be appointed Chairman of the Investment Association on 1 May 2020. Martin Gilbert is a non-executive director at Glencore plc. He was also appointed chair of Revolut on 1 January 2020, this additional appointment having been approved by the Board and recognising that his full-time role had been reduced by 20% on 1 January 2020.

You can read more about the Directors' outside appointments in their biographies in Section 2.

Advice

Directors may sometimes need external professional advice to carry out their responsibilities. The Board's policy is to allow them to seek this where appropriate and at the Group's expense. Directors also have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the Board.

Board effectiveness

Review process

In accordance with the Code, the Board commissions externally facilitated reviews regularly. Following the 2018 externally facilitated review, it was agreed that it would be appropriate to commission a further externally facilitated review for 2019 to follow-up on the findings of the 2018 review. As a result, Independent Board Evaluation (IBE) was appointed as the external facilitator and carried out the 2019 review. IBE does not have any other connection with the Group.

To carry out the review, a senior representative of IBE was in attendance and observed a Board meeting and a meeting of each Board Committee. They also had access to the papers for each of these meetings. In addition to this observation and analysis, they held individual meetings with each Board member, members of the Executive leadership team who are regular attendees at Board meetings and the key members of the Board and Committee support teams. Following this, IBE prepared a draft report for review and discussion. The Board then reviewed and discussed the report, and a representative of IBE attended to present the report and recommendations.

Outcome

The review recognised that amid a changing landscape, with the Board still settling down after overseeing two major transactions in two years, the review's principal purpose was to check the direction of travel for the Board, take early-stage soundings on the new chairmanship and to help induct and assimilate new Board members. The tone of the feedback was positive overall, with the Board particularly recognising the strengths of its composition, and the processes to select and induct new members and support the Board and its Committees. The Directors also reported solid performance on their work on culture, as well as shareholder and stakeholder accountability.

The key conclusions and recommendations from the review included

- Prioritising strategy work to align it with the work on purpose, strategic drivers and behaviours and create an overall framework to support Board decision making
- Reviewing the Board skills matrix to add more sector experience over time
- Continuing the drive for more effective Board and Committee papers by reinforcing limits on paper lengths, imposing a standard template and an absolute deadline for issuing papers
- Introduce a mentoring programme for any new Board member who has not previously served on a UK plc board, including executive directors
- Considering other ways of connecting non-executive Directors with senior executives such as Committee visits to relevant locations, and Board and Committee NED only sessions with key members of the ELT and senior managers
- Continuing to refine the annual board objectives as a guide to setting agendas and cascading them down to the Committees, as a basis for reporting back to the board

Progress to implement the recommendations is monitored by the Company Secretary and reported to the Nomination and Governance Committee.

Chairman

The review of Sir Douglas's performance as Chairman was led by the SID, Jonathan Asquith, and supported by IBE. It was based on feedback given in individual interviews between the external facilitator and each Director as well as focused discussions between the SID and the other NEDs.

The feedback was summarised into a report which was reviewed by the SID and distributed to all Board members, except Sir Douglas. The Directors, led by Jonathan Asquith and without Sir Douglas being present, met to consider the report. They concluded that in his first year as Chairman, Sir Douglas had performed his role very effectively and shown strong leadership of the Board. He had brought his own experienced style to the Boardroom and was building strong relationships with the EDs while supporting the NEDs in challenging and holding the ELT to account. The NEDs were looking forward to continuing to work with him, individually and collectively, to deliver continued progress in 2020. Jonathan Asquith met with Sir Douglas to pass feedback from the review directly to him.

Directors

As part of the review, IBE prepared an individual evaluation of the members of the Board to support the Chairman's annual round of feedback to Directors and to assist him in leading the Nomination and Governance Committee's ongoing succession planning. Sir Douglas discussed the individual results with each Director. These discussions also considered individual training, development and engagement opportunities.

Director induction and development

The Chairman, supported by the Company Secretary, is responsible for arranging a comprehensive preparation and induction programme for all new Directors. The programme takes their background knowledge and experience into account. If relevant, Directors are required to complete the FCA's approval process before they are appointed and Directors self-certify annually that they remain competent to carry out this aspect of their role. These processes continue to adapt to meet evolving best practice in respect of SMCR.

The formal preparation and induction programme includes:

- Meetings with the executive Directors, key members of senior management, the heads of the operating businesses and business functions
- Focused technical meetings with internal l experts on specific areas including investments, CRD IV, ESG, conduct risk, risk and capital management, and financial reporting
- Visits to business areas to meet our people and gain a better insight into the operation of the business and its culture
- Meetings with the external auditors and contact with the FCA supervisory teams
- Meetings with the Company Secretary on the Group's corporate governance framework and the role of the Board and its Committees, and with the Chief Risk Officer on the risk management framework as well as meetings on their individual responsibilities as holders of a Senior Management Function role

Background information is also provided including:

- Key Board materials and information, stakeholder and shareholder communications and financial reports
- The Group's organisational structure, strategy, business activities and operational plans
- The Group's key performance indicators, financial and operational measures and industry terminology

The induction programme provides the background knowledge new Directors need to perform to a high level as soon as possible after joining the Board and its Committees and to support them as they build their knowledge and strengthen their performance further.

When Directors are appointed to the Board, they make a commitment to broaden their understanding of the Group's business. Our corporate centre monitors relevant external governance and financial and regulatory developments and keeps the ongoing Board training and information programme up to date. During 2019 specific Board awareness and deep-dive sessions took place on:

- Transformation
- Investments capabilities, covering:
  - Investment governance and investments oversight
  - Quantitative investment strategies and investment innovation
  - Private markets and real estate
  - Embedding ESG
- The Internal Capital Adequacy Assessment Process (ICAAP)
- Portfolio dimensionality
- Investments capabilities covering:
  - Active equities
  - Solutions and multi-manager strategies

Similarly, the relevant Board Committees received updates on developments in financial reporting, remuneration and corporate governance.

4. Audit, risk and internal control

The Directors retain the responsibility to state that they consider the Annual report and accounts, taken as a whole, is fair, balanced and understandable as well as the responsibility to establish procedures to manage risk and oversee the internal control framework. The reports from the Audit Committee and the Risk and Capital Committee Chairmen show how they have supported the Board in meeting these.

Annual review of internal control

The Directors have overall responsibility for the governance structures and systems of the group, which includes the ERM framework and system of internal control, and for the ongoing review of their effectiveness. The framework is designed to manage, rather than eliminate, risk and can only provide reasonable, not absolute, assurance against material misstatement or loss. The framework covers all of the risks as set out in the risk management section of the Strategic report.

In line with the requirements of the Code, the Board has reviewed the effectiveness of the system of internal control. The system was in place throughout the year and up to the date of approval of the Annual report and accounts 2019.

To support the review, the Risk and Compliance function undertook an assessment of the effectiveness of risk management and internal controls in line with the FRC's guidance on the requirements of the annual review. In carrying out the review, the Risk and Compliance function considered reports presented to the Board, the Audit Committee and Risk and Capital Committee during the period. Key risk items were also discussed at the Enterprise Risk Management Committee throughout the period. At the request of the Audit Committee, management also reported that they had considered the effectiveness of the system of internal control from a 'first line of defence' point of view, and confirmed that they supported the conclusions of the Risk and Compliance review.

Following this review the Board concluded that the system of internal control was effective, and that there had been no significant failings or weaknesses during the period.

Additionally, with regard to regular financial reporting and preparing consolidated accounts, the Finance function sets formal requirements for financial reporting, defines the process and detailed controls for the IFRS consolidation, reviews and challenges submissions and receives formal sign-off on financial reporting from business unit finance heads. In addition, the Finance function runs the Technical Review Committee and the Financial Reporting Executive Review Group which review external technical developments and detailed reporting disclosure and accounting policy issues.

5. Remuneration

The Directors' remuneration report on pages 78 to 104 sets out the work of the Remuneration Committee and its activities during the year, the levels of Directors' remuneration and the proposed new remuneration policy.

Communicating with investors

The Company continues to maintain a dialogue with its shareholders. As part of this, our Investor Relations and Secretariat teams support communication with investors. During 2019, the Company continued its programme of domestic and international presentations and meetings between Directors and investors, fund managers and analysts. The wide range of relevant issues discussed, in compliance with regulations, at investor presentations and meetings included transformation, business strategy, financial performance, operational activities and corporate governance. The Chairman has his own investor contact programme and brings relevant issues to the attention of the Board. The Remuneration Committee Chairman has also consulted with major institutional investors regarding executive remuneration plans during the year. More information on this consultation can be found below and in the Directors' remuneration report.

The Board is equally committed to the interests of the Company's 1.1 million individual shareholders who hold approximately one third of the Company's issued shares. Given this large shareholder base, it is impractical to communicate with all shareholders using the same direct engagement model we follow for our institutional investors. We encourage shareholders to receive their communications electronically and around 410,000 shareholders receive all communications this way. We actively promote self service via our share portal and over 400,000 shareholders have signed up to this service. Share portal participants can maintain their personal details and dividend instructions online, and view and download personal documents such as statements and tax documents. Shareholders have the option to hold their shares in the Standard Life Aberdeen Share Account where shares are held electronically in a secure environment and around 90% of individual shareholders hold their shares in this way.

To give all shareholders access to the Company's announcements, all information reported via the London Stock Exchange's regulatory news service is published on the Company's website. We have continued to host formal presentations to support the release of both the full year and half year financial results. At the 2020 AGM, shareholders will be invited to ask questions during the meeting and have an opportunity to talk with the Directors after the formal part of the meeting. The voting results will be published on our website at **www.standardlifeaberdeen.com** after the meeting. These will include the number of votes withheld.

The 2019 AGM was held in Edinburgh on 14 May 2019 when Directors were available to answer shareholders' questions. In accordance with best practice, all resolutions were considered on a poll which was conducted by our registrars and monitored by independent scrutineers. The results, including proxy votes lodged prior to the meeting, were made available on our website the same day. 46% of the shares in issue were voted and all resolutions were passed.

Our 2020 AGM will be held on 12 May in Edinburgh.

Following on from the level of the vote to approve the 2018 Directors' Remuneration Report, the Board issued a regulatory announcement on 14 November 2019. The announcement summarised the engagement which Jonathan Asquith, the recently appointed Chairman of the Remuneration Committee, had had with institutional investors and proxy voting agencies. The engagement took the form of a series of meetings and phone calls which also allowed Jonathan to hear investors' views on other remuneration-related matters and this engagement also allowed Jonathan to capture feedback in his capacity as SID. Following on from this engagement, shareholders will be invited to vote on a revised remuneration policy at the 2020 AGM. You can read more about this engagement on page 79 of the Directors' remuneration report.

Other information

You can find details of the following, as required by Disclosure and Transparency Rule 7.2.6, in the Directors' report and in the Directors' remuneration report:

Share capital

- Significant direct or indirect holdings of the Company's securities
- Confirmation that there are no securities carrying special rights with regard to control of the Company
- Confirmation that there are no restrictions on voting rights in normal circumstances
- How the Articles can be amended
- The powers of the Directors, including when they can issue or buy back shares

Directors

- How the Company appoints and replaces Directors
- Directors' interests in shares

Board meetings and meeting attendance

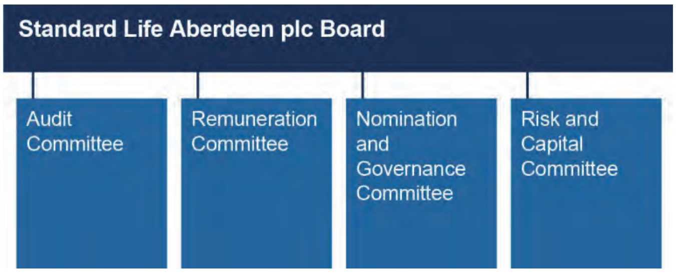
The Board and its Committees meet regularly, operating to an agreed timetable. Meetings are usually held in Edinburgh or London and, on occasion, at the offices of one of our international businesses. In September 2019, the Board held its meeting in Philadelphia. As well as meeting with clients, this allowed the Board to spend time with locally-based employees. During the year, the Board held specific sessions to consider the Group's strategy and business planning. The Chair and the non-executive Directors also met during the year, formally at each Board meeting, and informally, without the executive Directors present. At these meetings, matters including executive performance and succession and Board effectiveness were discussed.

Directors are required to attend all meetings of the Board and the Committees they serve on, and to devote enough time to the Company to perform their duties. Board and Committee papers are distributed before meetings other than, by exception, urgent papers which may need to be tabled at the meeting. The Board sometimes needs to call or rearrange meetings at short notice and it may be difficult for all Directors to attend these meetings. If Directors are not able to attend a meeting because of conflicts in their schedules, they receive all the relevant papers and have the opportunity to submit their comments in advance to the Chairman or to the Company Secretary. If necessary, they can follow up with the Chairman of the meeting. The Board has established the Standing Committee as a formal procedure for holding unscheduled meetings. The Standing Committee meets when, exceptionally, decisions on matters specifically reserved for the Board need to be taken urgently. All Directors are invited to attend Standing Committee meetings. The Standing Committee met 4 times during 2019.

The Chairman is not a member of the Audit, Risk and Capital, or Remuneration Committees. He may, however, attend meetings of all Committees, by invitation, in order to keep abreast of their discussions. The table below reflects the composition of the Board during 2019 and the members' attendance. The Board met nine times during the year.

Number of meetings	Board
Chairman	
Sir Douglas Flint	**9/9**
Executive Directors	
Keith Skeoch	**9/9**
Martin Gilbert	**9/9**
Stephanie Bruce	**5/5**
Rod Paris (stood down 31/12/2019)	**9/9**
Non-executive Directors	
Jonathan Asquith	**3/3**
John Devine	**9/9**
Melanie Gee	**9/9**
Martin Pike	**8/9**
Cathleen Raffaeli	**9/9**
Cecilia Reyes	**2/2**
Jutta af Rosenborg	**9/9**
Former members	
Bill Rattray	**4/4**
Richard Mully	**4/4**
Simon Troughton	**4/4**

Board Committees



The Board has established Committees that oversee, consider and make recommendations to the Board on important issues of policy and governance. At each Board meeting, the Committee Chairmen provide reports of the key issues considered at recent Committee meetings, and minutes of Committee meetings are circulated to the appropriate Board members. This includes reporting from the Chairman of the Audit Committee on any whistleblowing incidents which have been escalated to him. The Committees operate within specific terms of reference approved by the Board and kept under review by the Nomination and Governance Committee.

These terms of reference are published within the Board Charter on our website at **www.standardlifeaberdeen.com/annualreport**

All Board Committees are authorised to engage the services of external advisers at the Company's expense, whenever they consider this necessary.

The Chairman of each Committee and of the Nomination and Governance Committee review Committee membership at regular intervals. The Nomination and Governance Committee considers all proposed appointments before they are recommended to the Board.

Committee reports

This statement includes reports from the chairmen of the Audit Committee, the Risk and Capital Committee and the Nomination and Governance Committee. The report on the responsibilities and activities of the Remuneration Committee can be found in the Directors' remuneration report in Section 3.4.

The Committee Chairmen are happy to engage with you on their reports. Please contact them via **questions@standardlifeaberdeenshares.com**

John Devine

3.1 Audit Committee report

The Audit Committee assists the Board in discharging its responsibilities for financial reporting, internal control and the relationship with the External auditors.

I am pleased to present my report as Audit Committee Chairman.

As well as overseeing financial reporting, a major role of the Committee in 2019 was to consider the impact of transformation activities on internal controls as the business transitions following the sale of the UK and European insurance business to Phoenix in 2018 (the Sale).

During the year the Committee also:

- Considered the carrying value of intangible assets, in particular asset management goodwill
- Considered reports from the Chief Internal Auditor
- Reviewed CRD IV reporting following the change in the prudential supervision of the group in late 2018
- Received reports on compliance with the FCA Client Assets Sourcebook (CASS) rules in the Company's CASS permissioned regulated legal entities

The Committee also continued to focus on the quality of financial reporting, including the impact of Code changes and other guidance on the Strategic report.

Our report to you is structured in four parts:

1. Governance
2. Report on the year
3. Internal audit
4. External audit

John Devine
Chair, Audit Committee

3.1.1 Governance

Membership

All members of the Audit Committee are independent non-executive Directors. The table below reflects the composition of the Committee and the members' attendance:

Member	Attendance
John Devine, Chair	7/7
Melanie Gee	6/7
Martin Pike	7/7
Jutta af Rosenborg	7/7

The Board believes Committee members have the necessary range of financial, risk, control and commercial expertise required to provide effective challenge to management, and have competence in accounting and auditing as well as recent and relevant financial experience. John Devine is a member of the Chartered Institute of Public Finance and Accounting. Jutta af Rosenborg is also a qualified accountant and sits on other audit committees.

The Committee schedules six meetings per annum, four of which are co-ordinated with external reporting timetables. In 2019, there was one additional meeting, which was focused on a specific year end accounting matter.

Invitations to attend Committee meetings are extended on a regular basis to the Chairman, the Chief Executive, the Chief Financial Officer, the Group Financial Controller, the Chief Internal Auditor and the Group Chief Risk Officer.

The Audit Committee meets privately for part of its meetings and also has regular private meetings separately with the External auditors and the Chief Internal Auditor. These meetings address the level of co-operation and information exchange and provide an opportunity for participants to raise any concerns directly with the Committee.

Key responsibilities

The Audit Committee's responsibilities are to oversee and report to the Board on:

- The appropriateness of the Group's accounting and accounting policies, including the going concern presumption and viability
- The findings of its reviews of the financial information in the Group's annual and half year financial reports
- The clarity of the disclosures relating to accounting judgements and estimates
- Its view of the 'fair, balanced and understandable' reporting obligation
- The findings of its review of key Group prudential returns and disclosures
- Internal controls over financial reporting and procedures to prevent money laundering, financial crime, bribery and corruption
- Outcomes of investigations resulting from whistleblowing
- The appointment or dismissal of the Chief Internal Auditor, the approved Internal audit work programme, key audit findings and the quality of Internal audit work
- The independence of the External auditors, the appropriateness of the skills of the audit team, the approved audit plan, the quality of the firm's execution of the audit, and the agreed audit and non-audit fees

In carrying out its duties, the Committee is authorised by the Board to obtain any information it needs from any Director or employee of the Group. It is also authorised to seek, at the expense of the Group, appropriate external professional advice whenever it considers this necessary. The Committee did not need to take any independent advice during the year.

In accordance with the Senior Managers and Certification Regime the Audit Committee Chairman is responsible for the oversight of the independence, autonomy and effectiveness of our policies and procedures on whistleblowing including the procedures for the protection of employees that raise concerns from detrimental treatment. Throughout the year the Audit Committee Chairman met regularly with the Chief Internal Auditor and the Head of Financial Crime to discuss their work, findings and current developments.

Committee effectiveness

The Committee reviews its remit and effectiveness annually. The 2019 review was carried out by external consultants IBE. The review included observation of a meeting, access to papers and interviews with Committee members. The key points arising from the review were:

- The overall feedback was very positive and Committee members believe that the Committee's oversight of the financial governance of the Company is conducted with diligence and due process
- In line with feedback on the Board pack, the Committee papers can be too lengthy and may benefit from a sharper focus on key points
- While the Committee's work has been very thorough, it may now benefit from reconsidering the amount of time it spends on reviewing the technical detail of financial reporting matters as this would allow the members to reflect on the wider context

The Board's review similarly confirmed its satisfaction with the performance of the Committee and its Chairman.

3.1.2 Report on the year

Audit agenda

The Audit Committee has a rolling agenda comprising recurring business, seasonal business and other business.

As recurring business, at every meeting the Committee reviews and discusses:

- Updates from the Finance function on significant financial accounting, reporting and disclosure matters
- Findings from Internal audit reports and how high priority findings are being followed up by management
- Regular refreshes and updates to the Internal audit plan
- Results of the monitoring of financial crime, fraud risk assessments and whistleblowing including calls to our dedicated Speak Up helpline
- Reports from the chairs of the subsidiary audit committees
- Updates on work completed by the External auditors
- Details of non-audit services requested of the External auditors by the business
- Other agenda items

Other agenda items were aligned to the annual financial cycle as set out below:

Jan-Mar	• Annual report and accounts 2018 • Strategic report and financial highlights 2018 • Financial reporting judgements • Liaison with the Remuneration Committee on targets and measures • External auditors' review of Full year results
Apr-Jun	• Internal audit findings • CASS update
Jul-Sep	• Half year results 2019 • External auditors' review of Half year results
Oct-Dec	• Initial findings from the 2019 year end work • Regulatory reporting • The Internal audit plan • Integration cost and synergies update • Effectiveness of the External auditors and related non-audit services

The indicative proportion of time spent on the business of the Committee is illustrated below:

Detail of work

The focus of work in respect of 2019 is described below.

Financial reporting

Our accounts are prepared in accordance with International Financial Reporting Standards (IFRS). The Committee believes that some Alternative Performance Measures (APMs) which are also called non-GAAP measures can add insight to the IFRS reporting and help to give shareholders a fuller understanding of the performance of the business. The Committee considered the presentation of APMs and related guidance as discussed further in the 'Fair, balanced and understandable' section below.

The Committee reviewed the Group accounting policies and confirmed they were appropriate to be used for the 2019 Group financial statements. The Committee noted, in particular, the impact on accounting policies from the adoption of IFRS 9 *Financial Instruments* and IFRS 16 *Leases.* IFRS 9 had a small effect on the reported results but does result in new classifications and disclosures. IFRS 16 had a significant effect on the Statement of Financial Position through the recognition of right of use assets and lease liabilities, but only a small effect on the income statement, and also results in substantial new disclosures.

The Committee reviewed the basis of accounting and in particular the appropriateness of adopting the going concern basis of preparation of the financial statements. In doing so, it considered the Group's cash flows resulting from its business activities and factors likely to affect its future development, performance and position together with related risks, as set out in more detail in the Strategic report. The Committee recommended the going concern statement to the Board.

In addition, the Committee considered the form of the viability statement and in particular whether the three-year period remained appropriate and concluded that it did. This reflects both our internal planning cycle and the timescale over which changes to major regulations and the external landscape affecting our business typically take place. In formulating the statement, the Committee considered the result of stress testing and reverse stress testing presented to the Risk and Capital Committee. The Committee recommended the viability statement to the Board.

During 2019, the Committee reviewed the Annual report and accounts 2018 and the Half year results 2019. For the half year it received written and/or oral reports from the Chief Financial Officer, the Company Secretary, the Chief Internal Auditor and the External auditors. The Committee used these reports to aid its understanding of the composition of the financial statements, to confirm that the specific reporting standards and compliance requirements had been met and to support the accounting judgements and estimates. Following its reviews, the Committee was able to recommend the approval of each of the reports to the Board, being satisfied that the full and half year financial statements complied with laws and regulations and had been appropriately compiled.

Accounting estimates and judgements

The Audit Committee considered all estimates and judgements that Directors understood could be material to the 2019 financial statements. The Committee also focused on disclosure of these key accounting estimates and judgements.

Significant accounting estimates, judgements and assumptions for the year ended 31 December 2019	How the Audit Committee addressed these significant accounting estimates and assumptions
Intangible assets including goodwill	
An annual recoverable amount assessment is required for goodwill. In particular, the most significant judgements relate to goodwill for the asset management cash generating unit. Goodwill and intangibles primarily relate to the 2017 transaction which was accounted for under IFRS as an acquisition of Aberdeen Asset Management PLC, creating a goodwill asset. Annual reviews for impairment triggers are also required for other intangibles. The intangibles with material judgements are the customer relationship and investment management contract intangibles.	The year end impairment review of asset management goodwill resulted in the recognition of an impairment of £1,569m. The Committee spent time at three meetings reviewing and challenging assumptions relating to future cash flow projections and the discount and long-term growth rates. The Committee considered, in particular, the basis of revenue projections and the margin for forecasting risk in the discount rate, which were considered to be the most significant assumptions. The Committee considered these assumptions were appropriate, and supported the disclosure of sensitivities given the significant inherent judgements involved and range of reasonable outcomes. See Note 15 for further details. The Committee also considered the value in use compared to analyst valuations for the asset management business, and concluded that the analysts' market perspective did not contradict the impairment conclusion. The Committee also considered analysis provided by management on impairment triggers relating to the customer relationship and investment management contract intangibles. The Committee agreed with management that there were no indicators of impairment for these intangibles.
Financial instruments at fair value – contingent consideration	
Estimation was required in relation to the valuation of certain indemnities and other contingent assets and liabilities relating to the Phoenix transaction in 2018. This included indemnities relating to the Standard Life Assurance Limited review of past sales practices for annuities, where the main financial risks (both positive and negative) continue to be with the Group, and indemnities relating to lapse experience.	The Committee considered analysis of the contingent assets and liabilities prepared by management and related key assumptions including those relating to persistency and the past sales practices for annuities. The Committee also considered assumptions in relation to certain disagreements under discussion with Phoenix. The Committee was satisfied that the fair value of the contingent consideration was appropriate at this time. Further details are disclosed in Note 40.

Significant accounting estimates, judgements and assumptions for the year ended 31 December 2019	How the Audit Committee addressed these significant accounting estimates and assumptions
UK defined benefit pension plan	
In compiling a set of financial statements, it is necessary to make some judgements and estimates about outcomes that are dependent on future events. This is particularly relevant to the defined benefit pension plan surplus which is inherently dependent on how long people live and future economic outcomes. For the UK defined benefit pension plan, the Committee reviewed the assumptions for mortality, discount rate and inflation.	The Committee considered the proposed assumptions taking into account market data and information from pension scheme advisors. In relation to inflation the Committee considered the long-term gap between the Retail Price Index (RPI) and the Consumer Price Index (CPI), as pensions in payment are generally linked to CPI, taking into account uncertainties relating to RPI from government announcements. The Committee also considered reporting from the External auditors and related benchmarking of the pension scheme assumptions. Note 34 of the Group financial statements provides further details on the actuarial assumptions used, and sets out the impact of mortality, discount rate and inflation sensitivities. Note 34 also provides details on the accounting policy applied and accounting policy judgements relating to the Group's assessment that it has an unconditional right to a refund of a surplus, and the treatment of tax relating to this surplus.
Investments in associates	
There were significant sales of the holding in HDFC Life in 2019, and therefore determining whether this investment should continue to be classified as an associate was a critical accounting policy judgement. In relation to the Phoenix associate, judgements were also required relating to the recoverable amount and carrying value of the investment.	During 2019 the shareholding in HDFC Life was reduced to 14.73%. The Committee considered whether HDFC Life should continue to be classified as an associate, and concluded that this classification remained appropriate, notwithstanding that the holding was less than 20%. The classification as an associate was based on significant influence from the Group's Board representation on HDFC Life's board. The Committee noted that if the holding was considered an investment rather an associate it would give rise to a significant increase in the carrying value (to fair value) and the recognition of a significant gain in the income statement. See Note 16 for further disclosures. In relation to Phoenix the Committee considered that the increase in the market value of Phoenix was an indicator that the previous impairment should be reversed. See Note 16 for further information.
Provision for separation costs	
The Group expects to incur significant costs in future periods relating to the separation of the UK and European insurance business. Last year the Committee concluded that a provision should only be recognised for costs for which the Group does not expect to derive ongoing benefits, such as those relating to de-coupling and decommissioning of systems and data.	The Committee reviewed analysis from management on separation costs which noted that the total estimate of separation costs had increased by £60m compared to previous estimates. The Committee agreed with management that no additional provision should be recognised in the year ended 31 December 2019 for the additional costs as these related to expenditure from which the Group will derive future benefits. The Committee concluded that the year end separation costs provision was appropriate. See Note 37 for further details.

Principal risks are disclosed in the Strategic report and recommended to the Board by the Risk and Capital Committee. The Committee was satisfied that the estimates and quantified risk disclosures in the financial statements were consistent with the Strategic report. The Committee concluded that appropriate judgements had been applied in determining the estimates and that sufficient disclosure had been made to allow readers to understand the uncertainties surrounding outcomes.

Fair, balanced and understandable

The Committee supported the financial reporting team's continued aim to draft the Annual report and accounts to be 'fair, balanced and understandable'. A focus in 2019 was ensuring that the Strategic report appropriately explained transformation synergies and related costs, and risks relating to the COVID-19 virus.

Standard Life Aberdeen's principles

To create clarity around what Standard Life Aberdeen means when it talks of being fair, balanced and understandable, a set of principles were developed, which can also act as an organisational definition for each aspect:

Fair *'We are being open and honest in the way we present our discussions and analysis, and are providing what we believe to be an accurate assessment of business and economic realities'*	• The narrative contained in the Annual report and accounts is honest and accurate • The key messages in the narrative in the Strategic report and Governance sections of the Annual report and accounts reflect the financial reporting contained in the financial statements • The Key Performance Indicators (KPIs) for the period are consistent with the key messages outlined in the Strategic report
Balanced *'We are fully disclosing our successes, the challenges we have faced in the period, and the challenges and opportunities we anticipate in the future – all with equal importance and at a level of detail that is appropriate for our stakeholders'*	• The Annual report and accounts presents both successes and challenges experienced during the year and, as appropriate, reflects those expected in the future • The level of prominence we give to successes in the year versus challenges faced is appropriate • The narrative and analysis contained in the Annual report and accounts effectively balances the information needs and interests of each of our key stakeholder groups
Understandable *'The language we use and the way we structure our report is helping us present our business and its performance clearly – in a way that someone with a reasonably informed knowledge of financial statements and our industry would understand'*	• There is a clear and easy to understand framework to the Annual report and accounts • The layout is clear and consistent and the language used is simple and easy to understand (industry specific terms are defined where appropriate) • There is a consistent tone across and good linkage between all sections in a manner that reflects a complete story and clear signposting to where additional information can be found

Activities

- An Internal Review Group (IRG) is in place which reviews the Annual report and accounts specifically from a fair, balanced and understandable perspective and provides feedback to our financial reporting team on whether it conforms to our standards. The members of the IRG are independent of the financial reporting team and include colleagues from Investor Relations, Communications and Strategy.
- Fair, balanced and understandable guidance was provided to all key stakeholders involved in the Annual report and accounts production process
- We, as an Audit Committee, reviewed the messaging in the Annual report and accounts, taking into account material received and Board discussions during the year
- Three drafts of the Annual report and accounts 2019 were reviewed by the Audit Committee at three meetings. The Committee complemented its knowledge with that of executive management and the Internal and External auditors. An interactive process allowed each draft to embrace contributions.
- Our Annual report and accounts goes through an extensive internal verification process of all content to verify accuracy

The Committee also reviewed the use and presentation of APMs which complement the statutory IFRS results. This review considered guidelines issued by the European Securities and Markets Authority in 2016 and the thematic reviews by the Financial Reporting Council (FRC) during 2017 and 2018. A Supplementary information section is included in the Annual report and accounts to explain why we use these metrics and to provide reconciliations of these metrics to IFRS measures where relevant. This section also provides increased transparency over the calculation of reported financial ratios.

Adjusted profit before tax is a key profit APM. The Committee considered whether the allocation of items to adjusted profit was in line with the defined accounting policies, consistent with previous practice and appropriately disclosed. Where there were judgemental areas, such as in relation to certain restructuring costs, the Committee specifically reviewed the proposed treatments and ensured that the Annual report and accounts provided appropriate disclosures.

We agreed to recommend to the Board that the Annual report and accounts 2019, taken as a whole, is fair, balanced and can be understood by someone with a reasonably informed knowledge of financial statements and our industry.

Prudential reporting

During 2019 the Group published its first Standard Life Aberdeen plc Pillar 3 report, following the move to group level CRD IV reporting in late 2018. The Committee reviewed the Pillar 3 report and reviewed and discussed papers which set out the control and verification processes followed in the compilation of the report.

The Committee also considered disclosures relating to CRD IV results included in the Strategic report section of the Annual report and accounts and half year reporting, together with related assurance over these disclosures.

Internal controls

As noted earlier, the Directors have overall responsibility for the Group's internal controls and for ensuring their ongoing effectiveness. Together with the Risk and Capital Committee, the Committee provides comfort to the Board of their ongoing effectiveness.

Internal audit regularly reviews the effectiveness of internal controls and reports to the Committee and the Risk and Capital Committee.

The Finance function sets formal requirements for financial reporting which apply to the Group as a whole, defines the processes and detailed controls for the consolidation process and reviews and challenges reporting submissions. Further, the Finance function runs a technical review committee and is responsible for monitoring external technical developments.

The control environment around financial reporting will continue to be monitored closely.

Financial crime and whistleblowing

Our people are trained to detect the signs of possible fraudulent or improper activity and how to report concerns either directly or via our independent whistleblowing hotline. The Committee receives regular updates from the Head of Financial Crime who reports on compliance with the Group's Anti-Financial Crime and Anti-Bribery policy, and any other activities associated with financial crime, including fraud risk.

The Committee Chairman is the designated whistleblower's champion and the Committee receives regular updates on the operation of the whistleblowing procedures from the Conduct and Conflicts Oversight Manager. The anonymised reports include a summary of the incidents raised as whistleblowing, and information on developments of the arrangements in place, to ensure concerns can be raised in confidence about possible malpractice, wrongdoing and other matters.

The Committee oversees the findings of investigations and required follow-up action. If there is any allegation against the Risk or Internal audit functions, the Committee directs the investigation. The Committee is satisfied that the Group's procedures are currently operating effectively. The Committee Chairman reports to the Board on the updates the Committee receives.

3.1.3 Internal audit

The role and mandate of the Internal audit function is set-out on in its Charter, which is reviewed and approved by the Committee annually. An exercise was undertaken during the year to benchmark Internal audit resources, with increased consideration of how audit assurance activity across the Group is aligned and coordinated, avoiding gaps and overlaps. Whilst Internal audit maintains a relationship with the External auditors, in accordance with relevant independence standards, the External auditors do not place reliance on the work of Internal audit.

The internal audit plan is reviewed and approved by the Committee annually, but is flexed during the year to respond to internal and external developments. The function's coverage aligns to the Group's activities and footprint, taking account of local Internal audit requirements. 2019 saw a heavy focus on the Group's transformation programme, along with regulatory priorities such as operational resilience and conduct, as well as specific items such as the Senior Mangers & Certification Regime and client money.

The Committee formally assess the effectiveness of the function via a scorecard, which is aligned to the Group's objectives, along with assessing its independence and quality assurance practices. In addition, regular reporting is provided to the Committee to illustrate plan progress, and the status of implementation of recommendations.

The audit function continued to progress its own functional transformation over 2019, with a move to agile auditing, increasing efficiency and effectiveness; whilst also continuing to invest in data and analytics capability.

The Chief Internal Auditor reports to the Committee Chairman. During the year, regular dialogue takes place, at least monthly, between the Committee Chairman and the Chief Internal Auditor.

3.1.4 External auditors

The appointment

The Committee has responsibility for making recommendations to the Board on the reappointment of the External auditors, determining their independence from the Group and its management and agreeing the scope and fee for the audit. Following its review of KPMG's performance, the Committee concluded that there should be a resolution to shareholders to recommend the reappointment of KPMG at the 2020 AGM.

The members of the Committee attend some industry and governance events arranged by KPMG. The Chairman of the Committee is a director of Credit Suisse International, currently audited by KPMG, with PwC taking over the audit for 2020. Jutta af Rosenborg is a member of the supervisory board of BBGI SICAV SA, currently audited by KPMG, and a director of JPMorgan European Investment Trust which uses KPMG for tax advice on withholding tax.

The Committee complies with the UK Corporate Governance Code, the FRC Guidance on Audit Committees with regard to the external audit tendering timetable, the provisions of the EU Regulation on Audit Reform, and the Competition and Markets Authority Statutory Audit Services Order with regard to mandatory auditor rotation and tendering. The Committee will continue to follow the annual appointment process but does not currently anticipate re-tendering the audit before 2026. The audit was last subject to a tender for the financial year ended 31 December 2017.

Auditor independence

The Board has an established policy (the Policy) setting out which non-audit services can be purchased from the firm appointed as External auditors. The Committee monitors the implementation of the Policy on behalf of the Board. The aim of the Policy, which is reviewed annually, is to support and safeguard the objectivity and independence of the External auditors and to comply with the revised FRC Ethical standards for auditors (Ethical Standards). It does this by prohibiting the auditors from carrying out certain types of non-audit services to ensure that the audit services provided are not impaired. It also ensures that where fees for approved non-audit services are significant, they are subject to the Committee's prior approval. KPMG has implemented its own policy preventing the provision by KPMG of non-audit services to FTSE 350 companies which are audit clients.

The services prohibited by the Policy are in line with the Ethical Standards and include:

- Tax services, other than in exceptional circumstances and subject to specific Audit Committee approval in line with ethical standards
- Services that involve playing any part in the management of decision-making of the audited entity
- Book-keeping and preparing accounting records and financial statements
- Payroll services
- Designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems
- Valuation services, including valuations performed in connection with actuarial services or litigation support services
- The majority of legal services
- Services related to the audited entity's Internal audit function
- Services linked to the financing, capital structure and allocation and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses
- Promoting, dealing in, or underwriting shares in the audited entity
- The majority of human resources services

The Policy permits non-audit services to be purchased, following approval, when they are closely aligned to the External audit function and when the External audit firm's skills and experience make it the most suitable supplier.

These include:

- Audit related services, such as regulatory reporting
- Accounting consultations and audits in connection with proposed transactions
- Investment circular reporting accountant engagements
- Attesting to services not required by statute or regulation (e.g. controls reports)
- Consultations concerning financial accounting and reporting standards not relating to the audit of the Group's financial statements

- Other reports required by a regulator or assurance services relating to regulatory developments
- Sustainability audits/reviews
- Auditing IT security where this does not extend to designing and implementing internal control or risk management procedures

KPMG has reviewed its own independence in line with these criteria and its own ethical guideline standards. KPMG has confirmed to the Committee that following its review it is satisfied that it has acted in accordance with relevant regulatory and professional requirements and that its objectivity is not impaired.

Having considered compliance with our policy and the fees paid to KPMG, the Committee is satisfied that KPMG has remained independent.

Audit and non-audit fees

The Group audit fee payable to KPMG in respect of 2019 was £4.8m (2018: KPMG £4.7m). In addition £2.1m (2018: £1.7m) was incurred on audit related assurance services. Fees for audit related assurance services are primarily in respect of client money reporting and the half year review. The Committee is satisfied that the audit fee is commensurate with permitting KPMG to provide a quality audit and monitors regularly the level of audit and non-audit fees. Non-audit work can only be undertaken if the fees have been approved in advance in accordance with the Policy for non-audit fees. Unless fees are small (which we have defined as less than £75,000), the approval of the whole Committee is now required.

Non-audit fees amounted to £1.2m (2018: £1.8m) all of which related to other assurance services (2018: £1.6m). Other assurance services in 2019 primarily related to control assurance reports (£0.7m), which are closely associated with audit work, and assurance reporting relating to fund mergers where KPMG are the auditors of the relevant funds (£0.4m). The External auditors were considered the most suitable supplier for these services taking into account the alignment of these services to the work undertaken by External audit and the firm's skill sets. The Committee also monitors audit and non-audit services provided to non-consolidated funds and were satisfied fees for those services did not impact auditor independence.

Further details of the fees paid to the External auditors for audit and non-audit work carried out during the year are set out in Note 8 of the Group financial statements.

The ratio of non-audit fees to audit and audit related assurance fees is 17% (2018: 28%). The total of audit related assurance fees (£2.1m) and non-audit fees (£1.2m) is £3.3m, and the ratio of these audit related assurance fees and non-audit fees to audit fees is 69% (2018: 75%). As noted above the audit related assurance fees are primarily fees in relation to required regulatory reporting, where it is normal practice for the work to be performed by the External auditor.

The Committee is satisfied that the non-audit fees do not impair KPMG's independence.

Audit quality and materiality

The Committee places great importance on the quality and effectiveness of the External audit. The Senior Statutory Auditor is Jonathan Mills, who is completing his third audit as the lead audit partner. The Committee looks to the audit team's objectivity, professional scepticism, continuing professional education and its relationship with management, all in the context of regulatory requirements and professional standards. Specifically:

- The Committee discussed the scope of the audit prior to its commencement
- The Committee reviewed the annual findings of the Audit Quality Review team of the FRC in respect of KPMG's audits. We requested a formal report from KPMG of the applicability of the findings to Standard Life Aberdeen both in respect of generally identified failings and failings specific to individual audits. We were satisfied insofar as the issues might be applicable to Standard Life Aberdeen's audit, that KPMG had proper and adequate procedures in place for our audit.
- The Committee approved a formal engagement with the auditor and agreed its audit fee
- The Committee Chairman had at least monthly meetings with our lead audit partner to discuss Group developments
- The Committee receives updates on KPMG's work, compliance with independence and its findings
- The Committee reviewed and discussed the audit findings including audit differences prior to the approval of the financial statements. See the discussion on materiality in the next paragraph for more detail.

We have discussed the accuracy of financial reporting (known as materiality) with KPMG both as regards accounting errors that will be brought to the Committee's attention and as regards amounts that would need to be adjusted so that the financial statements give a true and fair view. Differences can arise for many reasons ranging from deliberate errors (fraud etc.) to good estimates that were made at a point in time that, with the benefit of more time, could have been more accurately measured. Overall audit materiality has been set at £31m (2018: £32m). This equates to approximately 4.4% of normalised profit before tax (as set out in the KPMG independent auditors' report) and 5% of adjusted profit before tax. This is within the range in which audit opinions are conventionally thought to be reliable. To manage the risk that aggregate uncorrected differences become material, we supported that audit testing would be performed to a lower materiality threshold for individual reporting units. Further, KPMG agreed to draw the Committee's attention to all identified uncorrected misstatements greater than £1.6m (2018: £1.6m). The aggregated net difference between the reported pre-tax profit and the auditor's judgement of pre-tax profit was less than £8m which was significantly less than audit materiality. The gross differences were attributable to various individual components of the consolidated income statement and balance sheet. No audit difference was material to any line item in either the income statement or the balance sheet. Accordingly, the Committee did not require any adjustment to be made to the financial statements as a result of the audit differences reported by the External auditors.

KPMG has confirmed to us that the audit complies with their independent review procedures.

Martin Pike

3.2 Risk and Capital Committee report

The Risk and Capital Committee supports the Board in providing effective oversight and challenge of risk management and the use of capital across the Group.

I am pleased to present my report as Chairman of the Risk and Capital Committee.

Over the year, the Risk and Capital Committee has focused on ensuring the effective oversight and independent challenge of the management of risks in the business so as to ensure that we could meet the expectations of our shareholders, clients and customers.

The Committee has closely monitored developments from our regulators across the world who have increased their focus on operational resilience to further strengthen the integrity of the financial system and protect customers and clients. The overall risk environment for the Group remains at an elevated level given the combination of business transformation activity and the difficult market environment.

Key areas of focus for the Committee during 2019 were on the assessment, challenge and review of key risks arising from the ongoing transformation activity across the Group and risk and capital implications arising from the delivery of the business plan. Particular attention was given to the risks of IT disruption and data loss which could be very disruptive for our clients and customers. In light of ongoing uncertainty in the political landscape over the year, the Committee regularly assessed Standard Life Aberdeen's preparations for a disorderly Brexit scenario to ensure we continue to be able to provide our customers and clients with continuity of service, whatever the outcome.

Furthermore, the Committee continued to challenge and advise the Board in respect of key activities undertaken by the business throughout 2019, including:

- The ongoing development of the Enterprise Risk Management (ERM) framework and the Risk transformation programme.
- Considering aspects of the Group's ICAAP and reviewing the documentation of the first Standard Life Aberdeen wide ICAAP document following the sale of the UK and European insurance business to Phoenix in 2018 (the Sale). This included teach-in sessions on specific elements of the ICAAP
- Reviewing the external assessment of our cyber risk exposures against the US National Institute of Standards and Technology (NIST) framework
- Reviewing Standard Life Aberdeen's exposure to climate change and management of related risks and opportunities

Further details on this and other activities carried out by the Committee during the year can be found in the report that follows.

Martin Pike
Chairman, Risk and Capital Committee

Membership

All members of the Risk and Capital Committee are independent non-executive Directors. The table below reflects the composition of the Committee and the members' attendance for 2019:

Member	Attendance
Martin Pike, Chair	7/7
John Devine	7/7
Melanie Gee	6/7
Cathleen Raffaeli	6/7
Cecilia Reyes (first attendance in October 2019)	2/2

The Committee meetings are attended by the Chief Risk Officer. Others invited to attend on a regular basis include the Chief Executive, the Chief Financial Officer, the Chief Investment Officer, Chief Operating Officer, Group General Counsel and the Chief Internal Auditor as well as the External auditors.

Regular private meetings of the Committee's members have been held during the year providing an opportunity to raise any issues or concerns with the Chairman of the Committee. The Committee's members have also held regular private meetings with the Chief Risk Officer and the Chief Internal Auditor and have been given additional access to management and subject matter experts outside of the Committee meetings in order to support them in gaining an in-depth understanding of specific topics.

Key responsibilities

Our purpose of investing for a better future results in exposure to a range of risks and uncertainties. Understanding and actively managing the sources and scale of these risks and uncertainties are key to fulfilling this purpose.

The role of the Committee is to provide the oversight and advice to the Board, and where appropriate, the board of each relevant Group company on:

- The Group's current risk strategy, material risk exposures and their impact on the levels and allocations of capital
- The structure and implementation of the Group's ERM framework and its suitability to react to forward-looking issues and the changing nature of risks
- Changes to the risk appetite framework and quantitative risk limits
- Risk aspects of major investments, major product developments and other corporate transactions
- Regulatory compliance across the Group

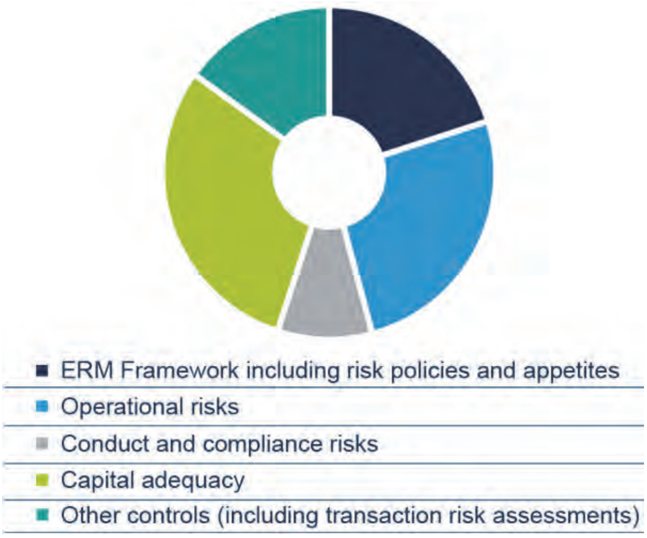
Further detail on the work performed in each of these areas is set out in the report below.

In carrying out its duties, the Committee is authorised by the Board to obtain any information it needs from any Director or employee of the Group. It is also authorised to seek, at the expense of the Group, appropriate external professional advice whenever it considers this necessary. The Committee did not need to take any independent advice during the year.

The Committee's work in 2019

Overview

The Committee operates a rolling agenda and uses each meeting to consider a range of recurring items as well as other items that are more ad hoc and/or more forward-looking in nature. An indicative breakdown as to how the Committee spent its time is shown below:



The key recurring items considered by the Committee are:

- The Views on Risk report which provides a holistic assessment from the Chief Risk Officer of the key risks and uncertainties faced by the Group's businesses and the actions being taken to manage these
- Ongoing activity to enhance and develop Standard Life Aberdeen's ERM framework, for example the Risk Appetite and Policy frameworks
- Performance of the Group's ICAAP processes in accordance with the Capital Requirements Directive. The ICAAP supports the Committee in understanding changes to the risk profile of the Group and the capital position over the course of the year
- Minutes from the Standard Life Aberdeen plc Enterprise Risk Management Committee (ERMC) and from those risk committees comprising non-executives that operate in Standard Life Aberdeen plc's directly-held subsidiaries

Through these recurring activities the Committee was able to challenge management's assessment of risks and to oversee the key actions being taken to manage these risks.

In addition to reviewing these recurring items the Committee provided oversight of a broad range of topics in 2019. This included consideration of:

Jan-Mar

- Advice provided to the Remuneration Committee regarding the delivery of performance in 2018 relative to risk appetites
- Findings included in the 2018 Internal controls report issued for Aberdeen Standard Investments
- Risk and compliance organisational design update
- Update on Standard Life Aberdeen's preparations for a disorderly Brexit
- Plans for testing, assurance reviews, and validation activity to be performed in 2019
- Monitoring of risks related to overall transformation and integration activities

Apr-Jun

- Proposed changes to the risk appetite framework
- Overview of the steps taken to refresh the policy framework
- Update on Standard Life Aberdeen's preparations for a disorderly Brexit
- Discussion of the key points following Woodford Fund Disclosure
- Cyber risk and cyber security related matters
- Liquidity risk framework overview
- Results from stress tests and scenario analysis
- Actions taken to enhance the conduct risk framework

Jul-Sep

- Update on the management of IT obsolescence
- Review of Standard Life Aberdeen's exposure to and management of climate change related risks and opportunities
- Update on Standard Life Aberdeen's preparations for a disorderly Brexit
- Pillar 2 operational risk capital requirements

Oct-Dec

- The Standard Life Aberdeen ICAAP report
- Results from the 2019 stress and scenario testing programme
- Annual review of risk policies
- Monitoring and oversight regional plans for 2020
- The combined second and third line assurance plan
- Review of the risk assessment of the business plan

After each meeting, the Committee Chairman reports to the Board, summarising the key points from the Committee's discussions and any specific recommendations.

Risk exposures and risk strategy

Standard Life Aberdeen's risk appetite framework provides a common framework to enable the communication, understanding and control of the types and levels of risk that the Board is willing to accept in its pursuit of the strategy of the Group, including the business plan objectives and the capital it requires.

The Committee has continued to support the Board through monitoring exposures against tolerances and appetites throughout the year. The Committee reviewed and proposed updates to the framework to ensure that the risk appetites and risk limits appropriately reflected changes to the risk profile in view of the ongoing transformation of the business. Additional metrics for Supplier Risk, Strategic Risk and Conduct Risk were created to strengthen our oversight in these areas. In advance of the new prudential regime for investment firms, the tolerances in relation to our capital management framework have been revised.

The Committee has received regular reporting through the Views on Risk report on each of the 12 principal risks. The Views on Risk report includes relevant dashboards on the risks, commentaries and associated management information. Through reviewing this reporting the Committee has monitored risks relative to applicable risk appetites and the resilience of the capital position under current and stressed conditions. Environmental, social and governance risks are actively managed within the business and updates on this are also included within the report. Using this material, the Committee is able to oversee, challenge and advise the Board on the Group's risk appetite, material risk exposures and the impact of these on the levels and allocation of capital.

Key items that the Committee discussed during the year in this context included:

- Risks relating to the status of the Group's Brexit preparations and the possibility of a disorderly exit from the EU
- Risks associated with the delivery of the business plan
- Enhancements to components of the Group's risk appetite framework
- The ICAAP report produced for Standard Life Aberdeen
- The management of cyber risk across the Group
- Approach to management of the Group's liquidity risk framework

We received a number of one-off reports during the year which directly supported the Committee in our oversight of risk appetites, exposures and capital.

Stress testing and scenario analysis performed in 2019 also supported the Committee in understanding, monitoring and managing the risk and capital profile of the business under stressed conditions. This provided a forward-looking assessment of resilience to potentially significant adverse events affecting key risk exposures and comprised:

- Individual stresses – looking at stresses to a range of financial variables in isolation
- Combined stress scenarios – looking at simultaneous stresses impacting on economic conditions, flows and idiosyncratic factors specific to the Group
- Reverse stress testing – considering extreme but plausible events, including as a result of operational, conduct or reputational risks, that have the potential to cause the business to become unviable

The Committee reviewed the results of the stress testing and scenario analysis that was performed. This included reviewing the results of three scenarios which were explored as part of the reverse stress testing exercise: a market shock with adverse impacts on our strategic investments; a significant breakdown in a key strategic relationship and the outage of a key payment mechanism.

Based on the results of the stress testing and scenario analysis, the Committee concluded there was no requirement for the business to reduce its risk exposures and that the business was resilient to extreme events as a result of the robust controls, monitoring and triggers in place to identify events quickly and the range of management actions available to help mitigate their effects. The Committee also provided oversight of the risk and capital implications of the financial reforecasts produced during the year and the strategic business plan produced in December 2019.

Enterprise Risk Management (ERM) framework

During the year the business continued to embed the ERM framework used to identify, assess, control and monitor the Group's risks.

The Committee has obtained assurance regarding the operation of the ERM framework through its review of regular content within the Views on Risk report. In particular we have used our review of the various risk and capital dashboards, including the consolidated dashboard on key conduct risk indicators and board risk appetite metrics to understand the Group's risk profile and the effectiveness of the framework in supporting the management of these risks.

The Committee receives reporting from the Risk and Compliance function on the results of the quarterly risk management survey of regional and functional executives which is used to support identification of key risks facing the business. The completion of this survey along with subsequent discussion of the results at the ERMC is noted as helping to drive greater risk awareness and accountability. Furthermore, through reviewing the results of the survey, the Committee has been able to ensure there is appropriate focus on the key risks facing the business.

Exceptions-based reporting is provided to the Committee through the Views on Risk report setting out any matters of significance in respect of the results of quarterly policy compliance reporting and actions being taken in response to risk events. These two items also support the Committee in performing its oversight of the ERM framework.

The Committee also receives regular reporting from the Chief Internal Auditor which provides an independent assessment of the internal control environment relating to the operation of the framework.

Regulatory compliance and reporting

The Committee reviews and assesses regulatory compliance plans detailing the planned schedule of monitoring activities to be performed by the Risk and Compliance function to ensure there is appropriate coverage. Regular updates on key findings from regulatory compliance activity and progress against the plan were reported to the Committee through the Views on Risk report.

As a Committee we have closely monitored regulatory developments to understand and anticipate potential implications for the Group and the wider financial services sector. This included monitoring regulatory developments regarding statements from the European Securities and Markets Authority, the FCA and other European regulators. In particular the Committee paid close attention to developments in connection to Operational Resilience, remedies arising from the FCA's Asset Management Market Study and Liquidity Management.

Governance arrangements

The Committee has continued to rely on the work of those risk committees comprising non-executives operating in subsidiary companies to provide oversight and challenge of risks within those subsidiaries. This has included the risk committees in place for Aberdeen Standard Investments Life and Pensions Limited, Standard Life Savings Limited, Elevate Portfolio Services Limited and Standard Life (Asia) Limited.

The Committee receives updates and minutes from these committees in order to maintain awareness and oversight of risks across the Group. The Committee also reviews the terms of reference for these committees in order to ensure their remit is suitably aligned. In addition to the Committee reviewing reporting from the subsidiary risk committees, arrangements also exist for the Committee's Chairman to attend those subsidiary risk committees.

During the year the Committee provided advice to the Remuneration Committee regarding the delivery of performance in the context of incentive packages. In particular, the Committee considered whether performance had been delivered in a manner that was consistent with the Group's strategy, risk appetite and tolerances, and capital position. The provision of this advice helps ensure the Group's overall remuneration practices are aligned to the business strategy, objectives, culture and long-term interests of the Group and that individual remuneration is consistent with, and promotes, effective risk management.

Committee effectiveness

The Committee reviews its remit and effectiveness annually. In 2019 this was carried out by external consultants IBE. The review included observation of a meeting, access to papers and interviews with Committee members. The key points arising from the review were:

- The Committee has had a challenging year given the particular risk environment and the complexity of its duties, but the feedback indicates that the Committee has performed well and is making progress and continuing to fulfil its remit
- Some Committee members commented that there was still a tendency for the Committee to spend a lot of its time discussing details, and it would benefit from keeping its focus on the bigger picture
- In line with feedback on the Board pack, members commented that while the quality of materials is seen as high, they could be too long and complex and they would encourage the paper sponsors to simplify and reduce the levels of complexity

Overall, Board members have confidence in the Committee and its Chairman and appreciate the care and diligence with which it fulfils its duties.

Sir Douglas Flint

3.3 Nomination and Governance Committee report

Following on from my introductory letter to the Corporate Governance statement, and together with the other relevant parts of the statement, this section covers the specific work of the Nomination and Governance Committee as it supports the Board in providing effective oversight and challenge of the governance framework.

Sir Douglas Flint
Chairman and Chairman of the Nomination and Governance Committee

Membership

The members of the Committee are the Chairman and a number of the independent non-executive Directors. The table below reflects the composition of the Committee and the members' attendance during 2019:

Member	Attendance
Sir Douglas Flint	5/5
Melanie Gee	5/5
Jonathan Asquith	2/2
John Devine	3/3
Martin Pike	3/3
Former member	
Richard Mully	2/2
Simon Troughton	2/2

Keith Skeoch and Martin Gilbert, in their CE and Deputy Chairman of Aberdeen Standard Investments roles, were invited to Committee meetings to discuss relevant topics, such as the role and membership of key executive management committees, talent development and management succession.

The Committee's role is to support the composition and effectiveness of the Board, and oversee the Group's activities to strengthen its talent pipeline. It also oversees the ongoing development and implementation of the Group's governance framework.

In this report and other parts of the corporate governance statement you can read about the Committee's role in relation to its key responsibilities.

Key responsibilities:

- Identifying and recommending Directors to be appointed to the Board and the Board Committees
- Reviewing and assisting in the development and implementation of the Company's culture, diversity and inclusion activities
- Reviewing Board diversity, skills and experience
- Supporting the process and output of the Board's effectiveness review
- Overseeing succession planning, leadership and talent management development and diversity levels throughout the Group
- Considering how the Group should comply with developing corporate governance requirements

The Committee reports regularly to the Board so that all Directors can be involved in discussing these topics as appropriate.

The Committee's work in 2019

An indicative breakdown as to how the Committee spent its time is shown below:

Jan-Mar

- Supported the Chairman transition arrangements
- Recommended the co-CE transition arrangements
- Reviewed compliance with the UK Corporate Governance Code 2016 for the 2018 ARA
- Considered the gender diversity action plan
- Considered the 2019 ethnicity action plan
- Reviewed the proposal for Board employee engagement
- Reviewed the Board Charter and Committees' terms of reference
- Recommended the appointment of the CFO

Apr-Jun

- Reviewed Board and Committee composition
- Reviewed the SID succession process
- Culture, Diversity and Inclusion action plans update
- Reviewed the process for stakeholder engagement
- Recommended the appointment of two NED Board members
- Reviewed ELT succession planning
- Reviewed ELT development activities

Oct-Dec

- Supported the Chairman Aberdeen Standard Investments retirement process
- Culture, Diversity and Inclusion action plans update
- Supported the selection of the external facilitator for the Board Effectiveness Review
- Reviewed ELT development activities
- Reviewed ELT succession planning

An indicative breakdown as to how the Committee spent its time is shown below:

The key governance activities during the year included:

- Maintaining high-quality membership of the Board and its Committees
- Reviewing the executive governance structures, including the move to a single CE and the rebalance between the CE role and the client relationship role
- Oversight of our transformation programme from the perspective of the evolution of the firm's culture, strategic drivers and behaviours
- Reviewing employee feedback from the Viewpoints survey on our purpose, values and culture and executive management's response
- Supporting the externally facilitated Board effectiveness review for 2019 and ensuring the feedback from the 2018 review was fully considered
- Supporting the Chairman ASI transition process

The Committee regularly reviews the Group's corporate governance framework against relevant directors' duties, generally accepted standards, guidance and best practice, and, as appropriate, recommends to the Board changes to the Board Charter.

Board appointments

When seeking to make Board appointments, the Committee identifies the skills, experience and capabilities needed for particular Board roles. This recognises the need to secure a pipeline of potential successors to be able to chair the Board Committees, and also the need to plan ahead to take account of the length of time served on the Board by the current independent NEDs. In addition, it also recognises the skills which the Board will need as it moves forward to oversee the implementation of its approved strategy, such as digital experience, and takes account of the Group's commitments to achieve and maintain its Board diversity target (33% by 2020).

The related role profile is then submitted to external search consultants along with the request to prepare a list of suitable candidates. The Committee then considers the potential suitable candidates and agrees a shortlist. Following interviews with potential candidates, the Committee then makes recommendations to the Board on any proposed appointment, subject always to the satisfactory completion of all background checks and regulatory notifications or approvals. The other Board members are also offered the opportunity to meet the recommended candidates. Part of this includes considering the external commitments of candidates to assess their ability to meet the necessary time commitment and whether there are any conflict of interest matters to address. This process was followed for the appointments of Stephanie Bruce, Jonathan Asquith, Cecilia Reyes and Brian McBride.

The Committee also oversees the process to recommend continued appointments, but members of the Committee do not take part in discussions when their own performance – or continued appointment – is being considered. Martin Pike's continued appointment was reviewed during the year. This was his third term of appointment, and the Committee agreed that he continued to meet all independence and time commitment expectations

Succession planning and talent management activities

The Committee regularly reviews the results of succession planning activities, including key person and retention risk, and talent development programmes across the Group.

In particular, the Committee discussed the future leadership and talent needs of the Group and how the current programmes would be revised to take account of the skills and expertise required by the Board and the executive leadership team. The programmes recognise the changing shape of the Group, and also identify both the talent available within the Group and the need for external recruitment. The programmes are led by the Chief HR Officer, with input from the CE and supported by the Group Talent and Organisation Development team. Also during 2019, the non-executive Directors held specific private discussions on Board and executive succession, the results of which fed into the overall plan.

Board evaluation

The Committee has a key role in supporting the Board evaluation process. You can read about the 2019 review on page 61. The Committee oversaw the process to select IBE as the external facilitator and also reviews the progress to implement the recommendations of the 2018 review.

Diversity and inclusion

The Board's diversity statement is on page 60. The Committee has a key role in supporting this through its oversight of diversity and inclusion activities. In the Directors' report you can read about our inclusion direction, progress against which is monitored by the Committee. In the Strategic report you can read about our Gender representation, and the progress against the targets we have set. In addition, in the Sustainability report, you can read the Diversity and Inclusion section. The Global Head of Diversity and Inclusion attends the Committee at least twice a year to report on progress on delivering against our action plans and initiatives.

Culture

During the year the Committee also received updates on the initiatives on corporate culture. These included co-creating, articulating and embedding the drivers and behaviours to support our strategy, as well as the leadership role to support these, and then measurement via a proposed scorecard. This work also included the initiatives on Board employee engagement and bringing the employee's voice into the Boardroom, work which will continue to evolve in 2020.

Committee effectiveness

The Committee reviews its remit and effectiveness each year. In 2019, this was carried out by external consultants IBE via an external review and IBE was appointed as the external facilitator. The review included observation of a meeting, access to papers and interviews with Committee members. The key points arising from the review were:

- The Committee has been able to focus its work on the most important issues: succession, culture and D&I, and employee engagement
- In particular the Committee was keen to continue its consideration of how to make the most appropriate use of the information it receives through the NED Board employee engagement channel
- The Committee was also keen to continue to maintain its focus on supporting the delivery of action on the people issues within its remit

Overall, Board members have confidence in the effectiveness of the Committee and the way in which it performs its duties.

Jonathan Asquith

3.4 Directors' remuneration report

Remuneration Committee Chairman's statement

This report sets out what the Directors of Standard Life Aberdeen were paid in 2019 and how we will pay them in 2020, together with an explanation of how the Remuneration Committee reached its recommendations. It also sets out the proposed remuneration policy which, subject to shareholder approval at the 2020 AGM, will apply from that date. Where tables and charts in this report have been audited by KPMG LLP we have marked them as 'audited' for clarity.

The report is structured in the following sections:

- The annual statement from the Chairman of the Remuneration Committee
- An overview of the 2019 remuneration outcomes and the proposed remuneration policy and how it will be implemented in 2020
- The annual remuneration report, which sets out in detail how the remuneration policy was implemented in 2019
- The new remuneration policy, which is subject to a shareholder vote at the 2020 AGM

Approval

The Directors' remuneration report was approved by the Board and signed on its behalf by

Jonathan Asquith
Chairman, Remuneration Committee

10 March 2020

Report contents

This is my first report to shareholders, having been appointed to the Board and as Remuneration Committee Chair in September 2019. I would like to thank Richard Mully who served as the previous Committee Chairman, the Board, and my fellow Committee members for their support.

On appointment, I took the opportunity to meet with a number of our key institutional shareholders and their representatives as well as to undertake a review of our approach to executive remuneration. The outcome is the new remuneration policy which I now present for your approval, together with the Remuneration Committee's report on Directors' remuneration for the year ended 31 December 2019.

We recognise that it is important for all companies, not least major investors such as Standard Life Aberdeen, to consider carefully how their executives are paid. We need to be able to attract and retain talented individuals from diverse backgrounds to manage our businesses and ensure that they are appropriately incentivised. In setting the terms of remuneration for the most senior employees, we must ensure that the interests of a broad range of stakeholders including shareholders, clients, regulators and the wider workforce are respected; their trust is central to our Company and therefore of foremost importance to the pay decisions that we take.

Changes to the executive leadership team (ELT) and Board succession during 2019

In March 2019, it was confirmed that Keith Skeoch had been appointed as the sole CE, with Martin Gilbert remaining on the Board in his new role as Vice Chairman. Subsequently, it was announced in October 2019 that Martin would leave the Company on 30 September 2020. He relinquished his executive reports with effect from the date of that announcement. His time reduced to 4 days per week from 1 January 2020, with his remuneration (fixed and variable opportunity) pro-rated accordingly from that date. He will not seek re-election as a Director at the 2020 AGM.

Stephanie Bruce was appointed to the Board as CFO with effect from 1 June 2019. Her remuneration arrangements were disclosed as part of our Annual report and accounts 2018. The performance targets attached to her initial award are set out on page 89. Her predecessor, Bill Rattray retired from the Board on 31 May 2019 and remained employed to support transition to Stephanie until 31 December 2019. His remuneration for the period of time he was on the Board is set out on page 85 and his remaining remuneration is detailed on page 87.

It was also announced on 17 December 2019 that Rod Paris would step down from the Board with effect from 31 December 2019, while continuing his valuable work as CIO of the Company. His remuneration for the 2019 performance year, as well as the vesting and release of deferred awards granted in his capacity as an executive Director, will be delivered in accordance with existing policy. In line with this, his shareholding requirement under the current policy will remain in-force until the end of 2020.

There were also extensive changes on the non-executive Director front. Sir Douglas Flint stepped up to Chairman on 1 January following the retirement of Sir Gerry Grimstone. Richard Mully and Simon Troughton stepped down from the Board at the Annual General Meeting in May. Following my appointment on 1 September 2019, Cecilia Reyes also joined the Board as a non-executive Director and a member of the Remuneration Committee from 1 October 2019. All non-executive Directors' fee arrangements are set out on page 93.

GOVERNANCE

Variable remuneration outcomes in respect of 2019

The targets for the Executive Incentive Plan (EIP) in 2019 covered a range of focus areas that the Board regarded as critical in challenging management to drive stretch performance while operating within appropriate risk settings. The outcome of the scorecard is set out on page 82 and summarised in the table below.

Executive Director	Final outcome (% of max)	Final outcome (% of salary)	Final outcome (£000s)
Keith Skeoch	20.83%	125%	750
Martin Gilbert	20.83%	83%	498
Rod Paris	22.83%	137%	616
Stephanie Bruce[1]	22.83%	47%	246
Bill Rattray[1]	19.83%	29%	129

1 Outcome (% of annual salary) has been prorated to reflect the period of time spent on the Board.

Financial performance

Performance against financial metrics accounts for 80% of the bonus opportunity for executive Directors. As set out in the Chairman's review, investment performance for our clients and customers improved in the year, with positive effects on their returns. Despite this improving background, the balance of financial metrics in the EIP scorecard landed below target. This has given rise to a final assessment of 8.33% of maximum on financial measures.

It should be noted that four of the financial performance metrics are included in the Underpin condition for the 2018 EIP Deferred Award. The final outcome of this award is not due to be assessed until 2022 and will be reported at that time; it is likely, however, that the result will be negatively impacted by the financial performance for 2019.

Non-financial performance

In addition to the above, the Committee set a range of non-financial (10%) and personal (10%) performance targets for the executive Directors, amounting to 20% of bonus opportunity in total. The Remuneration Committee assessed that a final score of 6.5% out of 10% of the maximum on non-financial measures was appropriate. This was driven by the following key factors:

- A positive assessment for achievements under strategic delivery, in particular unlocking of value from our Indian stakes
- Considerable progress on our people agenda including the formation of a new leadership team
- Progress against key milestones for integration and transformation

Full detail on the Committee's assessment is provided on page 86 together with the achievements of each of the individual executive Directors against the personal targets which make up the final 10% of their scorecards.

Remuneration Committee assessment

To consider whether the awards generated by the scorecard were fair in the broader performance and risk context, the Remuneration Committee considered the following factors:

- The outcome from the perspective of overall Company performance including one-off items
- The shareholder experience during 2019
- The input from the Risk and Capital Committee, and Audit Committee
- The context of incentive funding across the workforce

The Remuneration Committee concluded that there were no grounds for exercising its discretion to amend the outcome of the process.

Looking back at the 2019 AGM

The Board changes announced in March 2019 included the transition away from the co-CEO structure and Martin Gilbert's appointment as Vice Chairman, the prospective appointment of Stephanie Bruce as Finance Director and the detailed terms of the appointment of the new Chairman.

All of these changes had remuneration implications and it became clear in the lead up to the 2019 AGM that some shareholders had concerns in this area. As such, prior to the 2019 AGM, the Chairman held discussions with a number of our largest shareholders and their representatives. Having listened to the concerns raised, the Committee approved further conditionality on the one-off deferred award made to Stephanie Bruce. This was in the form of a performance condition linked to efficiency targets and was communicated to the Stock Exchange on 30 April 2019. At the AGM 57.98% of shareholders' votes cast were in favour of the resolution to approve the Directors' remuneration report. As a result, the Company committed to consult further with shareholders and report back on their concerns and how the Company proposed to address them.

This consultation got under way as soon as practicable after my appointment as Chairman of the Remuneration Committee and involved letters to our leading shareholders and follow up meetings with them and their proxy voting advisers in the fourth quarter of 2019. In these meetings, the discussion points around the 2019 AGM were recognised to be one-off issues of which the key agenda items were:

- Martin Gilbert's remuneration with effect from 13 March 2019 to reflect his new role as Vice Chairman. By the time of the consultation, Martin's decision to step down from this role and retire from the Company had already been announced and the issue was treated as closed.
- Stephanie Bruce's one-off deferred award with a face value of £750,000 which was the subject of the performance condition referred to above

Stephanie Bruce was considered a critical addition to the Board to deliver our strategic plan and her recruitment from outside the financial sector presented particular challenges. As a partner at PricewaterhouseCoopers LLP, her annual emoluments were exclusively in cash and included a share of partnership profits which were relatively dependable, while not guaranteed. On leaving the partnership, she forfeited the right to these payments and transitioned to a pay model with a higher proportion of pay truly at risk. In compensation for her loss of partnership earnings going forward, the Committee felt it was appropriate to grant her a one-off deferred award, to which the performance conditions set out on page 89 were subsequently attached.

Shareholders made it clear that they had not expected the Company to use its general discretions in the remuneration policy to grant an award of this kind. On behalf of the Committee I acknowledged their concerns and agreed that prior consultation with key investors would be considered should a similar issue arise in the future. I also confirmed that assessment of performance against the targets for Stephanie Bruce's one-off award would be separately verified, noting that the first performance assessment is due to take place in June 2020 on the anniversary of her appointment.

I also took the opportunity during my shareholder meetings to discuss our thinking regarding remuneration arrangements and solicited views on the future shape and direction of executive remuneration at the Company. The encouragement received from shareholders and their representatives to consider alternative approaches and the points that they raised informed the decision by the Remuneration Committee to propose the new remuneration policy set out below.

Changes to remuneration for 2020

As outlined in both the Chairman's message and the Chief Executive's review, 2019 was a pivotal year for both our industry and our business. Looking forward we need to position our Company for 2020 and beyond to ensure we are ready to meet the turbulent challenges facing markets and our industry. This demands a remuneration policy and package for our executive Directors that motivates and incentivises delivery against our plan, whilst aligning their long-term interests with those of shareholders.

Our existing remuneration policy is only two years old, but changes to the business since it was first proposed and practical issues around its implementation in the form of the current EIP have undermined its suitability. In particular, much of the current remuneration policy focuses on the achievement of budgetary targets around adjusted profits; this gives rise to four key issues:

- The Company has a substantial and costly programme of integration and systems restructuring work to complete following the Standard Life/Aberdeen Asset Management merger and the sale of the UK and European insurance businesses to Phoenix in 2018. The cost-effective and timely delivery of these 'below the line' items is not addressed by the incentives embedded in the EIP.
- While the existing EIP achieves a degree of shareholder alignment by delivering rewards in the form of shares, there is no explicit linkage between the quantum delivered and any of the conventional independent measures of shareholder value
- The Phoenix transaction provides the Company with the opportunity to reorganise its capital structure via the realisation of value in non-core assets and the return of excess capital to shareholders. Since this process has little impact on Adjusted Earnings, it again falls outside the scope of the EIP.
- The EIP has been established as a multi-year plan, with financial performance measured in the main over trailing periods of up to three years; awards are then subject to annual re-tests on challenging criteria until vesting. The complexity of the structure makes outcomes highly unpredictable and significantly weighted towards trailing performance rather than future growth, while its rigidity does not equip it well to deal with evolving strategic challenges in a fast-changing environment.

These factors, together with feedback obtained from our investors through our meetings over the last six months, have led the Committee to develop the new remuneration policy which is proposed for approval at this year's AGM. It has been designed to address the shortcomings identified above and to ensure that our remuneration policy is structured appropriately to drive delivery of our strategy and meet the following core principles:

Simple and transparent: easy for participants and wider stakeholders to understand.

Alignment to performance: executive remuneration aligned to overall performance of the Company.

Reward short and long-term performance: rewards delivery of short-term plans and long-term shareholder returns.

External landscape: considers the evolving external landscape for executive reward.

Market competitive: attracts and retains the right talent to deliver our strategy.

Key elements of our new policy

For simplicity and ease of understanding, the new remuneration policy is structured to conform substantially with existing market norms. It has six key features:

Base salary – set to reflect the role and experience of the relevant individual, with increases typically in line with the wider workforce, adjusted where appropriate for changes in role or responsibilities.

Benefits and pensions – aligned with the wider workforce.

Annual bonus – rewarding management for the efficient and timely execution of the stretching plan agreed with the Board over the short term (12 months), with a majority focus (75%) on financial performance. Non-financial performance (20%) makes up most of the balance, concentrating on the achievement of desired outcomes in our relationships with our customers and our people. The remaining 5% is reserved to reward the achievement of specific personal targets set for each of the executive Directors. Underpinning the final outcome is Board discretion, where Risk and Conduct matters are considered along with any other contextual references such as sustainability of outcomes. Given the importance of these aspects, they can have a substantial impact on final awards, notwithstanding performance against the targets set.

Long-Term Incentive Plan (LTIP) – aligning management expectations with those of the Board and shareholders over the long term (five years), with a three year performance measurement period and subsequent two year retention period. Performance measures are linked to the creation of long-term shareholder value and must include a minimum of two measures of which one should be absolute and one relative in nature.

Shareholding requirement – remains 500% of salary for CE and 300% for CFO. For executive Directors serving from this year's AGM the post-employment shareholding requirement has been extended to two years following departure from the Board.

Quantum – there is no increase in the overall opportunity available to any of the executive Directors as a result of the change from the existing to the proposed remuneration policy.

2020 policy implementation

A core part of the design of our new remuneration policy was to maintain a similar remuneration potential at target and maximum for executive Directors as their potential under the current policy. The proposed 2020 remuneration package for our executive Directors is detailed on page 96. The Board increased salaries in line with the salary increase being awarded to our employees. Pension has been reduced to align to the pension opportunity for our wider workforce. There has been no change to the incentive pay opportunity or the proportion potentially available to recipients in cash, as distinct from deferred. We have chosen adjusted diluted earnings per share (EPS) and relative total shareholder return (TSR) as the two shareholder value measures to be used as the basis for judging performance for the 2020 LTIP.

Further detail regarding the proposed new policy and its implementation for 2020 is summarised in the 'At a glance' section on page 83 and set out in full in the 'Future remuneration policy' section starting from page 96.

Shareholder consultation

As we reported in an RNS announcement in November, the Committee consulted extensively with shareholders and their representatives in the development of this policy and their views have helped us to shape our final proposals. The shareholders that we consulted were supportive of the proposed approach going forward, and in particular:

- Increased alignment to shareholders through the introduction of an LTIP
- Greater levels of transparency for both management and shareholders on how performance and remuneration outcomes align through a simplified model for delivery which removes trailing performance measures and performance retests

Shareholders and their representative bodies also provided helpful commentary which have guided the implementation of the new policy for our executives in 2020. I thank them for both their time and contribution.

To help you navigate the report effectively, I would like to draw your attention to the 'At a glance' sections between pages 81 and 84 which summarise both the outcomes for 2019 and also the proposed new remuneration policy and its implementation in 2020. Further detailed information is then set out in the rear sections of the report for your reference as required.

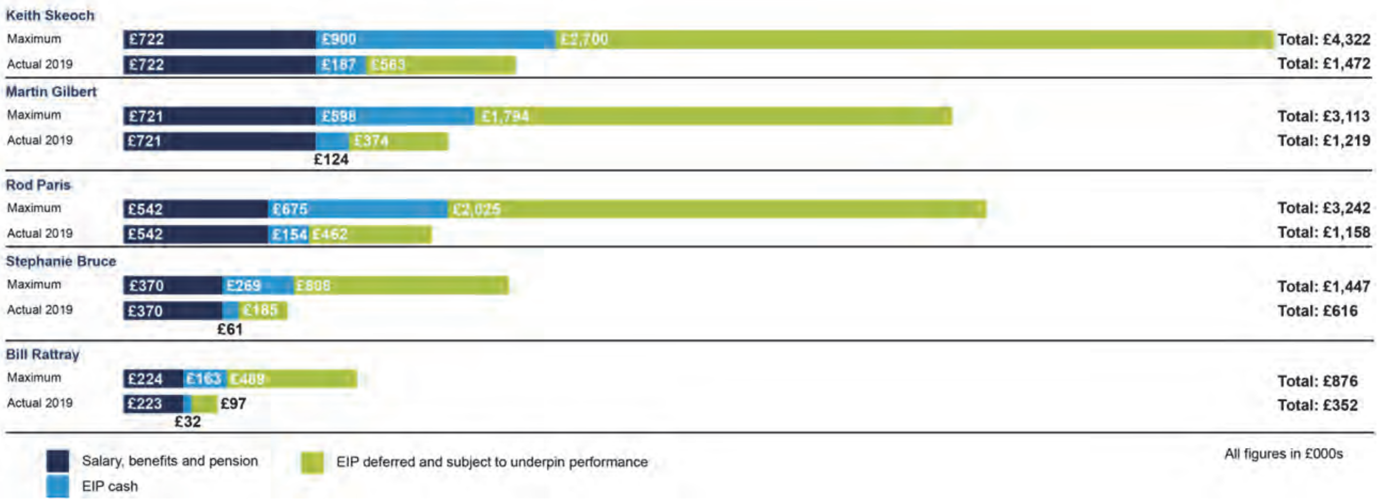
On behalf of the Board, I invite you to read our remuneration report and welcome your feedback.

At a glance – 2019 Remuneration outcomes

This section sets out our 2019 remuneration policy, the 2019 award outcomes for each executive Director, the performance against the executive incentive plan scorecard and the performance against each of the 2019 performance measures contained in this scorecard.

2019 Remuneration outcomes

This chart shows the outcome for each executive Director based on 2019 performance compared to the maximum opportunity.



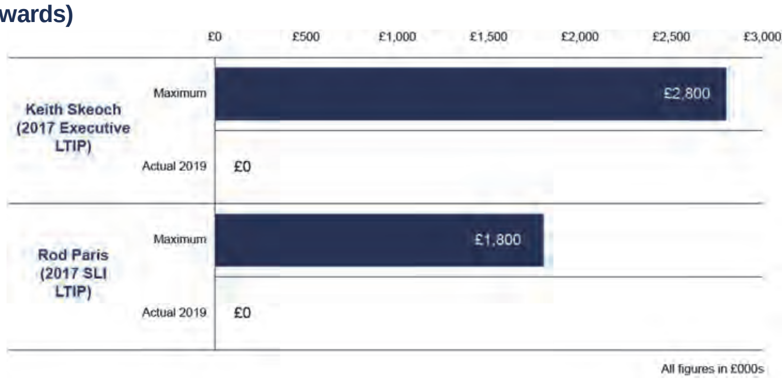
[1] The figure for Stephanie Bruce has been pro-rated to reflect her appointment to the Board on 1 June 2019.

[2] The EIP opportunity for Martin Gilbert has been pro-rated to reflect the change in his opportunity as a result of his change in role on 13 March 2019.

[3] Bill Rattray retired from the Board on 31 May 2019. The EIP outcome and opportunity shown above has been pro-rated to reflect the period of time spent on the Board.

2019 Remuneration outcomes (long-term incentive awards)

Both Keith Skeoch (Executive LTIP) and Rod Paris (SLI LTIP) were granted LTIP awards in 2017, prior to the merger with a performance period ending 31 December 2019. The Committee reviewed the performance conditions attached to these awards and assessed that performance had not met the minimum threshold required to vest. The awards will lapse in full. More detail on the performance conditions can be found on page 88.



The 2019 EIP scorecard outcome

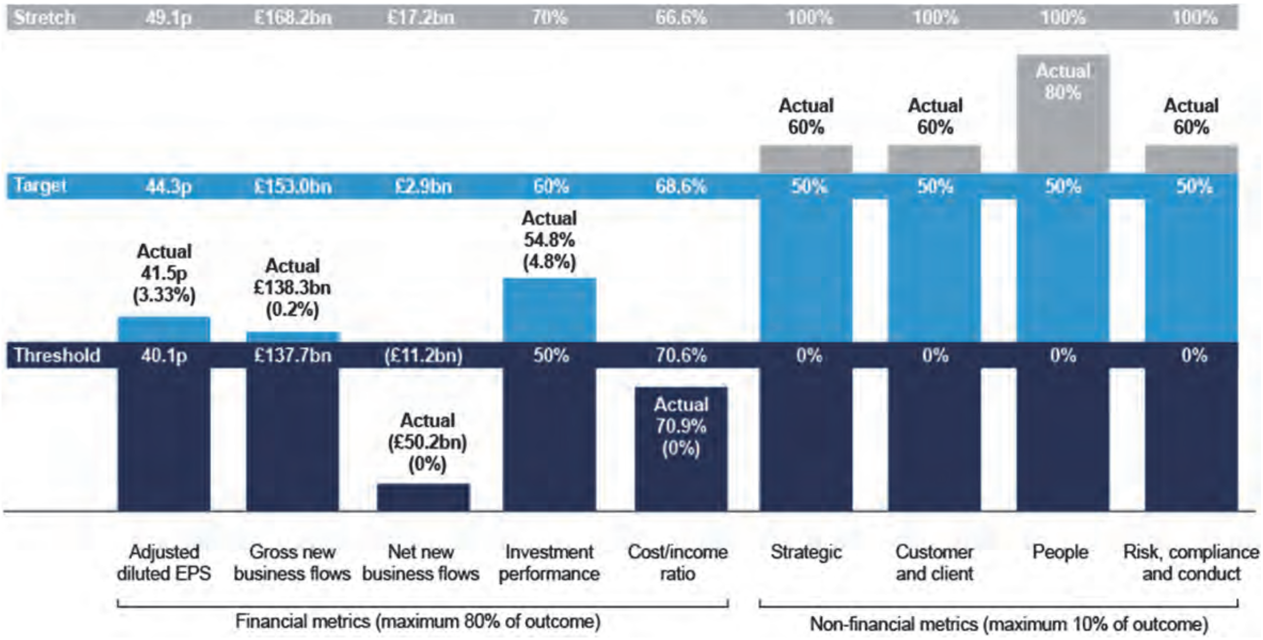
In determining the final outcome for the EIP, the Remuneration Committee took advice from the Risk and Capital Committee and the Audit Committee, while also considering culture and conduct, the shareholder experience and pay for the wider workforce. As a result of this, the Committee concluded that there would be no further discretion applied to the scorecard outcome. The following table sets out the final outcome for the 2019 EIP, including the personal performance assessment. The table also details the final value derived for each individual.

	Financial metrics (maximum 80%)	Non-financial metrics (maximum 10%)	Personal Performance (maximum 10%)	Formulaic outcome (% of maximum)	Board approved final outcome (% of maximum)	Maximum opportunity (% of salary)	Total payable (% of salary)	Total payable (£000s)	EIP cash (£000s)	EIP deferred (£000s)[1]
Keith Skeoch	8.33%	6.5%	6.0%	20.83%	20.83%	600%	125%	750	187	563
Martin Gilbert[2]	8.33%	6.5%	6.0%	20.83%	20.83%	399%	83%	498	124	374
Rod Paris	8.33%	6.5%	8.0%	22.83%	22.83%	600%	137%	616	154	462
Stephanie Bruce[3]	8.33%	6.5%	8.0%	22.83%	22.83%	350%	47%	246	61	185
Bill Rattray[4]	8.33%	6.5%	5.0%	19.83%	19.83%	350%	29%	129	32	97

1 Deferred awards will be made in 2020, in the form of nil cost options under the Deferred Bonus Plan rules. Performance Underpins are applied, as set out on page 87.
2 Martin Gilbert's total opportunity was 600% of salary until the 13 March 2019 and 350% of salary thereafter as a result of his change in role to Vice Chairman of the Company.
3 Stephanie Bruce's total opportunity was 350% of salary from 1 June 2019 to 31 December 2019.
4 Bill Rattray retired from the Board on 31 May 2019. The EIP outcome has been pro-rated to reflect the period of time spent on the Board.

2019 outcome of the financial and non-financial performance metrics used to determine the 2019 EIP vesting percentage

The following chart shows performance against the target range for each of the financial and non-financial metrics which form the EIP. Financial metrics contribute a maximum of 80% of the outcome, with non-financial metrics contributing a maximum of 10% of the outcome. Further detail on the assessment of the performance conditions, including highlights from the personal performance assessment (which account for a maximum of 10% of the final outcome) can be found on page 86.



Current policy summary

The following table describes the remuneration policy applicable in 2019. A comparison between the current and the proposed policy is presented on page 84.

Salary: Core reward for undertaking the role, normally reviewed annually.

Pension and Benefits: Provides market competitive cost-effective benefits.

Executive Incentive Plan: A single incentive plan designed to reward the delivery of the Company's business plan in a range of financial and non-financial areas. Performance assessed against a range of key financial, non-financial and personal performance measures. Performance is measured both on annual and, where appropriate, trailing performance of up to three years. Awards are delivered as follows:

- 25% in the form of cash
- 75% in the form of a deferred award (subject to Underpin conditions which are measured over three years from award)

Vested awards are subject to a holding period until the fifth anniversary of the grant date.

Shareholding guidelines: Executive Directors are required to build up substantial interests in the Company. The shareholding requirement for the Chief Executive is 500% of salary, and 300% of salary for other directors. Executive Directors are required to hold shares to the value of the shareholding requirement for one year post-cessation.

At a glance – proposed remuneration policy and 2020 implementation

This section sets out our proposed 2020 remuneration policy (and compares this to our current policy), 2020 implementation of this policy (including a comparison to 2019) and the 2020 performance measures and targets that will be used to determine outcomes.

Key elements of our proposed policy (full policy set out on page 96)

As referred to in the Chairman's statement, a new policy has been proposed for implementation in 2020. The tables below summarise the key elements and implementation of the policy. Details of how our proposed policy supports the delivery of our strategy can be found on page 99. The policy for Chairman and non-executive Director fees remains unchanged and is set out on page 104.

Salary: Core reward for undertaking the role, normally reviewed annually.

Change from current policy: No change

Pension and benefits: Provides a competitive and flexible retirement benefit that does not create an unacceptable level of financial risk or cost to the Company. Provides market competitive cost effective benefits. The level of pension and benefits is reviewed periodically in line with the opportunity offered to other employees in the Company.

Change from current policy: Reduction in pension quantum proposed. This is to bring executive Director pension into line with the opportunity available to the wider workforce.

Bonus: Annual plan designed to reward the delivery of the Company's business plan in a range of financial and non-financial areas.

- Performance assessed against key financial, non-financial and personal performance measures
- Awards will vest at 25% for threshold performance, 50% for target performance and 100% for maximum performance with straight line vesting between these points
- Awards are delivered 50% in the form of cash and 50% in the form of a deferred award. The deferred award is delivered in shares and vests in equal tranches over three years. Retention is applied as required by regulation. Cash and deferred awards are subject to malus and clawback.

Change from current policy: The EIP is replaced by an annual bonus and LTIP award. Annual bonus performance will be assessed against forward looking metrics measured over 12 months, rather than based on trailing performance.

Long-Term Incentive Plan (LTIP): Designed to incentivise and reward long-term performance and shareholder value creation.

- Performance measures will include an absolute and relative measure
- Awards are subject to a three-year performance period with vested awards subject to a further two-year holding period
- Awards are subject to malus and clawback
- The first LTIP award will be made following the 2020 AGM, subject to the policy's approval

Change from current policy: New element of remuneration (partly replaces the EIP).

Shareholding guidelines: Executive Directors are required to build up substantial interests in the Company. The shareholding requirement for executive Directors remains at 500% of salary for the CE and 300% of salary for the CFO. Executive Directors are required to hold shares to the value of the shareholding requirement for two years following departure from the Board. Martin Gilbert will be subject to the policy in place at the time of the announcement of his departure, i.e. one year post-cessation of employment with the Company.

Change from current policy: Increase from current post employment shareholding requirement of 12 months to 24 months.

Quantum: There is no increase in the quantum of opportunity available to any of the executive Directors as a result of the change from the existing to the proposed remuneration policy.

Annual bonus

At the beginning of each year the Remuneration Committee sets the performance measures for the annual bonus based on strategic priorities. For 2020, 75% of the measures are based on financial performance, with the remainder based on non-financial performance. The Remuneration Committee retains an appropriate level of flexibility to apply discretion to ensure that remuneration outcomes are reflective of a holistic view of overall performance. The discretionary assessment will include, but will not be limited to, risk, compliance and conduct, and culture.

The following table sets out the performance scorecard to be used based on the Company's strategic priorities:

Focus area	Weighting	Example performance metrics to be used to assess 2020
Positioning for growth	45%	Investment performance, Fee based revenue, Cost/income ratio
Delivering for our shareholders	30%	Profitability and delivery of key strategic initiatives
Investing in our people and our customer experience	20%	Performance against key people objectives (including people engagement and diversity) and key customer objectives (including customer advocacy)
Individual objectives	5%	Key individual deliverables

Due to commercial sensitivity, actual targets and ranges will be disclosed at the end of the performance period.

The 2020 LTIP award

The first award under the LTIP plan will be made following the 2020 AGM, subject to the approval of the remuneration policy. Targets for the award will be measured for the three-year period ended 31 December 2022 and are set as follows:

Performance measure	Weighting	Threshold performance (25% vesting)	Stretch performance (100% vesting)[1]
Adjusted diluted EPS Compound Annual Growth Rate (CAGR)	50%	5%	15%
Relative TSR[2]	50%	Equal to the median company	Equal to, or in excess of, the upper quartile company

1 Straight line vesting occurs between threshold and maximum.

2 Relative TSR will be calculated using a 90-day average share price, both at the beginning and at the end of the performance period. The 90-day averaging will commence 45 days prior to the beginning and also 45 days prior to the end of the performance period. The calculation will be performed on a local currency basis.

The proposed peer group[1] to be used for the relative TSR measure consists of the following global asset management peers:

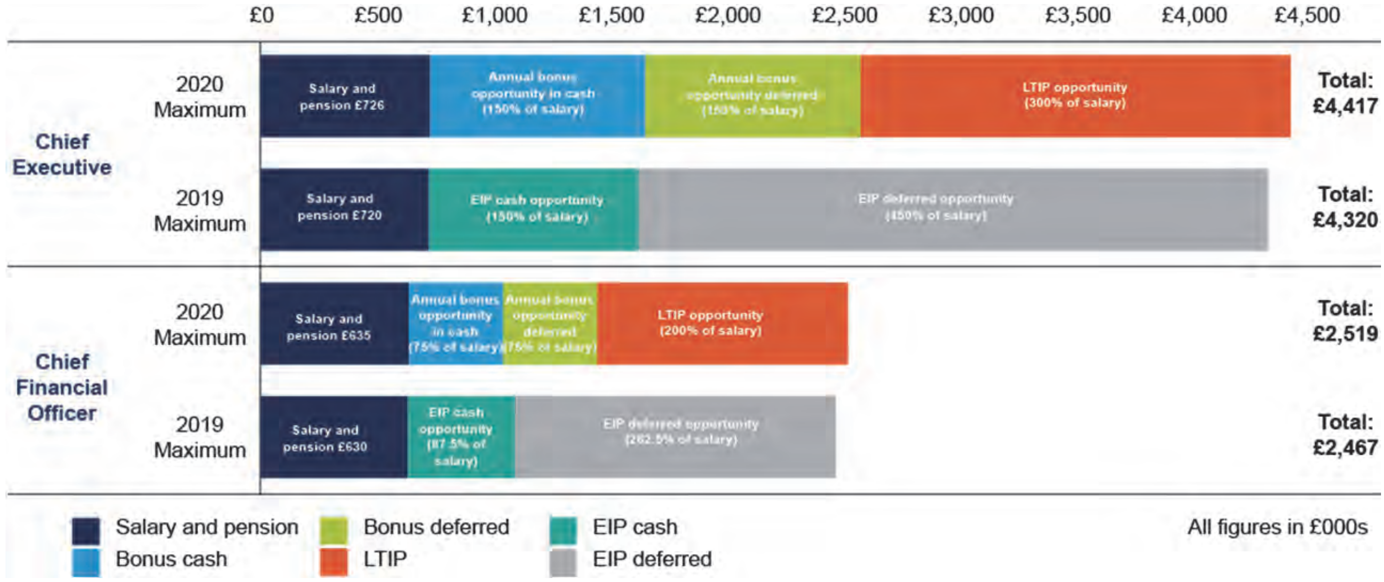
Affiliated Managers	DWS Group	Jupiter Fund Management	SEI Investments
Alliance Bernstein	Eaton Vance	M&G	St James's Place
Ameriprise Financial	Franklin Resources	Man Group	T Rowe Price Group
Amundi	Invesco	Quilter	
Ashmore Group	Janus Henderson Group	Schroders	

1 This peer group will be subject to re-evaluation throughout the performance period to adjust for the effects of corporate events such as mergers and acquisitions, with substitutes introduced where necessary to maintain the approximate size and comparability of the group.

Comparison of opportunities of the policy in 2020 compared to 2019

The following chart compares the implementation of the previous policy to the proposed policy. Salary and pension for 2020 shown below includes the following adjustments:

- Salary of £615k for the CE, and £538k for the CFO (representing a 2.5% increase, in line with the wider workforce)
- Pension of 18% of salary (a reduction from 20% of salary, and in line with the maximum contribution in place across the wider workforce)



The Committee recognises that the split between annual bonus and LTIP is typically more heavily weighted towards the longer term performance. Under the new policy, the maximum variable opportunity is 300% of salary for the annual bonus, and 500% of salary for the LTIP, with a maximum total combined variable award of 700% of salary. The Committee therefore retains flexibility to vary the balance between short and long-term remuneration in the future.

The terms of Martin Gilbert's retirement were agreed at the time of the announcement relating to his departure. In line with the prevailing policy at that time, Martin Gilbert will continue to receive a pension of 20% of salary until his departure. He will have a maximum opportunity for 2020 Annual Bonus of 204% of salary, to be pro-rated for time served (he will not be eligible to receive a 2020 long-term incentive award). His salary will remain as £480,000, reflecting the pro-rated value based on his working four days per week.

2019 Remuneration Outcomes

This section reports remuneration awarded and paid at the end of 2019 in further detail, including the performance Underpins to be applied to the EIP deferred awards granted in 2020 and payments to past Directors.

Single total figure of remuneration – executive Directors (audited)

The following table sets out the single total figure of remuneration for each of the executive Directors who served as a Director at any time during the financial year ending 31 December 2019:

Executive Directors		Basic salary for year £000s	Taxable benefits in year £000s[1]	Pension allowance paid in year £000s	Other payments £000s[2]	Fixed pay sub-total £000s	EIP paid in cash[3] £000s	EIP deferred[4] £000s	Long-term incentives with performance period ending during the year £000s[5,6]	Variable sub-total £000s	Total remuneration for the year £000s
Keith Skeoch	**2019**	**600**	**1**	**120**	**1**	**722**	**187**	**563**	**0**	**750**	**1,472**
	2018	600	1	120	1	722	–	367	–	367	1,089
Martin Gilbert	**2019**	**600**	**1**	**120**	**–**	**721**	**124**	**374**	**–**	**498**	**1,219**
	2018	600	2	120	–	722	–	367	–	367	1,089
Rod Paris	**2019**	**450**	**1**	**90**	**1**	**542**	**154**	**462**	**0**	**616**	**1,158**
	2018	450	1	90	1	542	151	454	40	645	1,187
Stephanie Bruce[7]	**2019**	**308**	**–**	**62**	**–**	**370**	**61**	**185**	**–**	**246**	**616**
	2018	–	–	–	–	–	–	–	–	–	–
Bill Rattray[8]	**2019**	**186**	**–**	**37**	**–**	**223**	**32**	**97**	**–**	**129**	**352**
	2018	450	1	90	–	541	77	229	0	306	847

1 This includes the taxable value of all benefits paid in respect of the relevant year. Included for 2019 are medical premiums at a cost to the group of £518 for Keith Skeoch and Rod Paris and £1,274 for Martin Gilbert.

2 Keith Skeoch, Martin Gilbert and Rod Paris participate in the Standard Life Sharesave Plan. Keith Skeoch and Rod Paris participate in the Standard Life (Employee) Share Plan – the maximum annual award of matching shares in 2019 was £600.

3 This figure shows the annual cash bonus paid in respect of the year.

4 This figure shows the annual deferred EIP awarded in respect of the year. In the event that all, or part, of the award fails to satisfy the Underpin performance condition and subsequently lapses, the single figure outcome will be restated in the following Annual report and accounts.

5 The values reported for 2018 have been restated to reflect the value of the shares vesting in respect of the three-year performance measurement period ending on 31 December 2018. Where the awards vested in 2019 the price has been restated using the share price on the vesting date. For 2018, the Executive LTIP vested at 0% and the Standard Life Investments LTIP vested at 3.175% of maximum, with the outcome restated in the table above at the vesting price of £2.5775. The previous share price used (based on the three month average to 31 December 2018) was £2.6415.

6 For 2019, both the Executive and Standard Life Investments LTIPs failed to achieve threshold performance and will vest at 0%.

7 Appointed 1 June 2019 – all figures reflect amounts paid/awarded since the date of appointment.

8 Stepped down from the Board on 31 May 2019. The values shown represent the emoluments paid for the period spent on the Board.

Base salary (audited)

No salary changes were made in 2019.

Pension (audited)

During 2019, all executive Directors received a cash allowance in lieu of pension contributions of 20% of base salary.

Executive Incentive Plan

The following section contains details on the targets and the Remuneration Committee's assessment of outcomes for the period 1 January 2019 to 31 December 2019 against each of the elements of the EIP scorecard.

Financial performance metrics – 80% of total scorecard outcome

	Weighting (% of max opportunity)	Threshold (0% of maximum)	Target (50% of maximum)	Stretch (100% of maximum)	Actual	Result (% of max opportunity)
Long-term financial						
Adjusted diluted EPS (pence)[1,2]	**20%**	**40.1**	**44.3**	**49.1**	**41.5**	**3.33%**
Gross new business flows (all channels) (£bn)[1,3,4]	**10%**	**137.7**	**153.0**	**168.2**	**138.3**	**0.2%**
Net new business flows (excl. Strategic insurance partners) (£bn)[1,3]	**10%**	**(11.2)**	**2.9**	**17.2**	**(50.2)**	**0%**
Investment performance[5]	**20%**	**50.0%**	**60.0%**	**70.0%**	**54.8%**	**4.8%**
Short-term financial						
Cost/income ratio[6]	**20%**	**70.6%**	**68.6%**	**66.6%**	**70.9%**	**0%**

1 Includes eight months of discontinued business in 2018

2 Includes 2018 adjusted diluted EPS outcome, which is aligned to the 2018 adjusted profit outcome

3 Flows excludes investment in cash and liquidity funds and Advice flows net of eliminations

4 Excludes Lloyds in 2019

5 Includes an adjustment for GARS returns below LIBOR +2.5% or equivalent

6 Cost/income ratio targets have been restated following the HDFC Life and AM stake sales

Non-financial performance metrics – 10% of total scorecard outcome

Quadrant	Highlights from assessment	Result (% of max)
Strategic (2.5%)	– Enabling execution of planned HDFC Life/ Asset Management share sales, delivering above target outcomes – £3bn gross AUM added from new products, significantly ahead of target of £2bn – Development of a cohesive and ambitious plan for the Group's Wealth and Platforms business – Transformation objectives assessed as being on track but behind stretch targets	**1.5%**
Customer and client (2.5%)	– Global Brand rank remained in the top 10 of the NMG client survey, in line with the target. The Retail Gatekeeper and Retail Advisor rankings remained static. – Top awards received in respect of the Group's IFA platforms – Activity rates were measured at 112% of the stretch target – Strong levels of client retention from the high risk profile, above target range – AUM at high risk fell by approximately 1/3rd	**1.5%**
People (2.5%)	– Transformation of leadership team completed during 2019, with the ELT and Global Leadership Group established, providing continued development for future succession pool – Most improved company in the Hampton-Alexander FTSE 100 index, to 10th position and a 9% increase in women in senior roles since 2017 to 36%, ensuring strong progress towards the Women in Finance targets – Voluntary turnover within the Company remains ahead of the benchmark at 9.7% – Implementation of an integrated HR system	**2%**
Risk, compliance, conduct (2.5%)	– Global Code of Conduct attestation rate across all employees of over 99%, in line with the stretch target – Successful planning and execution of organisational and customer documentation changes to prepare for the full range of possible Brexit scenarios – Company operating at an elevated level of risk as a result of the transformation environment, however positive management action has resulted in improvements over the second half of the year – Improvement in Cyber threat defences and preparedness	**1.5%**

Personal performance metrics – 10% of total scorecard outcome

	Highlights from assessment	Result (% of max)
Keith Skeoch	– Leading role in strategic planning and execution of HDFC Life /AMC sales considerably enhancing value of retained shareholdings, and in planning and executing share buyback activity – Leading consultant recognition for improved investment performance which reflects a multi-strategy approach – Strong focus on the people agenda and development of a talented leadership team – Leadership of an improved planning and budgeting process through final stage of transition – Progress with Phoenix on exiting from elements of the Transitional Service Agreement and developing the strategic relationship had been slower than expected – Further transformation synergies identified, however with additional costs and some delay	**6%**
Martin Gilbert	– Ongoing and impressive outreach to a diverse client base while successfully transitioning key client and industry relationships to senior colleagues – Strong management of the development plans for strategic clients and distribution and marketing agenda – Continuing participation in leading investor conferences to project the Aberdeen Standard Investments brand	**6%**
Rod Paris	– Improvement of investment performance as a result of strong leadership on the integration of the investment teams and capabilities – Completing transition of the target operating model and management succession planning in core areas – Reinforcing focus on stewardship and environmental, social and governance activities across the company and introducing a more proactive and public engagement policy	**8%**
Stephanie Bruce	– Strong impact in first 6 months of taking over leadership of the finance function, including improved efficiency in the delivery of results reporting and target setting for our business plan – Enhancement of Board financial information and support for the Audit Committee. Effective oversight of the regulatory and capital management requirements and relationship building with key regulators – Effective management of our strong capital position to support strategic investments to grow the business and maintain our dividend policy	**8%**
Bill Rattray	– Provided support and effective handover of his finance function responsibilities to Stephanie Bruce – Supported Stephanie Bruce in initial dealings with the investor community and provided ad hoc input as required on complex historic matters	**5%**

Before approving the level of performance in 2019, the Remuneration Committee sought the views of the Audit Committee on material accounting, reporting and disclosure matters that it considered during the year and the Risk and Capital Committee on the management of risk within the business. When reflecting on whether the formulaic outcome could be considered fair in the context of the overall results, they took into account the feedback received as well as items including culture and conduct, shareholder experience and pay for the wider workforce.

The Remuneration Committee determined there should be no adjustments made to the EIP scores as a result of this review. The final outcome, including how this impacted the payout for each Director, is set out on page 82.

Underpin conditions to be applied to the EIP deferred awards to be granted in 2020

Awards will be subject to performance Underpins, measured over a three-year period. Subject to performance against the Underpins, awards will vest pro-rata over years three, four and five following grant. Awards will not be released to participants until the fifth anniversary of grant.

The following table sets out each of the performance Underpins:

Performance measure	Weighting	Underpin level
Investment performance	25%	– Measured based on a blend of three-year and five-year investment performance. – Requires average results of the three years to be at or above 55% of AUM by value to be outperforming benchmark
Flows	25%	– Rewards a key driver of AUMA – Cumulative performance between 2020-2022 – For Gross new business flows, Underpin set at greater than or equal to £235bn (excludes flows arising from investment in cash and liquidity funds and flows from LBG) – For Net new business flows, Underpin set at greater than or equal to £30bn (excludes flows arising from investment in cash and liquidity funds and excludes Strategic Insurance Partners)
Return on adjusted equity	25%	– Rewards efficient profit generation – Average performance between 2020 – 2022 to be 17% or higher – Return on equity is calculated as adjusted profit before tax divided by adjusted IFRS equity
Cost/income ratio including associates and joint ventures	25%	– Rewards strategy of building an efficient and effective business – Measured based on performance in 2022 – Underpin set at less than or equal to 65%

Payments to past Directors and payments for loss of office (audited)

Payments made to former Directors that have not been previously reported elsewhere are reported if they are in excess of £20,000.

Bill Rattray stepped down from the Board with effect from 31 May 2019 but remained employed until 31 December 2019 to support transition to Stephanie Bruce, after which point he left the Company. Details of his pro-rata remuneration until stepping down from the Board are included in the table on page 85. He continued to be eligible for his salary and benefits until his termination date of 31 December 2019. The amounts payable in respect of the period 1 June to 31 December 2019 include base salary, contractual benefits and pension (totalling £316k). No further payments were made to him in respect of 2019. For the remaining portion of his notice period, until 31 May 2020, Bill Rattray will be entitled to payment for his base salary, contractual benefits and pension (totalling £226k).

As Bill retired from the Company, he was treated as a good leaver for the purpose of outstanding incentive awards. In line with the respective plan rules, the following treatment applied:

- Legacy awards under the Aberdeen Deferred Share Plan: Unvested awards will vest in full at the normal vesting date
- Deferred awards under the EIP: Unvested awards will pay-out at the normal time, subject to performance against the Underpin conditions

Rod Paris remains employed with the Company in his role as CIO following stepping down from the Board and his outstanding incentive awards will continue to vest in line with their original terms.

As disclosed in the 2018 Directors' remuneration report, in accordance with the terms of his letter of appointment, in 2019 Sir Gerry Grimstone received fees of £190,000 and an allowance of £10,000 in respect of his six month notice period.

Executive Directors' external appointments

Subject to the Board's approval, executive Directors are able to accept a limited number of external appointments to the boards of other organisations and can retain any fees paid for these services. Significant executive Director appointments held during the year are shown below:

Executive Director	Role and organisation	2019 Fees
Keith Skeoch	Non-executive Director Financial Reporting Council	£nil
	Director and deputy chair of the Investment Association	£nil
Martin Gilbert	Non-executive Director Glencore plc	US$300,000
	Chairman of the Practitioner Panel – Prudential Regulation Authority[1]	£nil
Stephanie Bruce	Board and council member of ICAS	£nil
Bill Rattray	Non-executive Director Curtis Banks Group PLC	£50,833

1 Stepped down from this position with effect from November 2019.

Shareholdings and outstanding share awards

This section reports our Directors' interests in shares.

Vesting of the 2017 Executive LTIP and Standard Life Investments Long-Term Incentive Plan (SLI LTIP)

Keith Skeoch participated in the 2017 Executive LTIP, the outcome of which was dependent on the achievement of stretching performance conditions by reference to adjusted profit and net flows targets. On assessment of performance against these conditions, it was determined that the award did not meet the required thresholds against either of these measures and the award lapsed in full.

The table below sets out the adjusted performance targets for Executive LTIP awards granted in 2017:

Performance condition	Performance measurement period	Threshold	Maximum	Actual	% Vesting
Cumulative Group adjusted profit before tax[1]	1 January 2017 to 31 December 2019	£2,635m	£3,210m	**£2,171m**	**0%**
Cumulative Group net flows[2]		£27.7bn	£45.9bn	**(£70.1bn)**	**0%**

1 These are the performance targets after the adjustments in 2017 in light of the merger and in 2018 following the transaction with Phoenix. Further adjustments were made to this target in 2019 as a result of the Lloyds Banking Group withdrawal and associate and joint venture share reduction changes. These adjustments resulted in a reduction in the threshold and maximum targets of £30m and £35m respectively. These formulaic adjustments have not resulted in a change to vesting outcome.

2 No change was made to the net flows condition in 2017 from those originally set at grant.

Rod Paris participated in the 2017 SLI LTIP which was dependant on the achievement of adjusted profit targets and subject to Underpins relating to investment performance. After the performance conditions were assessed, it was determined that the award did not meet the required thresholds against the measure and the award lapsed in full. The actual adjusted profit targets are not disclosed as Aberdeen Standard Investments is a subsidiary of the Company and the Board deems that this is commercially sensitive information which, if disclosed, could seriously prejudice the Company's business.

	Threshold	Target	Maximum	Actual	% Vesting
Cumulative adjusted profit performance	70% of target	100% of target	130% of target	**59% of target**	**0%**

Directors' interests in shares (audited)

A shareholding requirement was implemented in 2014 and amended in 2018. We continue to require executive Directors and senior management to maintain a material long-term investment in Standard Life Aberdeen plc shares. The Remuneration Committee reviews progress against the requirement annually and retains discretion to require executive Directors to purchase shares to meet the requirement. Personal investment strategies (such as hedging arrangements) are not permitted. For the purpose of the shareholding requirement, awards qualifying include 50% of the value of deferred awards held by the executive Directors that have vested but not been exercised and 50% of the value of long-term incentive awards that are no longer subject to a performance condition but have not been exercised (as a proxy for the tax due on exercise of the awards). All executive Directors have complied with the current requirement as at 31 December 2019, with the exception of Stephanie Bruce who was appointed during 2019.

The following table shows the total number of Standard Life Aberdeen plc shares held by the executive Directors and their connected persons:

	Total number of shares owned at 1 January 2019	Shares acquired during the period 1 January 2019 to 31 December 2019	Total number of shares owned at 31 December 2019[1]	Shares acquired between 31 December 2019 and 9 March 2020
Keith Skeoch	2,386,031	49,195	2,435,226	54
Martin Gilbert	431,161	–	431,161	–
Rod Paris	671,722	9,093	680,815	–
Stephanie Bruce	–	–	–	–
Bill Rattray	1,525,603	–	1,525,603	–

The following table shows the number of qualifying awards included in assessing achievement towards the shareholding requirement, as at 31 December 2019:

	Qualifying awards					
	Number of shares available as unrestricted vested deferred awards	Number of shares under option under long-term incentive plans which are no longer subject to performance conditions	Total qualifying holding (shares held from table above) and 50% of qualifying awards	Value[1] of holding	Shareholding requirement	Total of the value of shares (from table above) and 50% of the value of qualifying awards at 31 December 2019 as a % of salary
Keith Skeoch	–	360,355	2,615,404	£8,581,139	500%	1430%
Martin Gilbert	1,157,710	–	1,010,016	£3,313,863	300%	552%
Rod Paris	–	53,017	707,324	£2,320,728	300%	516%
Stephanie Bruce	–	–	–	–	300%	N/A
Bill Rattray	746,831	–	1,899,019	£6,230,680	300%	1385%

1 The closing price at 31 December 2019 used to determine value was 328.10 pence.

Under the proposed remuneration policy set out on page 96, which is subject to approval at the 2020 AGM, an executive Director will have to hold shares up to the value of their shareholding requirement for 24 months post departure from the Board. The previous policy required shares up to the value of the requirement to be held for 12 months post departure. Bill Rattray continues to hold more than 300% of his salary in shares, which must be held until 31 December 2020. In line with the policy which was in place at the time of the announcement relating to his departure, Martin Gilbert will be required to hold 300% of his pro-rated salary in shares until 30 September 2021.

This table shows the total number of share options with and without performance conditions held at 31 December 2019:

	Unvested options with performance measures[1]	Unvested options without performance measures[2]	Vested but unexercised options at 31 December[3]	Exercised during the year[4]	Aggregate gains made on awards exercised during the year[5]
Keith Skeoch	1,678,540	360,355	–	–	–
Martin Gilbert	138,107	807,969	1,157,710	1,167,351	£3,616,453
Rod Paris	1,160,882	53,017	–	15,399	£39,953
Stephanie Bruce	281,571	–	–	–	–
Bill Rattray	86,190	163,960	746,831	–	–

1 Includes LTIP awards made in 2017 and 2018 and awards granted in 2019 disclosed below, excluding, in each case, shares to be awarded in lieu of dividend equivalents.

2 This comprises awards under the LTIP granted in 2015 and deferred bonus awards (including unvested awards under the Aberdeen Variable Pay plans). It does not include shares to be awarded in lieu of dividend equivalents. Also included are options granted under the Standard Life Sharesave Plan.

3 This comprises awards made under the Aberdeen Variable Pay plans which are now exercisable.

4 For Martin Gilbert, this comprises of deferred bonus awards. The dividend equivalent value of £1,706,173 for these shares was settled in cash. For Rod Paris, this comprises an award made under the 2016 Standard Life Investments LTIP. It includes shares awarded in lieu of dividend equivalents.

5 The closing market price of Standard Life Aberdeen plc shares at 31 December 2019 was 328.10 pence and the range for the year was 231.05 pence to 336.90 pence.

Awards granted in 2019 (audited)

The table below shows the key details of the EIP deferred awards granted in 2019:

Participant	Type of award	Basis of award	Face value at grant	Number of shares awarded	% payable for threshold performance	Details on performance conditions
Keith Skeoch	Nil-cost option	Deferred Bonus[1]	£367,200	138,107	Not applicable	EIP deferred awards are subject to performance Underpins measured over three years as set out on page 91 in the Annual report and accounts 2018
Martin Gilbert	Nil-cost option		£367,200	138,107		
Rod Paris	Nil-cost option		£453,600	170,603		
Bill Rattray	Nil-cost option		£229,163	86,190		
Stephanie Bruce	Nil-cost option	One-off award[2]	£750,000	281,571	66.6%	See below

1 The share price used for the deferred bonus awards was 265.88p.

2 The share price used for the deferred awards was 266.36p.

Performance targets for the award made to Stephanie Bruce

As set out in the announcement made on 30 April relating to the one-off award for Stephanie Bruce, efficiency targets of £350m had previously been disclosed, with £230m still to be realised at 31 December 2018. Two-thirds of her award will vest to the extent that an efficiency target of £175m is achieved. If the total remaining efficiencies of £230m are delivered by 3 June 2022, the award vests in full. Awards will be assessed based on progress made over the three years from grant, with performance measured prior to vest for each tranche. The Committee believes that the targets attached to this award are challenging, ambitious and stretching, and also central to the Company's strategic transformation. The first anniversary of the award is 3 June 2020, and vesting of the first tranche will be determined based on performance up to that date. Performance will be assessed by the Committee, with input from the Audit Committee to be received to aid the assessment of performance.

Share dilution limits

All share plans operated by the Company which permit awards to be satisfied by issuing new shares contain dilution limits that comply with the guidelines produced by The Investment Association (IA). On 31 December 2019, the Company's standing against these dilution limits was:

- 1.56% where the guideline is no more than 5% in any 10 years under all discretionary share plans in which the executive Directors participate
- 2.03% where the guideline is no more than 10% in any 10 years under all share plans

As is normal practice, there are employee trusts that operate in conjunction with the Executive LTIP, Standard Life Investments LTIP, the Restricted Stock Plan, the deferred elements of the Standard Life annual bonus plan and the Aberdeen Asset Management deferred plans. On 31 December 2019 the trusts held 52,644,135 shares acquired to satisfy these awards. Of these shares, 10,909,928 are committed to satisfying vested but unexercised awards. The percentage of share capital held by the employee trusts is 2.25% of the issued share capital of the Company – within the 5% best practice limit endorsed by the IA.

Promoting all-employee share ownership

The Company promotes employee share ownership with a range of initiatives, including:

- The Standard Life (Employee) Share Plan which allows eligible employees to buy Standard Life Aberdeen plc shares directly from earnings. A similar tax-approved plan is used in Ireland. At 31 December 2019, 1,717 individuals in the UK and Ireland were making a monthly average contribution of £64. On 31 December 2019, 2,188 individuals were Standard Life Aberdeen plc shareholders through participation in the Plan.
- The Sharesave Plan offered in 2019 to eligible employees in the UK. This plan allows UK tax resident employees to save towards the exercise of options over Standard Life Aberdeen plc shares with the option price set at the beginning of the savings period at a discount of up to 20% the market price. At 31 December 2019, 2,479 individuals were saving towards one or more of the Sharesave offers.

Executive Directors' remuneration in context

Pay compared to performance

The graph shows the difference in the total shareholder return at 31 December 2019 if, on 1 January 2009 £100 had been invested in Standard Life Aberdeen plc and in the FTSE 100 respectively. It is assumed dividends are reinvested in both. The FTSE 100 has been chosen as Standard Life Aberdeen plc is a member of this FTSE grouping.

Total shareholder return of Standard Life Aberdeen plc compared to the FTSE 100 index

The following table shows the single figure of total remuneration for the Director in the role of Chief Executive for the same 10 financial years as shown in the graph above. Also shown are the annual incentive awards and LTIP awards which vested based on performance in those years:

Year ended 31 December	Chief Executive	Chief Executive single figure of total remuneration (£000s)	EIP outcome/ Annual incentive rates against maximum opportunity (%)	Long-term incentive plan vesting rates against maximum opportunity (%)
2019	**Keith Skeoch**	**1,472**	**21**	**–**
2018[1]	Keith Skeoch	1,089	10	–
	Martin Gilbert	1,089	10	–
2017[1]	Keith Skeoch	3,028	82	70
	Martin Gilbert	1,317	56	–
2016	Keith Skeoch	2,746	81	31.02
2015	Keith Skeoch	1,411	87	40.77
2015	David Nish	2,143	90	40.77
2014	David Nish	6,083	95	100
2013	David Nish	4,206	75	64
2012	David Nish	5,564	88	100
2011	David Nish	2,601	77	63.5
2010	David Nish	1,971	83	–

1 Co-CEO.

Relative importance of spend on pay

The following table compares what the Company spent on employee remuneration to what is paid in the form of dividends to the Company's shareholders. Also shown is the Company's adjusted profit before tax which is provided for context as it is one of our key performance measures:

	2019	% change	2018
Remuneration payable to all Group employees (£m)[1]	**646**	**(16.3%)**	772
Dividends paid in respect of financial year (£m)	**495**	**(11.4%)**	559
Share buybacks and return of capital (£m)	**515**	**(58.3%)**	1,235
Adjusted profit before tax (£m)[1]	**584**	**(32.1%)**	860

1 Includes discontinued operations in respect of the year ended 31 December 2018.

Percentage change in remuneration of the Chief Executive compared to UK based employees

The table below shows the percentage year-on-year change in salary, benefits and annual bonus earned between the year ended 31 December 2018 and the year ended 31 December 2019 for Keith Skeoch as Chief Executive compared to the average UK-based Group employee. The Remuneration Committee considers these appropriate comparators as the Chief Executive is UK-based and the largest number of Group employees are based in the UK.

	% change in base salary	% change in EIP outcome[1]	% change in benefits[2]
Keith Skeoch	0%	104%	0%
UK-based employees	3%	5%	0%

1 The percentage change in EIP outcome for the CE reflects the Committee's discretion exercised in 2018 to reduce the vesting outcome by 50%; in 2019 the Committee concluded that no such discretionary reduction was required.

2 The change in benefits figure is based on the change in medical premium paid by the Group on behalf of employees. Benefits do not include pension contributions for these purposes.

Pay ratio

The table below sets out the ratio of Keith Skeoch's pay to the median, 25th and 75th percentile total remuneration of full-time equivalent UK employees in accordance with the legislation published by the Government in 2018. We have identified the relevant employees for comparison using our gender pay gap data set (snapshot data from April 2019) and updated the figures for remuneration received in respect of the 2019 performance year ending 31 December 2019 (methodology B). This was chosen by the Committee as it utilised a data set which had already been processed and thoroughly reviewed, and this enabled timely reporting for disclosure purposes. Some employing entities are excluded from the gender pay gap calculation due to the number of individuals employed by these entities being less than 250, in line with the regulations. The Committee considered this would not have a material impact on the outcome of the pay ratio calculation given the limited number of individuals this excludes, relative to the total population being captured and the range of the remuneration for those excluded individuals, which was spread across quartiles.

The remuneration paid to the individuals identified under methodology B was reviewed and considered representative of the quartiles and the trends seen across the Company on remuneration in respect of both the salary and bonus. Benefits figures were based on the medical premium paid by the Company on behalf of employees.

The ratio has increased from 2018, which reflects the outcome paid to the CE under the EIP, due to the Committee's assessment of performance in each of the relevant years.

	Year	Method	25th percentile	50th percentile	75th percentile
Keith Skeoch	**2019**	**Option B**	**34**	**23**	**13**
Keith Skeoch	2018	Option B	30	19	12

	Base salary (£000s)	Total pay (£000s)
CE remuneration	**600**	**1,472**
25th percentile employee	**32**	**44**
50th percentile employee	**47**	**64**
75th percentile employee	**71**	**117**

How pay was set across the wider workforce in 2019

Our principles for setting pay across the wider workforce are the same as for our executives, with arrangements varying in respect of proportion of the package which is linked to performance increasing for more senior roles within the Company as responsibility and accountability increases. In the data set out above, individuals received different pension contributions and benefits depending on the terms and conditions they were eligible for at the time of the merger, however bonus payments were made under the same plan. A project to harmonise terms and conditions was undertaken following a comprehensive employee consultation and engagement program. UK employees (below executive Director) are, as of 1 January 2020, subject to the same pension and benefits structures for the first time since the merger.

Base salaries are targeted at an appropriate level in the relevant markets in which the Group competes for talent. The Committee considers the base salary percentage increases for the Group's broader UK and international employee populations when determining any annual salary increases for the executive Directors.

In 2019, all employees were eligible to be considered for performance related variable remuneration. This has been designed to reward delivery of results over appropriate time horizons and includes deferred variable compensation at a suitable level for the employee's role. Variable remuneration for employees, including executive Directors, is determined as a total pool.

The Group engaged with its employee associations from an early stage in the annual remuneration cycle. The areas discussed include: external market data, economic factors, employee expectations and congruence of executive pay with that of the wider workforce in terms of overall pay budgets and approach. The Group operates a Compensation Committee consisting of the Chief HR Officer (Chair), Chief Financial Officer and Chief Risk Officer. The role of the Compensation Committee is to consider the implementation of the remuneration policy across the Group. The Compensation Committee refers its terms of reference to the Remuneration Committee for approval and the Chair of the Compensation Committee formally reports to the Remuneration Committee on all matters which fall within the Compensation Committee's remit.

Remuneration for non-executive Directors and the Chairman

Single total figure of remuneration – non-executive Directors (audited)

The following table sets out the single total figure of remuneration for each of the non-executive Directors who served as a Director at any time during the financial year ending 31 December 2019. Non-executive Directors do not participate in bonus or long-term incentive plans and do not receive pension funding:

Non-executive Directors		Fees for year ended 31 December £000s	Taxable benefits in year ended 31 December £000s	Total remuneration for the year ended 31 December £000s
Sir Douglas Flint[1]	**2019**	**475**	**1**	**476**
	2018	14	–	14
Simon Troughton[2]	**2019**	**75**	**1**	**76**
	2018	200	13	213
Jonathan Asquith[3]	**2019**	**46**	**–**	**46**
	2018	–	–	–
John Devine	**2019**	**131**	**3**	**134**
	2018	124	3	127
Melanie Gee	**2019**	**117**	**4**	**121**
	2018	114	4	118
Richard Mully[2]	**2019**	**46**	**8**	**54**
	2018	124	8	132
Martin Pike	**2019**	**128**	**3**	**131**
	2018	114	5	119
Cathleen Raffaeli[4]	**2019**	**149**	**3**	**152**
	2018	35	–	35
Jutta af Rosenborg	**2019**	**94**	**–**	**94**
	2018	94	1	95
Cecilia Reyes[5]	**2019**	**24**	**–**	**24**
	2018	–	–	–

1 Appointed to the Board with effect from 1 November 2018. Appointed Chairman with effect from 1 January 2019. Sir Douglas Flint is eligible for life assurance of 4x his annual fee. For 2019 this figure relates to the period 19 December-31 December which was the relevant period that cover was in place.

2 Stepped down from the Board on 14 May 2019.

3 Appointed to the Board with effect from 1 September 2019.

4 Appointed to the Board with effect from 1 August 2018.

5 Appointed to the Board with effect from 1 October 2019.

The non-executive Directors, including the Chairman, have letters of appointment that set out their duties and responsibilities. The key terms are set out in the remuneration policy, and can be found on page 104.

The service agreements/letters of appointment for Directors are available to shareholders to view on request from the Company Secretary at the Company's registered address (details of which can be found on page 258) and at the 2019 AGM. Details of the date of appointment to the Board and date of election by shareholders are set out below:

Chairman/ non-executive Director	Initial appointment to the Board	Initial election by shareholders
Chairman		
Sir Douglas Flint	1 November 2018	AGM 2019
Senior Independent Director		
Jonathan Asquith	1 September 2019	
Non-executive Directors		
John Devine	4 July 2016	AGM 2017
Melanie Gee	1 November 2015	AGM 2016
Martin Pike	27 September 2013	AGM 2014
Cathleen Raffaeli	1 August 2018	AGM 2019
Jutta af Rosenborg	14 August 2017	AGM 2018
Cecilia Reyes	1 October 2019	

Implementation of policy for non-executive Directors in 2020

The following table sets out non-executive Director fees to be paid in 2020. No increases were made to the level of fees from 2019.

Role	2020 fees[1]	2019 fees
Chairman's fees[2]	**£475,000**	£475,000
Non-executive Director fee[3]	**£73,500**	£73,500
Additional fees:		
Senior Independent Director	**£25,000**	£25,000
Chairman of the Audit Committee	**£30,000**	£30,000
Chairman of the Risk and Capital Committee	**£30,000**	£30,000
Chairman of the Remuneration Committee	**£30,000**	£30,000
Committee membership (Audit, Risk and Capital, Remuneration and Nomination Committees)	**£10,000**	£10,000
Employee engagement[4]	**£15,000**	£15,000

1 The core fee of £73,500 paid to each non-executive Director (including the Chairman) is expected to total £662k for 2020 (2019: £588k). This is within the maximum £1,000,000 permitted under Article 87 of Standard Life Aberdeen plc's articles of association. Total fees including additional duties are expected to amount to £1,408k for 2020 (2019: £1,413k).

2 The Chairman's fees are inclusive of the non-executive Directors' core fee and no additional fees are paid to the Chairman where they chair, or are a member of, other committees/boards. The Chairman is eligible to receive life insurance benefits with effect from December 2019.

3 For non-executive Directors, individual fees are constructed by taking a base fee and adding extra fees for being the Senior Independent Director, chairman or member of committees and/or subsidiary boards where a greater responsibility and time commitment is required.

4 This fee was introduced in 2019. Details on the role responsibilities are set out on page 79 of the Annual report and accounts 2018.

Non-executive Directors' interests in shares (audited)

The following table shows the total number of Standard Life Aberdeen plc shares held by each of the non-executive Directors and their connected persons:

	Total number of shares owned at 1 January 2019 or date of appointment if later	Shares acquired during the period 1 January 2019 to 31 December 2019	Total number of shares owned at 31 December 2019 or date of cessation if earlier[4]
Sir Douglas Flint	50,374	38,650	89,024
Simon Troughton[1]	64,054	–	64,054
Jonathan Asquith[2]	–	20,000	20,000
John Devine	28,399	–	28,399
Melanie Gee	67,500	–	67,500
Richard Mully[1]	90,116	–	90,116
Martin Pike	69,476	–	69,476
Cathleen Raffaeli	–	9,315	9,315
Jutta af Rosenborg	8,750	–	8,750
Cecilia Reyes[3]	–	–	–

1 Stepped down from the Board on 14 May 2019.

2 Appointed to the Board with effect from 1 September 2019.

3 Appointed to the Board with effect from 1 October 2019.

4 There were no changes to the number of shares held by Directors between 31 December 2019 and 9 March 2020.

Sir Douglas Flint, as Chairman, is subject to a shareholder guideline holding of 100% of the value of his annual fee in Standard Life Aberdeen plc shares to be reached within four years of appointment.

The Remuneration Committee

Membership

During 2019 the Remuneration Committee was made up of independent non-executive Directors.

Member	Attendance
Jonathan Asquith (Chair since 1 September 2019)	2/2
John Devine (acting Chair between 14 May and 1 September)	8/8
Cathleen Raffaeli	8/8
Jutta af Rosenborg	8/8
Cecilia Reyes (since 1 October 2019)	2/2
Richard Mully (Chair until 14 May 2019)	4/4

The role of the Remuneration Committee

To consider and make recommendations to the Board in respect of the total remuneration policy across the Company, including:

- Rewards for the executive Directors, senior employees and the Chairman
- The design and targets for any employee share plan
- The design and targets for annual cash bonus plans throughout the Company
- Changes to employee benefit structures (including pensions) throughout the Company

The Remuneration Committee's work in 2019

Jan-Mar

- 2018 Directors' remuneration report
- 2018 bonus payments and 2016 LTIP outcomes
- Set 2019 EIP scorecard targets
- Review remuneration outcomes for executive Directors and the Material Risk Taker population
- Approval of the remuneration arrangements for the incoming CFO, and departure terms for the previous CFO

Apr-Jun

- Update on the external environment and feedback from AGM
- Remuneration decisions for the ELT and other senior employees within Remuneration Committee's remit
- Review of the Employee Sharesave Plan

Jul-Sep

- Review of relevant disclosures required under regulation, including CE pay ratio data
- Review of Martin Gilbert's retirement arrangements
- Mid-year review of performance against target for annual bonus and LTIP awards
- Review investor consultation material

Oct-Dec

- Review overall approach to remuneration philosophy at Standard Life Aberdeen
- Material Risk Takers and related 2019 disclosures
- Update on the regulatory position of Standard Life Aberdeen and the Committee's Terms of Reference
- Review gender pay gap data
- Update on investor consultation and consider proposals for the executive remuneration policy
- Review of the Deferred Share Plan and Discretionary Share plan rules
- Update on the terms and conditions harmonisation across the wider workforce

External advisers

During the year, the Remuneration Committee took advice from Deloitte LLP (a member of the Remuneration Consultants Group) who were appointed by the Remuneration Committee in 2017. The Remuneration Committee is satisfied that the advice given is objective and independent.

A representative from Deloitte LLP attends, by invitation, all Remuneration Committee meetings to provide information and updates on external developments affecting remuneration as well as specific matters raised by the Remuneration Committee. Outside of the meetings, the Remuneration Committee's Chairman seeks advice on remuneration matters on an ongoing basis. As well as advising the Remuneration Committee, Deloitte LLP also provided tax, risk management and consultancy services to the Company during the year. Deloitte Total Rewards and Benefits is an investment adviser to the trustees of the Standard Life Staff Pension Scheme.

Fees paid to Deloitte LLP during 2019 for professional advice to the Remuneration Committee were £294,486.

Where appropriate, the Remuneration Committee receives input from the Chairman, Chief Executive, Chief Financial Officer, Chief HR Officer, Global Head of Reward, Chief Risk Officer, and the Head of Stewardship and ESG Investments. This input never relates to their own remuneration. The Remuneration Committee also receives input from the Risk and Capital Committee and Audit Committee.

Remuneration Committee effectiveness

The Remuneration Committee reviews its remit and effectiveness annually. In 2019 an independent externally facilitated review was conducted by IBE. This included observation of a meeting, review of papers and interviews with Remuneration Committee members. The key points arising from the review were:

- The Remuneration Committee had a significant period of change in 2019, due to the change in leadership, which led to some loss of momentum. However, there were positive early signs of a fresh approach under the new Chair.
- Remuneration Committee members were considered engaged and well informed
- Remuneration Committee reports to the Board were considered specific, concise and timely
- Going forward, the Committee will consider holding routine private sessions at each meeting to agree how best to focus their time and review progress

Shareholder voting

We remain committed to ongoing shareholder dialogue and take an active interest in voting outcomes. As set out in the Chairman's statement, the Committee was disappointed with the outcome of the vote on the 2019 Directors' Remuneration Report. Details of the follow-up actions taken by the Committee following the vote are published in the Remuneration Committee Chairman's statement.

The remuneration policy was subject to a vote at the 2018 AGM on 29 May 2018 and the following table sets out the outcome of the vote.

Policy (2018 AGM)	For	Against	Withheld
% of total votes	97.91%	2.09%	
No. of votes cast	1,412,472,135	30,105,977	15,014,089

The Directors' remuneration report was subject to a vote at the 2019 AGM on 14 May 2019 and the following table sets out the outcome.

2019 Directors' remuneration report	For	Against	Withheld
% of total votes	57.98%	42.02%	
No. of votes cast	607,428,291	440,226,225	89,312,048

Future remuneration policy

This section sets out the remuneration policy for executive Directors and non-executive Directors, which is subject to a binding vote of shareholders and will, if approved, take effect from the date of the 2020 AGM.

The Remuneration Committee agreed the following core principles designed to support our strategy, culture and values which guided the design of the remuneration framework going forward:

- Simple and easy to understand for participants and wider stakeholders alike
- Aligns executive remuneration with the overall performance of the Company
- Rewards executives for the delivery of both short-term plans and long-term returns to shareholders
- Takes into consideration the external landscape relating to executive reward
- Is market competitive to ensure that the Company is able to attract and retain the right talent to deliver the Company's strategic ambitions

In determining the new remuneration policy, the Committee followed a robust process which included detailed discussions on the content of the policy at multiple Committee meetings. The Committee considered input from management (although decisions were taken by the Committee alone to avoid conflicts of interest), shareholders and its independent advisers.

Remuneration policy for executive Directors

Base salary – there is no change in the operation of this element of pay compared to the previous policy

Purpose and link to strategy	Maximum opportunity
To provide a core reward for undertaking the role, commensurate with the individual's role, responsibilities and experience.	Salaries for executive Directors are set at an appropriate level to attract and retain individuals of the right calibre and with the experience required. Whilst no maximum is set, when considering annual incremental increases the Remuneration Committee is guided by the general increase for the broader employee population. The Remuneration Committee may determine larger increases in certain circumstances, such as: development in role; change in responsibility; where a new or promoted employee's salary has been set lower than the market level for such a role and larger increases are justified as the individual becomes established in the role.
Operation	**Performance metrics**
Normally reviewed annually, taking into account a range of factors including: (i) the individual's skills, performance and experience; (ii) increases for the broader employee population; (iii) external market data and other relevant external factors; (iv) the size and responsibility of the role; and (v) the complexity of the business and geographical scope.	Not applicable.

Pension – the maximum opportunity has been reduced to align with that available to the wider workforce in the UK

Purpose and link to strategy	Maximum opportunity
To provide a competitive, flexible retirement benefit in a way that does not create an unacceptable level of financial risk or cost to the Company.	Maximum employer contribution aligned to those available to the wider workforce in the relevant jurisdiction. The current maximum employer contribution available to the UK wider workforce is 18% of salary.
Operation	**Performance metrics**
Employee contributions are made to the Company's defined contribution pension arrangement, or equivalent cash allowances are paid. The level of contribution/cash equivalent is reviewed periodically taking into account the pension opportunity offered to other employees within the Company.	Not applicable.

Benefits – there is no change to the operation of this element of pay compared to our previous policy

Purpose and link to strategy	Maximum opportunity
To provide market competitive and cost effective benefits.	There is no maximum value of the core benefit package. The costs associated with benefits provision are monitored and controlled by the Remuneration Committee. Maximum contributions under 'all-employee' share plans will be set in line with other employees and within the limits set by the relevant tax authority.

Operation	Performance metrics
In line with other employees, executive Directors are provided with a package of core benefits, which include (i) private healthcare; (ii) death in service protection; (iii) income protection (iv) reimbursement of membership fees of professional bodies; and (v) eligibility for the all employee share plan. Executive Directors are also eligible to participate in the Company's flexible benefits programme. Executive Directors are provided with a health screening assessment. Specific benefit provision may be subject to change from time to time. Additional benefits may be provided on recruitment or to support relocation with the Remuneration Committee's agreement.	Not applicable.

Annual Bonus – this element (together with the new Long-Term Incentive Plan) replaces the Executive Incentive Plan

Purpose and link to strategy	Maximum opportunity
To reward the delivery of the Company's business plan in a range of financial and non-financial areas and to align executives' interests to those of shareholders and our customers and clients.	The maximum award opportunity in respect of any financial year is based on role and is up to 300% of salary.
Operation	**Performance metrics**
An annual incentive programme in respect of which the performance measures, and their respective weightings and targets, are normally set annually by the Remuneration Committee. Normally 50% of the award will be paid in cash. No less than 50% will be deferred into shares vesting in equal tranches over a three-year period. A retention period may be applied, as required by regulation. Where required, for regulatory purposes, deferred awards may be made in a combination of share awards and fund awards (which are conditional rights to receive a cash sum based on the value of a notional investment in a range of Standard Life Aberdeen funds). Deferred awards may include the right to receive (in cash or shares) the value of the dividends that would have accrued during the vesting period. Awards are subject to malus and clawback. The Remuneration Committee may adjust and amend awards in accordance with the rules.	Performance is assessed against a range of key financial, non-financial and personal performance measures. At least 75% will be based on financial performance measures and no more than 10% will be based on personal performance measures. For threshold performance, the award opportunity is 25%, with 100% of the award payable for maximum performance. Payouts between threshold and maximum (100%) are determined on an annual basis. Details of the payout schedule will be disclosed in the relevant DRR. The Remuneration Committee exercises its judgement to determine awards at the end of the performance period, which in normal circumstances will be one financial year, and will use its discretion to amend them if material change is required to ensure that the outcome is fair in the context of overall Company and individual performance and conduct. The Risk and Capital Committee and the Audit Committee advise the Committee as part of this process to ensure that the performance outcomes have not been achieved by assuming inappropriate levels of risk.

Long-Term Incentive Plan – this is a new element which (together with the Annual Bonus) replaces the Executive Incentive Plan

Purpose and link to strategy	Maximum opportunity
To align with our shareholders and promote sustainability by rewarding the delivery of long-term growth in shareholder value.	The maximum award opportunity in respect of any financial year is based on role and is up to 500% of salary. However, when combined with the annual bonus, the total incentive opportunity may not exceed 700% of salary. This means that in financial years where the Annual Bonus opportunity is set at the maximum (300% of salary), the maximum LTIP award would be 400% of salary. Up to 25% of the award vests for threshold performance

Operation

An annual award of performance shares, normally subject to a three-year performance period, with a subsequent two-year holding period.

Performance targets are normally set annually for each three-year cycle by the Remuneration Committee.

Awards are subject to review by the Remuneration Committee at the end of the three-year performance period to confirm that vesting of the award is appropriate in the context of overall performance of the Company and the individual. The Committee may take advice from the Risk and Capital Committee and the Audit Committee to determine appropriate vesting.

Awards may include the right to receive (in cash or shares) the value of the dividends that would have accrued over the performance and holding period.

The Remuneration Committee may adjust and amend awards in accordance with the LTIP rules.

Awards are subject to malus and clawback.

Performance metrics

Performance metrics are set by the Remuneration Committee and are linked to the achievement of the Company's long-term strategic priorities and the creation of long-term shareholder value.

LTIP awards are subject to at least two performance metrics, with at least one being absolute in nature (e.g. an earnings based metric) and one being a relative metric (e.g. a shareholder return based metric)

Subject to these restrictions, the Committee retains the discretion to introduce other or additional performance metrics for future awards. Were the Committee to intend to introduce any such alternative or additional metric(s) for future awards, it would expect to consult with the Company's largest institutional shareholders in advance.

For 2020, the LTIP award will be based on the following metrics:

- Adjusted diluted earnings per share (50%)
- Relative total shareholder return measured against a bespoke competitor peer group (50%) (the provisional peer group to be used for the 2020 LTIP is set out on page 84).

The Remuneration Committee retains the discretion to amend the final vesting level of awards if material change is required to ensure that they reflect fairly the performance of individuals or the Company.

Other features

Malus and clawback

Malus and clawback provisions apply to annual bonus and LTIP awards.

Under the malus and clawback provisions, the Remuneration Committee has the ability to reduce awards that have not yet vested (malus) and can require repayment of an award (clawback) for a period of up to five years from the date of award.

The circumstances in which malus or clawback would apply, include but are not limited to:

- A material misstatement of the Company's audited financial statement
- Any failure of risk management, fraud or other material financial irregularity
- Material corporate failure
- An error in the information or assumptions on which the relevant award was paid/granted or vests, as a result of erroneous or misleading data or otherwise
- Serious misconduct by a participant or otherwise

Share ownership

Executive Directors are required to build up a substantial interest in Company shares.

The shareholding requirement for executive Directors remains at 500% of salary for the CE and 300% of salary for other executive Directors. The Committee retains the discretion to reduce this requirement for new joiners to align it with the higher of their maximum LTIP opportunity or 200% of salary.

The post cessation of employment share ownership policy for executive Directors in place after the close of this year's AGM will require shares up to the value of the shareholding requirement to be held for a period of two years following departure from the Board.

How our proposed remuneration structure supports our long-term strategy and strategic drivers

Our remuneration policy is designed to support our long-term strategy of delivering shareholder value, by aligning the interests of our executive Directors with our stakeholders – including our customers, our shareholders and our people. The performance goals that are set for the short-term element of variable remuneration reward the delivery of the Company's business plan, while the long-term element promotes sustainability and alignment by rewarding the delivery of long-term growth in shareholder value. A significant proportion of variable remuneration is delivered in the form of shares and deferred over a period of time, ensuring our Directors are further aligned to the shareholder experience. The remuneration policy is also designed to support our strategic drivers, as follows:

Our strategic drivers	How our remuneration structure supports our strategic drivers
High impact intelligence Harness our intellectual capital, emotional intelligence and data to generate best in class impact.	• Investment performance is measured as part of the annual bonus assessment, incentivising best in class impact • Personal and people metrics are considered as part of the annual assessment of award outcomes. This rewards game changing innovation and contribution to our success.
Enduring relationships Deepen our understanding of customers and clients to ensure we exceed their expectations and build relationships that last.	• Our remuneration structure is weighted to long-term success, ensuring that executive Directors are incentivised to focus on sustainable outcomes • Customer and client metrics for satisfaction are included as part of the annual bonus non-financial assessment • Long-term investment performance is considered as part of the financial assessment of annual award outcomes
Connections without borders Bring the best of our business to all our markets by constantly connecting our people, capabilities and assets to deliver a seamless proposition.	• By ensuring our performance metrics are focused on Company performance and KPIs, individuals are incentivised to deliver strong performance across all Company activity globally • Employee engagement metrics form a part of the non-financial metrics under the Annual Bonus Plan
Future fit Build a strong organisation, positioned for growth and ready to anticipate and meet the challenges of tomorrow.	• The focus on long-term outcomes via the LTIP incentivises and rewards future sustainable success and the creation of shareholder value • Our new remuneration structure is transparent for executive Directors and shareholders. This enables the package to attract and retain key talent providing clear alignment between performance and reward outcomes for all our stakeholders. • The achievement of strategic milestones sets out a number of key objectives which have been identified for future success will be recognised within the annual bonus assessment

The remuneration framework appropriately addresses the following principles as set out in the 2018 Corporate Governance Code.

Code provision	Standard Life Aberdeen approach
Clarity	Incentive arrangements are based on clearly defined financial, non-financial and individual performance metrics which are aligned with the Company's strategy for sustainable long-term growth.
Simplicity	Remuneration arrangements are simple, comprising the following key elements: • Fixed element: comprises base salary, benefits and pension, which are aligned to those offered to the majority of the workforce • Short-term incentive: annual bonus which incentivises the delivery of financial, non-financial and individual performance metrics aligned to the Plan for the year agreed with the Board. Half of the bonus is paid in cash with the balance deferred over a period of three years. • Long-term incentive: LTIP which incentivises financial performance over a three-year period, promoting long-term sustainable value creation for shareholders tied to established and transparent shareholder value metrics. Awards are subject to a two-year holding period post vesting.
Risk	In line with regulatory requirements, remuneration arrangements across the Company are designed to ensure that they do not encourage excessive risk taking. Performance targets for incentive arrangements are set to reward delivery of the Company's business plan which is set in line with the Company's risk appetite statement. The Remuneration Committee retains the flexibility to review and amend formulaic outcomes to ensure that they are appropriate in the context of overall performance of the Company, including adherence to risk appetite limits. The Remuneration Committee takes advice from the Risk and Capital Committee and Audit Committee as part of this review.
Predictability	The Remuneration scenario charts, set out on page 103, provide estimates on the potential future reward opportunity in a range of scenarios, including below threshold, target and maximum performance (including share price appreciation). Conditions around vesting are clear and understandable.

Code provision	Standard Life Aberdeen approach
Proportionality	Variable remuneration is directly aligned to the Company's strategic priorities (through the selection of key financial and non-financial performance metrics), with payments calibrated to ensure that payments are only made where strong performance is delivered. As noted above, the Remuneration Committee retains the flexibility to review formulaic outcomes to ensure that they are appropriate in the context of overall performance of the Company.
Alignment with culture	The remuneration policy at Standard Life Aberdeen has been set to be appropriate for the nature, size and complexity of the Company, recognising variances in markets and geographies. It has been designed to support the delivery of the Company's key strategic priorities and is in the best interests of the Company and its stakeholders, as set out on page 99. A shared culture and values by employees of the Company is critical to delivery of the Company's strategic priorities. This is recognised through alignment of the remuneration policy with the wider workforce whenever possible.

Notes to the policy table

Performance measures and approach to target setting

Performance targets for the Company's incentive arrangements are set on an annual basis by the Remuneration Committee. The Committee takes into account a range of factors including business forecasts, prior year performance, degree of stretch against the performance targets in the business plan, the economic environment, market conditions and expectations.

The following table sets out details on why the performance measures for the purpose of the annual incentive plan were chosen. These metrics and the balance between them may vary over time, but financial metrics will be weighted no less than 75% of the total.

Financial metrics	Non-financial metrics
Measures to support the delivery of performance in each area are set as part of the Company's annual business plan. For reasons of commercial confidentiality detailed measures will be disclosed annually in arrears as part of the remuneration policy implementation report. Performance areas are grouped by category below, together with their weightings for the 2020 performance period: • **Positioning for growth (45%):** Investment performance, Fee based revenue, Cost/income ratio may be used to support delivery of financial performance as set out in the business plan • **Delivering for our shareholders (30%):** Profitability and delivery of key strategic initiatives may be used to focus management on strategic priorities, delivery of shareholder value and drive improved performance in future years	Non-financial metrics chosen to focus management on the delivery of the business strategic priorities for the financial year. Metrics may be linked to factors including, but are not limited to: • **Investing in our People and our Customer experience (20%):** Performance against key people objectives (including people engagement and diversity) may be used to focus management on developing organisational capability and encouraging desired behaviours. Customer objectives (including customer advocacy) may be used to measure our success in ensuring that customers remain at the forefront of our sustainable strategy • **Individual objectives (5%):** Key individual deliverables will be used to focus executives on specific projects related to their leadership role which they can influence in order to drive improved performance in future years

The following table sets out details on why the performance measures for the purpose of the Long-term Incentive Plan (LTIP) were chosen for the 2020 awards.

Adjusted diluted earnings per share	Relative total shareholder return
Chosen measure of profitability and a key performance indicator for the Company. Targets the Company's ability to deliver incremental returns to the Company's shareholders and provides an indication of the Company's dividend paying capability.	Aligns executive reward with the creation of shareholder value and provides an external assessment of Company performance against relevant peers which is less influenced by market effects.

Remuneration Committee discretion in relation to existing commitments

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before the policy set out above, or (ii) at a time when a previous policy, approved by shareholders, was in place provided the payment is in line with the terms of that policy, or (iii) at a time when the relevant individual was not a Director of the Company and the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, payments include the Remuneration Committee satisfying awards of variable remuneration. This means making payment in line with the terms that were agreed at the time the award was granted.

The key terms of the executive Directors legacy plans are set out below. All awards are subject to malus and clawback provisions.

Overview of key terms for awards	
Executive Incentive Plan	Awards granted in 2019 and 2020. • Awards (in the form of nil-cost options) granted to executive Directors under the Executive Incentive Plan prior to the approval of this policy are subject to the achievement of Underpin performance conditions relating to investment performance, flows, return on adjusted equity and cost/ income ratio performance over a three-year performance period • Awards vest in equal tranches on the third, fourth and fifth anniversary of the grant date and are subject to a holding period until the end of the fifth anniversary of the grant date • The Remuneration Committee has the discretion to amend the extent to which the Underpin performance conditions have been met to ensure that the outcome is fair in the context of overall Company performance • The awards accrue dividend equivalents over the deferral and holding period
Executive Long-Term Incentive Plan (Executive LTIP)	Awards granted in 2016, 2017 and 2018. • Awards (in the form of nil-cost options) granted to executive Directors under the Executive LTIP are subject to the achievement of cumulative Company operating profit before tax and cumulative Company net flows performance over three-year performance periods. Awards are subject to a two-year holding period after the end of the performance period. • Adjustments have been made to update the profit measure to adjusted profit before tax in the 2016 and 2017 LTIP performance measures and to adjusted profit excluding spread/risk margin in the 2018 LTIP performance measures. In addition, the net flows target has been updated in the 2018 LTIP performance measures to Company growth net flows. Finally the cumulative targets which relate to the 2018 performance year onwards reflect the enlarged Company. • The Remuneration Committee has the discretion to amend the final vesting levels of these awards if it does not consider that they reflect the overall performance of the Company and individuals. Awards are also subject to review by the Risk and Capital Committee at the end of the performance period to confirm that vesting of the award is appropriate. These awards accrue dividend equivalents over the vesting period which will normally be paid in shares on a reinvested basis.
Aberdeen Variable Pay in Deferred shares	• Pre-merger awards – under the terms of the merger, existing awards granted to employees of Aberdeen under the Aberdeen Deferred Share Plan 2009 or the Aberdeen USA Deferred Share Award Plan prior to completion were exchanged for equivalent awards over shares in the Company • Awards granted post-merger – awards (in the form of nil-cost options) that were granted to executive Directors under the Aberdeen Deferred Share Plan 2009. Awards will be released in equal tranches over five years from grant. Awards are eligible to receive dividend equivalents between the date of grant and the date of exercise, which may be paid only after the earliest vesting date has passed.

Remuneration Committee discretion in relation to future operation of the remuneration policy

The Committee will operate variable remuneration plans according to the respective rules of the plans. The Committee will retain flexibility in a number of areas regarding the operation and administration of these plans, including (but not limited to): change of control, changes in regulatory requirements, variation of share capital, demerger, special dividend, fund merger, winding up or similar events.

The Committee also retains the discretion within the remuneration policy to adjust targets and/or set different measures and weightings if events happen that cause it to determine that the original targets or conditions are no longer appropriate and that amendment is required so that the targets or conditions achieve their original purpose. Revised targets/measures will be, in the opinion of the Committee, no less difficult to satisfy than the original conditions.

Share awards, under the Company's share plans, may be granted as conditional share awards, nil cost options or forfeitable shares at the discretion of the Committee. Awards may at the Committee's discretion be settled in cash (for example, where required for local legal/regulatory purposes).

The Committee may accelerate the vesting and/or the release of awards if an executive Director moves jurisdictions following grant and there would be greater tax or regulatory burdens on the award in the new jurisdiction.

Remuneration policy for new executive Director appointments

Area	Policy
Principles	In determining remuneration arrangements for new executive appointments to the Board (including internal promotions), the Committee applies the following principles: • The Committee takes into consideration all relevant factors, including the calibre of the individual, local market practice and existing arrangements for other executive Directors, adhering to the underlying principle that any arrangements should reflect the best interests of the Company and its shareholders • Remuneration arrangements for new appointments will typically align with the remuneration policy • In the case of internal promotions, the Committee will honour existing commitments entered into before promotion
Components and approach	The remuneration package offered to new appointments may include any element of remuneration included in the remuneration policy set out in this report, or any other element which the Committee considers is appropriate given the particular circumstances but not exceeding the maximum level of variable remuneration set out below. In considering which elements to include, and in determining the approach for all relevant elements, the Committee will take into account a number of different factors, including (but not limited to) typical market practice and existing arrangements for other executive Directors and internal relativities. The maximum level of variable remuneration which may be awarded to a new executive Director, at or shortly following recruitment, shall be limited to 700% of salary. This limit excludes buyout awards which are in line with the policy as set out below.
Buyouts	To facilitate recruitment, the Committee may make an award to buy out remuneration terms forfeited on leaving a previous employer. In doing so, the Committee will adhere to regulatory guidance in relation to the practice of buyout awards to new recruits. In considering buyout levels and conditions, the Committee will take into account to the best of their ability the type of award, performance measures and the likelihood of performance conditions being met in setting the quantum of the buyout. The buyout award will reflect the foregone award in amount and terms (including any deferral or retention period) as closely as possible. Where appropriate, the Committee retains the discretion to utilise Listing Rule 9.4.2 for the purpose of making an award to buy out remuneration terms forfeited on leaving a previous employer or to utilise any other incentive plan operated by the Company.

Service Contracts and loss of office policy for executive Directors

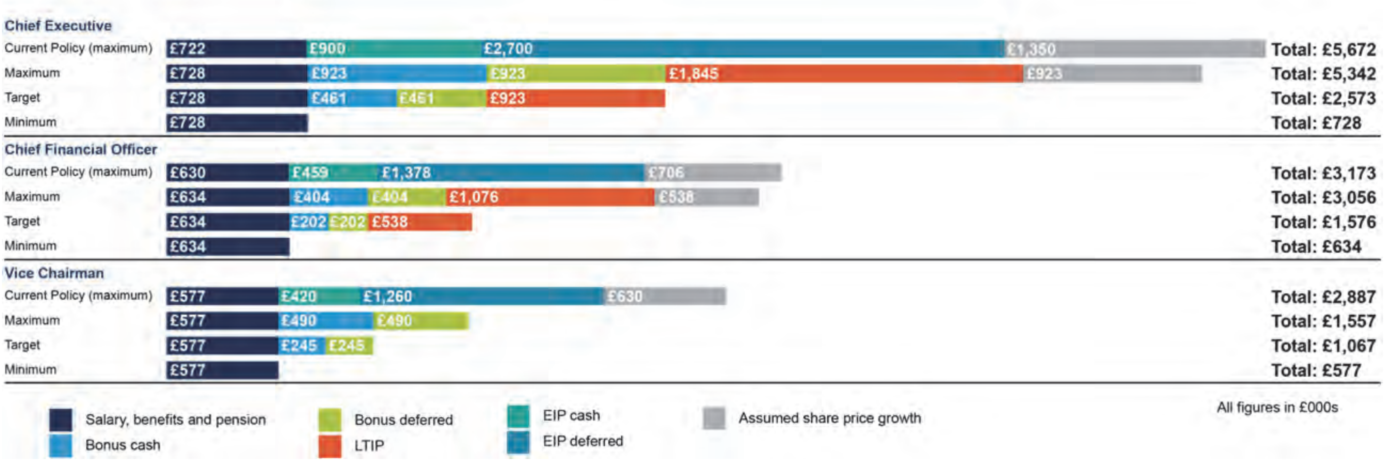
Within executive service contracts, the Committee aims to strike the right balance between the Company's interests and those of the executive Directors, whilst ensuring that the contracts comply with best practice, legislation and the agreed remuneration principles. Contracts are not for a fixed term, but set out notice periods in line with the executive Director's role.

Area	Policy
Notice period	Our standard notice policy is: • Six months by the executive Director • Up to 12 months by the employer to the executive Director Executive Directors may be required to work during the notice period or take a period of 'garden leave' or may be provided with pay in lieu of notice if not required to work the full notice period.
Termination payments	Any payment in lieu of notice will be made up of up to 12 months' salary, pension contributions and the value of other contractual benefits. The payment may be made in phased instalments (this will be standard policy for notice periods of over six months). A duty to mitigate applies.
Non-compete clauses	Applies during the contract and for up to 12 months after leaving, at the Company's choice.
Treatment of incentive awards	For the purpose of awards under the annual bonus, long-term incentive plan and Executive Incentive Plan, approved leavers are defined as those whose office or employment comes to an end because of death, ill-health, injury or disability, redundancy, or retirement with the agreement of the employing company; the sale of the individual's employing company or business out of the Group or any other reasons at the discretion of the Committee. **Annual bonus plan** Leavers during the award year For approved leavers, rights to awards under the annual bonus will typically be pro-rated for time in service to termination as a proportion of the performance period, and will be paid at the normal time in the normal manner (i.e. in cash/ deferred awards as appropriate and subject to performance), unless the Committee determines that payments should be accelerated (e.g. on death). For other leavers, rights to awards under the annual bonus will be forfeit.

Area	Policy
	Leavers during the deferral period For approved leavers, outstanding deferred awards under the annual bonus will typically vest and be released at the scheduled vesting date. The Committee retains the discretion to apply time pro-rating (over the deferral period) for approved leavers and to accelerate the vesting and/or release of awards if it considers it appropriate. For other leavers, rights to deferred awards will be forfeited. **Awards under the Long-Term Incentive Plan** Leavers during the performance period For approved leavers, outstanding awards under the LTIP will typically be pro-rated for time in service to termination as a proportion of the performance period and will be released at the scheduled vesting date subject to performance. Subsequent holding periods will also apply. The Committee retains the discretion to dis-apply time prorating for approved leavers. For other leavers, rights to outstanding awards will be forfeited. Leavers during the holding period Vested awards subject only to a holding period will be retained and released at the scheduled date. **Legacy awards under the Executive Incentive Plan** Leavers during the deferral period Outstanding deferred awards under the EIP will typically be paid at the normal time, subject to performance against the Underpin performance conditions. The Committee retains the discretion to apply time pro-rating (over the deferral period) for approved leavers and to accelerate the vesting and/or release of awards if it considers it appropriate. For other leavers, rights to deferred awards will be forfeited. **Legacy awards under the Aberdeen Deferred Share Plans** A good leaver is defined as someone whose employment comes to an end because of death, ill-health, injury, disability, redundancy or retirement, sale of the employing company or business or any other reason at the discretion of the Remuneration Committee. Unvested awards granted to good leavers will typically vest in full at the normal vesting date, unless the Remuneration Committee decides that they should vest on the date of termination.
Other payments	The Committee reserves the right to make any other payments (including appropriate legal fees) in connection with an executive Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of that executive Director's office or employment.
Change of control	Outstanding awards will be treated in line with the terms of the respective plans.

Scenario charts

The following chart illustrates how much the current executive Directors could receive under a range of different scenarios along with a comparison to our current policy:



Outcomes for the 2020 scenario chart are based on the following:

- Minimum – fixed pay, consisting of salary and pension effective 1 April 2020 (18% of salary), and benefits (the value of taxable benefits are as shown in the Single Total Figure of Remuneration table for 2019 on page 85)
- Target – fixed pay, 50% of the maximum bonus award, 50% of LTIP vesting
- Maximum – fixed pay, 100% of maximum bonus award, 100% of LTIP vesting
- Maximum + share price growth assumes share price growth of 50% for the LTIP element

Remuneration policy for non-executive Directors

No changes are being proposed to the remuneration policy for the Chairman and non-executive Directors. The policy remains as follows:

Area	Policy
Approach to fees	• Fees for the Chairman and non-executive Directors are set at an appropriate level to reflect the time commitment, responsibility and duties of the position and the contribution that is expected from non-executive Directors • Board membership fees are subject to a maximum cap which is stated in the Company's articles of association. Any changes to the cap would be subject to shareholder approval.
Operation	• The remuneration policy for non-executive Directors is to pay: (i) Board membership fees; and (ii) further fees for additional Board duties such as chairmanship or membership of a committee, the Senior Independent Director, and the chairman of subsidiary boards, in each case to take into account the additional responsibilities and time commitments of the roles. Additional fees may be paid in the exceptional event that non-executive Directors are required to commit substantial additional time above that normally expected for the role. • The Chairman receives an aggregate fee, which includes the chairmanship of any appropriate Board committee • The Board annually sets the fees for the non-executive Directors, other than the fee for the Chairman of the Company which is set by the Committee • Fees are set at a market rate with reference to the level of fees paid to other non-executive Directors of FTSE100 financial services companies • The Board retains discretion to remunerate the non-executive Directors in shares rather than cash where appropriate
Other items	• The Chairman and non-executive Directors are not eligible to participate in any incentive arrangements • Additional fees or benefits may be provided at the discretion of the Committee in the case of the Chairman, and the Board in the case of the other non-executive Directors, to reflect, for example, life assurance, housing, office, transport and other business-related expenses incurred in carrying out their role

Non-executive Directors, including the Chairman, have letters of appointment that set out their responsibilities. The key terms are:

- Period of appointment: A three-year term, which can be extended by mutual consent and is subject to re-election by shareholders in line with the Company's articles of association and the UK Corporate Governance Code
- Notice periods: Six months for the Chairman. No notice period for other non-executive Directors.
- Termination payment: There is no provision for compensation payments for loss of office for non-executive Directors

If a new Chairman or non-executive Director is appointed, the remuneration arrangements will normally be in line with those detailed in the remuneration policy for non-executive Directors above.

Remuneration arrangements throughout the Company

When setting the policy for executive Directors' remuneration, the Committee takes into account the pay and employment conditions elsewhere in the Company, recognising international variance and jurisdictional differences, where appropriate. The Committee is informed about the approach to salary increases, Company-wide benefits offerings including pensions, the structure of incentive arrangements and distribution of outcomes throughout the wider organisation, as well as the take-up of all-employee share plans, employee engagement survey results and employee morale, although it does not directly consult employees in the Company on the remuneration policy for executive Directors.

The Company applies a consistent remuneration philosophy for employees. The remuneration philosophy is reviewed at least annually by the Remuneration Committee and may be updated to ensure that this remains aligned to business strategy and regulatory requirements as well as being appropriately structured to attract, retain and incentivise our employees.

Consideration of shareholder views

The Remuneration Committee values the opportunity to engage in meaningful dialogue with its investors.

Prior to the 2020 AGM, as detailed in the Committee Chairman's cover statement, the Committee consulted with key institutional shareholders on the proposed policy and the changes that were being made. The proposed policy reflects the discussions with shareholders during the consultation process.

4. Directors' report

The Directors present their annual report on the affairs of the Standard Life Aberdeen group of companies (the Group), together with the audited International Financial Reporting Standards (IFRS) consolidated financial statements for the Group, financial information for the Group and financial statements for Standard Life Aberdeen plc (the Company) for the year ended 31 December 2019.

Reporting for the year ended 31 December 2019

The Company is the holding company of the Group. You can find out about the relevant activities of the Company's principal subsidiary undertakings and their overseas branches in the Strategic report. During 2019, the Company's principal undertakings operated branches in Europe, together with Hong Kong and India.

The main trends and factors likely to affect the future development, performance and position of the Group are outlined in the Chief Executive's overview section of the Strategic report. Reviews of the operating and financial performance of the Group for the year ended 31 December 2019 are given in the Strategic report.

The Chairman's statement, the Directors' responsibility statement and the Corporate governance statement form part of the Directors' report. The Corporate governance statement is submitted by the Board.

Using the IFRS basis, the results of the Group are presented in the Group financial statements. A detailed description of the basis of preparation of the IFRS results (including adjusted profit) is set out in the Group financial statements section. More information about the Group's use of derivative financial instruments and related financial risk management matters can be found in Note 20 and Note 38 to the Group financial statements.

This report was prepared by the executive leadership team together with the Board and forms part of the management report.

Dividends

The Board recommends paying a final dividend for 2019 of 14.30p per ordinary share. This will be paid on 19 May 2020 to shareholders whose names are on the register of members at the close of business on 3 April 2020.

The total payment is estimated at £322m for the final dividend and together with the interim dividend of 7.30p per share totalling £173m paid on 24 September 2019, the total dividend for 2019 will be 21.60p per share (2018: 21.60p) totalling £495m (2018: £559m).

Share capital

You can find full details of the Company's share capital, including movements in the Company's issued ordinary share capital during the year, in Note 26 to the Group financial statements. You can also find an analysis of registered shareholdings by size, as at 31 December 2019, in the Shareholder information section.

On 25 June 2018, shareholders voted at a general meeting for a return of capital of up to £750 million to be returned by way of a share buyback programme.

On 9 August 2018 the Company announced the commencement of an initial share buyback programme of the Company's ordinary shares up to a maximum aggregate consideration of £175m. This was followed by announcements on 20 November 2018, 1 April 2019 and 16 August 2019 of the commencement of further tranches of the share buyback programme up to a maximum aggregate consideration of £200m, £175m and £200m respectively. The final tranche of this programme completed on 27 December 2019. The purpose of this programme was to reduce the share capital of the Company. All shares purchased have been cancelled. In total, 273,282,699 shares were cancelled through this programme, of which 190,689,614 were purchased and cancelled between 1 January 2019 and 31 December 2019.

As at 31 December 2019, there were 2,338,723,724 ordinary shares in issue held by 98,984 registered members. The Standard Life Aberdeen Share Account (the Company-sponsored nominee) held 651,170,271 of those shares on behalf of 1,005,103 participants. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Between 1 January 2019 and until the date this report was signed, the Company received the following notifications in respect of major shareholdings and major proportions of voting rights in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (FCA). The companies detailed below notified their positions.

Shareholder	Date of transaction	Type of transaction	Number of voting rights following the transaction	Percentage of voting rights following the transaction
Mitsubishi UFJ Trust and Banking Corporation	8 February 2019	Decrease of common shares outstanding by the issuer	150,500,406	6.002%
	15 February 2019	Disposal	–	Below 3%

In accordance with the terms of the Standard Life Employee Trust Deed, the trustees waived all entitlements to current or future dividend payments for shares they hold.

Similarly, in accordance with the terms of The Aberdeen Asset Management Employee Benefit Trust 2003 and The Standard Life Aberdeen Employee Benefit Trust 2019, the trustees waived all entitlements to current or future dividend payments for shares they hold other than dividends payable on any shares held by the trustee as nominee for any other person.

The trustees of the Standard Life Aberdeen (Employee) Share Plan voted the appropriate shares in accordance with any instructions received from participants in the plan.

Restrictions on the transfer of shares and securities

Except as listed below, there are no specific restrictions on the size of a holding or on the transfer of shares. Both are governed by the general provisions of the Company's articles of association (the Articles) and current legislation and regulation.

You can also obtain a copy of the Articles from Companies House or by writing to the Company Secretary at our registered address (details of which can be found in the Contact us section). The Articles may only be amended by a special resolution passed by the shareholders.

You can read the Articles on our website
www.standardlifeaberdeen.com/annualreport

The Board may decline to register the transfer of:

- A share that is not fully paid
- A certificated share, unless the instrument of transfer is duly stamped or duly certified and accompanied by the relevant share certificate or other evidence of the right to transfer, is in respect of only one class of share and is in favour of a sole transferee or no more than four joint transferees
- An uncertificated share, in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and, in the case of a transfer to joint holders, where the number of joint holders to whom the share is to be transferred does not exceed four
- A certificated share by a person with a 0.25 per cent interest (as defined in the Articles) in the Company, if that person has been served with a restriction notice under the Articles, after failing to

provide the Company with information about interests in those shares as set out in the Companies Act 2006 (unless the transfer is shown to the Board to be pursuant to an arm's length sale under the Articles)

These restrictions are in line with the standards set out in the FCA's Listing Rules and are considered to be standard for a listed company.

The Directors are not aware of any other agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Rights attached to shares

Subject to applicable statutes, any resolution passed by the Company under the Companies Act 2006 and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may decide by ordinary resolution, or (if there is no such resolution or if it does not make specific provision) as the Board may decide. Subject to the Articles, the Companies Act 2006 and other shareholders' rights, unissued shares are at the disposal of the Board.

Every member and duly appointed proxy present at a general meeting or class meeting has one vote on a show of hands, provided that where a proxy is appointed by more than one shareholder entitled to vote on a resolution and is instructed by one shareholder to vote 'for' the resolution and by another shareholder to vote 'against' the resolution, then the proxy will be allowed two votes on a show of hands – one vote 'for' and one vote 'against'. On a poll, every member present in person or by proxy has one vote for every share they hold. For joint shareholders, the vote of the senior joint shareholder who tenders a vote, in person or by proxy, will be accepted and will exclude the votes of the other joint shareholders. For this purpose, seniority is determined by the order that the names appear on the register of members for joint shareholders.

A member will not be entitled to vote at any general meeting or class meeting in respect of any share they hold if any call or other sum then payable by them for that share remains unpaid or if they have been served with a restriction notice (as defined in the Articles) after failing to provide the Company with information about interests in those shares required to be provided under the Companies Act 2006.

The Company may, by ordinary resolution, declare dividends up to the amount recommended by the Board. Subject to the Companies Act 2006, the Board may also pay an interim dividend, and any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable to holders of shares with preferred or 'pari passu' rights for losses that arise from paying interim or fixed dividends on other shares.

The Board may withhold payment of all or part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25 per cent interest (as defined in the Articles) if that person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information about interests in those shares, which is required under the Companies Act 2006.

Subject to the Companies Act 2006, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares held as treasury shares). These rights can also be varied with the approval of a special resolution passed at a separate general meeting of the holders of those shares. At every separate general meeting (except an adjourned meeting) the quorum shall be two persons holding, or representing by proxy, not less than one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares).

A shareholder's rights will not change if additional shares ranking 'pari passu' with their shares are created or issued – unless this is expressly provided in the rights attaching to their shares.

Power to purchase the Company's own shares

At the 2019 Annual General Meeting (AGM), shareholders granted the Directors limited powers to:

- Allot ordinary shares in the Company up to a maximum aggregate amount of £115,557,697
- Disapply, up to a maximum total nominal amount of £17,333,654 of its issued ordinary share capital, shareholders' pre-emption rights in respect of new ordinary shares issued for cash
- Make market purchases of the Company's ordinary shares up to a maximum of 248,186,418 of its issued ordinary shares

As noted earlier in the share capital section, at the general meeting on 25 June 2018, shareholders authorised directors to undertake a share buyback programme. During 2019, under the authorities granted at the 2018 general meeting and the 2019 AGM, the Company has purchased 190,689,614 of its ordinary shares of 13 61/63 pence each, paying an aggregate amount of £515,099,546. As at 31 December 2019, the percentage of share capital represented by these purchased shares was approximately 8.2%.

Significant agreements

Certain significant agreements to which the Company, or one of its subsidiaries, is party entitle the counterparties to exercise termination or other rights in the event of a change of control of the Company. These agreements are noted in the paragraphs below.

Credit Facility – under a £400m revolving credit facility between the Company and the banks and financial institutions named therein as lenders (Lender) dated 22 May 2015 (the Facility), in the event that (i) any persons or group of persons acting in concert, gain control of the Company, then any Lender may elect within a prescribed time frame to cancel its outstanding commitment under the Facility and declare its participation in all outstanding loans, together with accrued interest and all amounts accrued immediately due and payable, whereupon the commitment of that Lender under the Facility will be cancelled and all such outstanding amounts will become immediately due and payable.

China – under a joint venture agreement dated 12 October 2009 (as amended) between the Company and Tianjin TEDA International Holding (Group) Co. Limited (TEDA), pursuant to which the Company holds its interest in Heng An Standard Life Insurance Company Limited (Heng An Standard Life), upon a change of control of the Company, TEDA has the right to terminate the venture and to purchase, or nominate a third party to purchase, the Company's shares in Heng An Standard Life for a price determined in accordance with the agreement.

A number of other agreements contain provisions that entitle the counterparties to exercise termination or other rights in the event of a change of control of the Company. However, these agreements are not considered to be significant in terms of their likely impact on the business of the Group as a whole.

The Directors are not aware of any agreements with any employee that would provide compensation for loss of office or employment resulting from a takeover. The Company also has no agreement with any Director to provide compensation for loss of office or employment resulting from a takeover.

Appointment and retirement of Directors

The appointment and retirement of Directors is governed by the Articles, the Companies Act 2006, the UK Corporate Governance Code and related legislation.

The UK Corporate Governance Code recommends that directors of FTSE 350 companies should stand for election every year. During the year, Simon Troughton and Richard Mully retired as Directors on 14 May 2019, and on 31 May 2019 Bill Rattray retired as Director and CFO. Stephanie Bruce was appointed to the Board on 1 June 2019 as Director and CFO after shareholders were given and took the opportunity to vote on her election at the 2019 AGM. Jonathan Asquith was appointed to the Board on 1 September 2019. Cecilia Reyes was appointed to the Board on 1 October 2019. Rod Paris stood down from the Board on 31 December 2019 but remains as the Company's Chief Investment Officer. As announced, Brian McBride will join the Board on 1 May 2020.

Having been appointed since the 2019 AGM, Jonathan Asquith, Cecilia Reyes and Brian McBride will stand for election at the 2020 AGM.

All remaining Directors as at the date of the 2020 AGM will retire and, if they wish to continue in office, will stand for re-election. As announced by the Company on 2 October 2019, Martin Gilbert will not stand for election at the 2020 AGM and will retire from the Company on 30 September 2020.

The powers of the Directors can also be found in the Articles.

Directors and their interests

The Directors who served during the year were:

Sir Douglas Flint (Chairman)	Melanie Gee
Keith Skeoch	Richard Mully[1]
Martin Gilbert	Martin Pike
Bill Rattray[2]	Cathleen Raffaeli
Stephanie Bruce[3]	Cecilia Reyes[5]
Rod Paris[6]	Jutta af Rosenborg
Jonathan Asquith[4]	Simon Troughton[1]
John Devine	

1 Retired 14 May 2019.

2 Retired 31 May 2019.

3 Appointed 1 June 2019.

4 Appointed 1 September 2019.

5 Appointed 1 October 2019.

6 Resigned 31 December 2019.

Biographies of the current Directors can be found on pages 52 to 55.

Details of the Directors' interests in the Company's ordinary shares, the Standard Life (Employee) Share Plan, the Standard Life Sharesave Plan and the share-based discretionary plans are set out in the Directors' remuneration report together with details of the executive Directors' service contracts and non-executive Directors' appointment letters.

No Director has any interest in the Company's listed debt securities or in any shares, debentures or loan stock of the Company's subsidiaries. No Director has any material interest in any contract with the Company or a subsidiary undertaking which was significant in relation to the Company's business, except for the following:

- The benefit of a continuing third party indemnity provided by the Company (in accordance with company law and the Articles)
- Service contracts between each executive Director and subsidiary undertakings (Standard Life Employee Services Limited and Aberdeen Asset Management PLC)

Copies of the following documents can be viewed at the Company's registered office (details of which can be found in the Contact us section) during normal business hours (9am to 5pm Monday to Friday) and will be available for inspection at the Company's AGM:

- The Directors' service contracts or letters of appointment
- The Directors' deeds of indemnity, entered into in connection with the indemnification of Directors provisions in the Articles
- The rules of the Standard Life plc Executive Long-Term Incentive Plan
- The rules of the Standard Life Aberdeen plc Deferred Share Plan
- The Company's Articles

Directors' liability insurance

During 2019, the Company maintained directors' and officers' liability insurance on behalf of its directors and officers to provide cover should any legal action be brought against them. The Company also maintained pension trustee liability indemnity policies (which includes third party indemnity) for the boards of trustees of the UK and Irish staff pension schemes where required to do so.

Our people

Our people have always been central to delivering our strategy, and we remain focused on helping them thrive.

You can read more on our people strategy in the Strategic report section of this report.

Reward

We have developed our employment proposition in the UK, where the majority of our people are based, and this has provided the foundation for a new, unified, set of UK terms and conditions of employment. These were designed to be fair and consistent, and to help us continue to attract and retain talented people.

Since these changes included pensions, we formally consulted with employees and their representatives for more than the required minimum of 60 days (under Regulation 6 of the Occupational and Personal Pension Schemes 2006). We also opted to engage with employee representatives on all the other proposed changes to terms and conditions and they had an opportunity to help shape them.

As a result, UK employees now have consistent and competitive benefits, including pension, life assurance, group income protection and healthcare. Our new My Benefits platform gives our people information at their fingertips, as well as seamless access to provider sites.

As well as the harmonisation of benefits, we have also focused on education to ensure employees fully understand their benefits. We have delivered a large number of educational communications throughout 2019 and will continue with this financial, health and wellbeing education and engagement programme through 2020 and beyond.

We believe that when our employees own shares in the Company it increases their understanding of the interests of our shareholders.

We invited UK and Ireland based employees to participate in the Standard Life Aberdeen Sharesave plan in 2019 and 1,736 (36%) employees accepted the invitation. They will have the opportunity to acquire Standard Life Aberdeen plc shares for £1.994 (UK) and €2.197 (Ireland) with their accumulated savings when their savings contracts end in three or five years' time. At 31 December 2019, 2,479 employees in UK and Ireland were saving towards the purchase of Standard Life Aberdeen plc shares through the current Sharesave plans.

As at 31 December 2019, 2,188 individuals were shareholders through participation in the Standard Life Aberdeen (Employee) Share Plan. This is now available to a greater number of our people – as a result of the harmonisation of terms and conditions – and we expect participation to increase in 2020. Participation allows employees to buy ordinary shares in the Company directly from their earnings up to a market value of £150 per month (UK) or €175 (Ireland) per month. We match the shares purchased by employees, matching up to £50 per month in the UK and €70 per month in Ireland.

Employee engagement

The Board takes employee engagement at all levels very seriously. As noted in the Annual report and accounts 2018, Melanie Gee accepted the role as the designated non-executive Director to support workforce engagement. During 2020, we will continue to develop her role to ensure it remains effective. You can find out more about this in the Corporate governance statement on page 58.

In addition, during 2019 we took action on the key themes which emerged from the engagement survey we ran in Q4 2018. That survey provided an overall engagement score of 56% with some obvious areas of focus for us to consider. These included the need for further clarity on our strategic direction, more leadership visibility, as well as minimising barriers to delivery. Positive feelings centred on our managers leading through change, employees feeling able to be themselves and our continued focus on inclusion.

We engaged our people in discussions about what would further enhance Standard Life Aberdeen as a great place to work. Drawing on what we learned, we drove forward a series of activities at a local and company-wide level, such as local engagement committees and a range of leadership initiatives.

Employees place significant value on seeing and hearing from our leaders, and being given the opportunity to directly engage with them. In 2019 we also held more than twenty 'In conversation with …' sessions, using our global video conference facilities to connect our people across the world with our senior leaders. They had the opportunity to hear and discuss strategic messages directly with leaders thereby helping to embed these messages and encourage collaboration across our global business. We received great feedback on the sessions: 76% of attendees told us that they feel they have a better understanding of our strategy and 91% found the leaders to be open and honest during the sessions.

Recognising that our people want more clarity on our direction, we will continue with a programme of work, started at the end of 2019, to engage our people with our case for change, our purpose, strategic drivers and behaviours. We will rely heavily on our leadership population to deliver and ensure understanding of these strategic messages so that we can create the commitment and belief across every employee to power the business forwards.

As part of our commitment to understanding how people feel about working in Standard Life Aberdeen, we will conduct a short 'pulse' survey in the first quarter of 2020, and all employees globally will have an opportunity to participate. The survey will provide us with further organisational insight, allow us to track progress against the key organisational themes and give us an updated measurement of employee engagement.

Talent

Attracting, nurturing and retaining high quality people is critical to our strategic objectives and future prosperity, and we are fully committed to developing the required pools of talent (at all levels of our organisation) to meet our current and anticipated needs.
We're creating an environment where our people can achieve their full potential at every stage of their career.

Continuing our focus on Early Careers talent, in the last 12 months we have hired a total of 151 employees – comprising university graduates, interns and school leavers - into our Early Careers programmes in the UK, Europe, Asia and the U.S. Our Early Careers programmes are a major component of our broader commitment to hiring a diverse global workforce. In 2019, we set up a one year development programme for school leavers which is open to any school leaver, regardless of their background or qualification level. We hire people with the attitude and skills to help our business succeed. In 2019 we hired 20 individuals into this programme and they are working in the Investments, Distribution and Operations functions with plans to track their progress and hire an additional 22 individuals into the programme in 2020.

Our programmes, alongside other sustainability work, have received external recognition: we were ranked 21st amongst the top 75 employers in the UK Social Mobility index. We have also maintained our presence in the Top 100 UK Undergraduate Employers for 2019 (ranked 77th at the National Undergraduate Employer Awards) based on participant feedback.

Structured succession planning helps us ensure we have a strong pipeline of talent, with both the technical expertise and leadership capabilities to support our growth agenda and enable smooth succession into our most critical roles. Our Board and Executive leadership team are highly engaged in our talent and succession agenda and in mentoring future talent.

Where gaps are identified in our succession plans, we are proactive in enhancing our talent pool through selective and focused external hiring, as well as through development. Our recruitment effectiveness has improved, through a combination of active market intelligence, innovative candidate attraction/assessment technology and a skilled in-house recruitment team that is increasingly able to source the highest quality of candidates directly rather than via search firms.

Diversity of succession pipelines is closely monitored as part of our succession review to create appropriately diverse talent pools from which future leaders are drawn. In particular our Women in Finance Charter commitments mean we must ensure balanced representation at all levels of our workforce. We have launched female leadership development programmes at senior and mid-career levels, with more than 200 participants in 2019 which have been well-received by participants and their managers.

Developing our people

During 2019 we constructed My Development as the primary learning and development system for the whole Company and this was launched in early January 2020. The system uses artificial intelligence to recommend resources and development opportunities to our people based on the topics they are interested in. It's available for all employees and underpins our philosophy of individual-driven development.

Our People Management Academy is central to developing the skills and capability of our people managers. In 2019, over 700 line managers attended courses across the globe, focusing on topics such as Inclusive Leadership, Coaching and Great Conversations. We recently communicated our new People Manager Commitments, highlighting what we expect from people managers and supported this with bite-sized workshops that included a selection of the support tools available. People Management Academy content in 2020 will be curated to address the expectations laid out in the People Manager Commitments.

All employees can benefit from the courses in our Learning Academy and in 2019 over 900 of our people attended a diverse range of courses, including technology skills, industry-specific training, and personal effectiveness solutions.

We have continued to upskill our people through vocational qualifications, supporting new and experienced hires through Modern and Graduate level apprenticeships. We have also been an active voice along with Scottish Government and other industry leaders to modernise apprenticeship frameworks currently used in our sector, as well as lobbying for improvements to the apprenticeship levy policy in devolved nations.

Our efforts have been recognised at the Learning and Performance Institute's Learning Awards where we won a Bronze Award for our digital learning initiative, The Leading Edge Challenge Series, which saw over 50,000 learning resources consumed across the campaign.

Inclusion and diversity

At Standard Life Aberdeen we consider diversity in the broadest sense – in our backgrounds, experiences, strengths and thinking. Our aim is to create a workplace where everyone can be themselves and can perform and progress, regardless of their background. By building and sustaining a diverse talent pipeline and enabling people to reach their potential, we provide our global customers with the diversity of thought and creativity required to bring long-term value.

We have an inclusion direction, which was co-created with our people, and which defines our priorities over the next two to four years. Progress against this is reviewed by the Nomination and Governance Committee bi-annually. This year we have worked with our most senior leaders to create and publish action plans relevant to their business areas and regions, which will build more inclusive workplaces. Transparency is key to how we talk about and report our inclusion and diversity progress and our transparency was recognised again this year by Bloomberg, who included us for the second time in their Gender Equality Index.

We empower people to take individual and collective action as we all have a role to play in creating an inclusive environment. For example, our six employee network groups and three regional inclusion forums support members and allies of the diverse groups they represent, and raise awareness of issues that affect them. With over 1,700 members, our networks continue to expand their global reach, and focus on gender, LGBT+, ethnicity, mental health, young people, and armed forces. In addition to supporting these groups, we treat those with disabilities fairly in relation to job applications, training, promotion and career development. Reasonable adjustments are made to train and enable employees who become disabled while working at Standard Life Aberdeen to allow them to continue and progress in their career. Our commitment to support people with disabilities is included within our internal Global Diversity and Inclusion Policy, published in 2019.

Achieving a better gender balance at all levels remains a priority for us. Last year we published our gender update, including gender pay gap figures, an update on our HM Treasury Women in Finance Charter targets, and progress against our gender actions. We know we have more to do to improve representation of women but welcome the progress made over the past 12 months at Board and Executive (CE-1 and CE-2) levels. Our Board is currently comprised of 45% female members; surpassing our 33% target for June 2020 and our pledge to the 30% Club. At Executive (CE-1 and CE-2) levels we have improved female representation from 34%, as at 31 December 2018 to 36% as at 7 January 2020[1]. Our progress was recognised by the Hampton-Alexander Review which ranked us 10 in the FTSE 100 in 2019, up from ranking 92 in 2018. Following analysis last year into how men and women join, progress and leave our organisation, we have prioritised actions to address the differences we uncovered. The actions we have in place to improve representation of women at all levels in our organisation are stretching, benchmarked and sponsored by our CE. Increasing women in our senior roles will also improve our gender pay gap, which is heavily influenced by the significant number of men in senior and most highly remunerated roles, and by the larger number of women in more junior roles.

As one of the inaugural signatories to the Race at Work Charter, we are committed to tackling barriers that ethnic minority people face in recruitment and progression. We published an ethnicity action plan and during 2019 we have improved understanding and awareness of experiences of ethnic minority employees, improved attraction and outreach to ethnically diverse candidates and built the capability for us to know more about the ethnicity of our employees. At Board level, appointments are made based on merit and with due consideration for the Board's gender and ethnicity composition, as outlined in our Board Charter.

You can read the Board Charter on our website
www.standardlifeaberdeen.com

Sustainability

The commercial aims of our business are linked to our environmental, social and governance responsibilities. You can find out more about how we run our business sustainably throughout the Strategic report. Our non-financial information statement on page 27 summarises where you can find key information on our approach. For details of our greenhouse gas emissions, please see page 25.

Political donations

We have a long-standing policy of not making political donations. The Company has limited authorisation from shareholders to make political donations and incur political expenditure (Resolution 8, 2019 AGM). We request this as a precaution against any inadvertent breach of political donations legislation. While Standard Life Aberdeen has regular interaction with government and elected politicians in the UK and other jurisdictions in which we operate, we are strictly apolitical.

Auditors

The Audit Committee is responsible for considering the Group's External audit arrangements. Resolutions proposing the re-appointment of KPMG LLP as auditors of the Company and giving authority to the Audit Committee to determine their remuneration will be submitted at the 2020 AGM.

Disclosure of information to the auditors

Each Director confirms that he or she has taken all reasonable steps necessary, in his or her role as a Director, to be made aware of any relevant audit information and to establish that KPMG LLP is made aware of that information.

As far as each Director is aware, there is no relevant audit information that KPMG LLP is not aware of as at the date this report was approved.

[1] Data shown as at 7 January 2020. Data has been reported as at 31 December in previous years but due to data impacts associated with migrating HR systems on 6 January 2020, data is shown as at 7 January for this reporting cycle only.

Annual General Meeting

The 2020 AGM will be held in Edinburgh on 12 May. Details of the meeting content can be found in our AGM guide 2020. The AGM guide and other materials will be published online at **www.standardlifeaberdeen.com** in advance of this year's AGM.

Post balance sheet events

On 7 February 2020, the Company announced a share buyback of up to £400m through on-market purchases commencing on 10 February 2020 and ending no later than 30 September 2020**.** As at 6 March 2020, the Company had repurchased 20,214,403 shares for a consideration of £60m.

In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across China and to a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Group or to provide a quantitative estimate of this impact.

Other information

Under Listing Rule 9.8.4.CR, a listed company must include all information required by LR 9.8.4R in a single identifiable location or cross-reference table. For the purposes of LR 9.8.4CR, the information required to be disclosed can be found in the following locations. All the relevant information cross-referenced below is hereby incorporated by reference into this Directors' report.

	Location		
Topic	**Directors' report**	**Directors' remuneration report**	**None/ Not applicable**
Interest capitalised			x
Publication of unaudited financial information in a class 1 circular or in a prospectus, other than in accordance with Annexes 1 and 2 of the FCA's Prospectus Rules			x
Details of long-term incentive schemes		x	
Waiver of emoluments by a director			x
Waiver of future emoluments by a director			x
Non pre-emptive issues of equity for cash			x
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings			x
Parent participation in a placing by a listed subsidiary			x
Contracts of significance			x
Provision of services by a controlling shareholder			x
Shareholder waivers of dividends	x		
Shareholder waivers of future dividends	x		
Agreements with controlling shareholders			x

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report. This includes details on our liquidity and capital management and our viability statement in the Chief Financial Officer's overview section and our principal risks in the Risk management section. In addition, the Group financial statements section includes notes on the Group's subordinated liabilities (Note 33), management of its risks including market, credit and liquidity risk (Note 38), its contingent liabilities and commitments (Notes 42 and 43), and its capital structure and position (Note 46).

The Group continues to meet group and individual entity capital requirements and day-to-day liquidity needs. The Company has a revolving credit facility of £400m as part of our contingency funding plans and this is due to mature in 2022. The Group has considerable financial resources together with a diversified business model, with a spread of business and geographical reach. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries and having assessed the principal risks, the Directors are satisfied that the Group has and will maintain sufficient resources to enable it to continue operating for at least 12 months from the date of approval of the financial statements and therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. In addition, the Directors have assessed the Group's viability over a period of three years.

The Directors' report was approved by the Board and signed on its behalf by

Kenneth A. Gilmour

Kenneth A Gilmour
Company Secretary

10 March 2020

5. Statement of Directors' responsibilities in respect of the Annual report and the financial statements

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework.*

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable, relevant, reliable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU
- Assess the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

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

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

By order of the Board

Sir Douglas Flint
Chairman

10 March 2020

Stephanie Bruce
Chief Financial Officer

10 March 2020

Financial information

Contents

Group financial statements

How to navigate our Group financial statements

The Group's significant **accounting policies** are included at the beginning of the relevant notes to the Group financial statements with this background colour. Critical judgements in applying accounting policies are summarised in the Presentation of consolidated financial statements section which follows the primary financial statements. Accounting policies that are relevant to the financial statements as a whole are also set out in that section.

The Group's critical **accounting estimates** and assumptions are summarised in the Presentation of consolidated financial statements section which follows the primary financial statements. Further detail on these critical accounting estimates and assumptions is provided in the relevant note with this background colour.

6. Independent auditors' report to the members of Standard Life Aberdeen plc

1. Our opinion is unmodified

We have audited the financial statements of Standard Life Aberdeen plc (the Company) for the year ended 31 December 2019 which comprise the Consolidated income statement; Consolidated statement of comprehensive income; Consolidated statement of financial position; Consolidated statement of changes in equity; Consolidated statement of cash flows; Company statement of financial position; Company statement of changes in equity and the related notes, including the reconciliation of consolidated adjusted profit before tax to IFRS profit for the year and the accounting policies in the Basis of preparation.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union
- The parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 16 May 2017. The period of total uninterrupted engagement is for the three financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£31m (2018: £32m) 4.4% (2018: 4.8%) of normalised profit before tax	
Coverage	97% (2018:78%) of profits and losses that made up Group profit before tax	
Key audit matters		**vs 2018**
Recurring risk	Recoverability of Group goodwill and of parent's investment in subsidiaries	◀▶
Recurring risk	Provision for separation costs	◀▶
Recurring risk	Carrying value of investment in Phoenix – share of Phoenix Profit	◀▶
Recurring risk	Valuation of defined benefit pension scheme obligation	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. These matters were addressed,and our findings are based on our procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of Group goodwill and of parent's investment in subsidiaries *(Group Goodwill: £1,000m; (2018: £2,532m); Goodwill impairment losses recognised: £1,569m (2018: £891m)* *(Parent Company: Investments in subsidiaries, Impairment of subsidiaries: £795m (2018: 589m))* *Refer to page 67 (Audit Committee Report), page 154 (accounting policy) and page 156 (financial disclosures).*	**Subjective estimate:** Goodwill in the Group and the carrying amount of certain of the parent company's investments in subsidiaries are significant and at risk of irrecoverability due to reductions in assets under management or a change in the mix of the assets under management which would impact revenues. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. In the current year, goodwill in the Group was impaired by £1,569m and the parent company's investments in subsidiaries were impaired by £795m. The effect of these matters is that, as part of our risk assessment, we determined that both the carrying amount of goodwill and of certain investments in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** **Our valuation and sector expertise:** We used our own valuation specialists to assist us in assessing the appropriateness of the Group's valuation model. This included comparing the Group discount rate assumptions with our own estimate of a range of reasonable discount rates, based on comparable company information. We also used our sector experience to evaluate the appropriateness of assumptions applied in key inputs such as revenue from customers, operating costs, growth rates and discount rates. **Sensitivity analysis:** We performed our own sensitivity analysis which included assessing the effect of reasonably possible reductions in growth rates, discount rates and forecast cash flows to evaluate the impact on the carrying value of goodwill and the investment in subsidiaries. **Assessing transparency:** We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill and the recoverability of investment in subsidiaries. **Our findings:** We found the estimates of the recoverable amount of Group goodwill and of the parent company's investment in subsidiaries to be balanced (2018: balanced) with proportionate (2018: proportionate) disclosures of the related assumptions and sensitivities.

	The risk	Our response
Provision for Separation Costs *(Separation costs provision £77m; 2018: £80m)* *Refer to page 68 (Audit Committee Report), page 194 (accounting policy) and page 195 (financial disclosures).*	**Subjective estimate – Provision for separation costs** The calculation of the provision for separation costs arising out of the disposal of Standard Life Assurance Limited ('SLAL') in 2018 requires the Directors to determine a number of key inputs. The determination of these is judgemental and requires the Directors to consider a range of information connected to the Separation Plan. The most significant input is the costs that are estimated to relate to separating the business and which do not relate to costs related to the Group's ongoing business, including development of new systems. The risk is that the provision is misstated and includes future costs from which the Group will derive ongoing benefit. The effect of these matters is that, as part of our risk assessment, we determined that the provision for separation costs has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (Note 37) disclose the range estimated by the Group.	**Our procedures included:** **Test of details:** We assessed the terms in the Sale and Purchase Agreement ('SPA') and other documents to confirm that the Group has a legal obligation to pay for separation costs. **Test of details:** We sampled costs included in the Separation Plan and obtained evidence and explanations to validate whether they were appropriately provided for. **Personnel interviews:** We interviewed relevant managers, including project staff, to validate the current progress of the Separation Plan, including current cost forecasts. **Assessing transparency:** We assessed whether the Group's disclosures detailing separation costs to be incurred adequately disclose the potential expense for the Group, including the range of costs and potential estimation uncertainty. **Our findings:** We found the estimate of the separation cost provision to balanced (2018: balanced) with proportionate (2018: proportionate) disclosures of the related assumptions and sensitivities.
Carrying value of investment in Phoenix – share of Phoenix profit *((£5m); 2018 £65m)* *Refer to page 68 (Audit Committee Report), page 158 (accounting policy) and page 159 (financial disclosures).*	**Subjective estimate** The calculation of Phoenix's profit is judgemental and dependent on a number of management estimates, in particular the actuarial assumptions underpinning the movements in insurance contract liabilities. In this regard, the assumptions that have the most significant impact over the Phoenix profit are the base and trend longevity and persistency assumptions. The effect of these matters is that, as part of our risk assessment, we determined that the share of Phoenix profit and hence the carrying value of the investment in Phoenix has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount.	**Our procedures included:** **Control design and operation:** We tested the design and operating effectiveness of key controls including over management's process for modelling insurance contract liabilities and for setting and updating actuarial assumptions. **Our actuarial experience:** We used our own actuarial specialists to review and challenge the rationale for key assumptions adopted. **Our findings:** We found the Group's share of the Phoenix profit to be balanced (2018: balanced) with proportionate (2018: proportionate) disclosure of the related assumptions.

	The risk	Our response
Valuation of the UK defined benefit pension scheme present value of funded obligation *(£2,852m, 2018: £2,542m)* *Refer to page 68 (Audit Committee Report), page 187 (accounting policy) and page 189 (financial disclosures).*	**Subjective Valuation:** The present value of the Group's funded obligation for the UK defined benefit pension scheme is an area that involves significant judgement over the uncertain future settlement value. The Group is required to use judgment in the selection of key assumptions covering both operating assumptions and economic assumptions. The key operating assumptions are base mortality and mortality improvement. The key economic assumptions are the discount rate and inflation. The risk is that inappropriate assumptions are used in determining the present value of the funded obligation. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the pension scheme obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements (Note 34) disclose the range estimated by the Group.	**Our procedures included:** **Our actuarial experience:** We used our own actuarial specialists to perform procedures in this area. **Test of detail and our sector experience:** We considered the appropriateness of the base mortality assumption by reference to scheme and industry data on historical mortality experience. We considered the appropriateness of the mortality improvement assumptions by reference to industry based expectations of future mortality improvements. We considered the appropriateness of the discount rate and inflation assumptions by reference to industry practice. **Benchmarking assumptions and our sector experience:** We utilised the results of KPMG benchmarking of base mortality, mortality improvement, discount rate and inflation assumptions and our knowledge of industry practice to inform our challenge of the Group's assumptions in these areas. **Assessing transparency:** We considered whether the Group's disclosures in relation to the assumptions used in the calculation of present value of the funded obligation appropriately represent the sensitivities of the obligation to the use of alternative assumptions. **Our findings:** We found the estimated valuation of the UK defined benefit pension scheme obligation to be balanced (2018: balanced) with proportionate (2018: proportionate) disclosures of the related assumptions and sensitivities.

We have summarised below the changes to our key audit matters from the 31 December 2018 year end audit.

For the purposes of our audit for the period ended 31 December 2018, we recognised a key audit matter in association with the accounting for the obligations arising out of the disposal of SLAL and investment in Phoenix. One element of this risk related to a subjective estimate around the provision for separation costs. We continue to recognise this as a key audit matter above. The two other elements of this risk were in relation to the subjective valuation of the initial investment into Phoenix and the subjective estimate of the fair valuation of indemnities within the SPA. The valuation of the initial investment was a one-off and therefore does not recur for the audit for the year to 31 December 2019. The indemnities fair valuation has materially reduced in the period as a result of the finalisation of certain matters which determined the value of these and therefore we no longer recognise it as an element of the key audit matter.

We also previously recognised a key audit matter in relation to the carrying value of the investment in Phoenix. This risk was focused on the year end valuation given the market valuation was significantly below the carrying value. This year, as the market value is above the carrying value, the risk is now focused on the share of Phoenix profit that the Company has recognised within the carrying value of the investment in Phoenix.

We also reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. As a result of developments since the prior year report, including the Group's own preparation, the relative significance of this matter on our audit work has reduced. Accordingly, we no longer consider this a key audit matter.

Lastly, we previously reported a key audit matter in respect of the valuation of intangible assets. There were no impairment triggers identified during the year to 31 December 2019 and therefore we no longer consider this a key audit matter.

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3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £31m (2018: £32m), determined as 5% of our estimate of Group profit before tax made at the planning stage, normalised for our expectation of the level of adjusting items including impairment, restructuring costs and the profits arising on disposal of associate shareholdings. This equates to 4.4% of reported Group profit normalised on a consistent basis and to 12.7% of Group profit before tax from continuing operations of £243m. Prior year materiality represented 4.8% of our assessed normalised Group profit before tax.

Materiality for the parent company financial statements as a whole was set at £19m (2018:£19m), determined with reference to a benchmark of normalised profit before tax, of which it represents 1.08% (2018:3.6%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.6m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 28 (2018:75) continuing reporting components, we subjected 8 (2018: 6) to full scope audits for Group purposes and 2 (2018:3) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed.

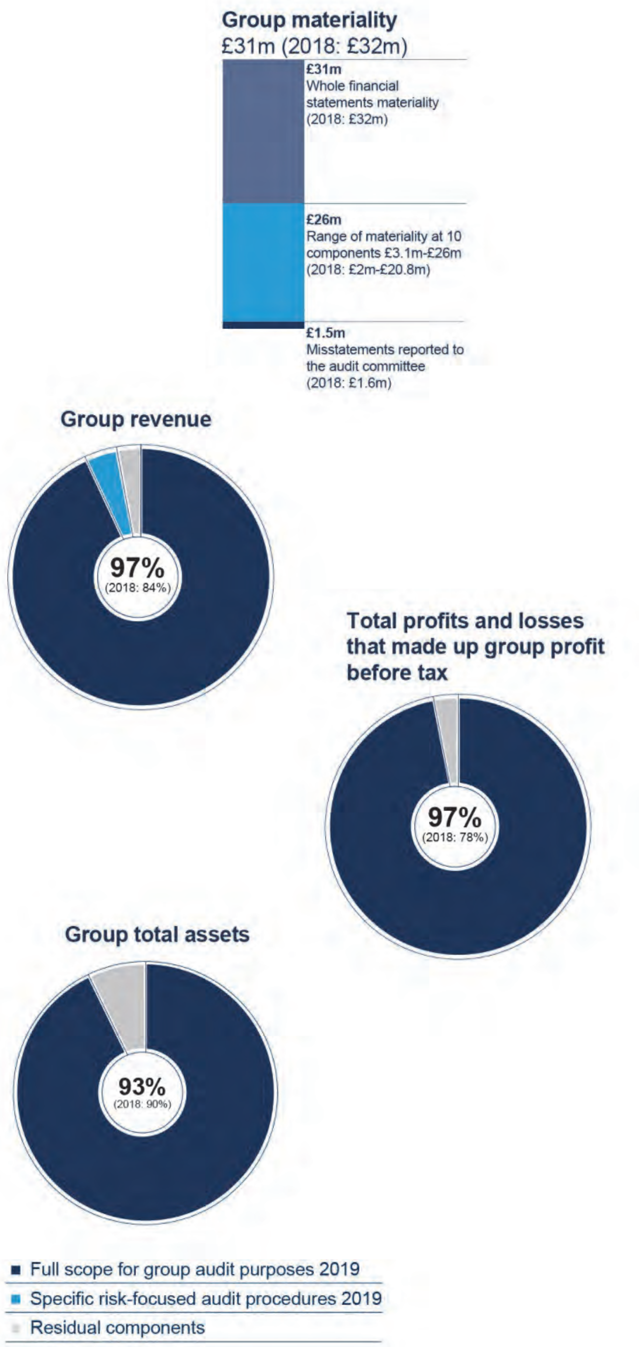
The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 3% of total Group revenue, 3% of Group profit before tax and 7% of total Group assets is represented by 18 reporting components, none of which individually represented more than 5% of any of total Group revenue, or total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £3.1m to £26m, having regard to the mix of size and risk profile of the Group across the components.

The work on 8 of the 10 continuing components (2018: 8 of the 9 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised Group profit before tax.

The Group team visited 8 (2018: 8) component teams in 5 locations (2018: 5) to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.



4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (the going concern period).

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was movements in investment markets and assets under management.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.

Based on this work, we are required to report to you if:

- We have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements
- The related statement under the Listing Rules set out on page 110 is materially inconsistent with our audit knowledge

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.
Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- We have not identified material misstatements in the strategic report and the directors' report
- In our opinion the information given in those reports for the financial year is consistent with the financial statements
- In our opinion those reports have been prepared in accordance with the Companies Act 2006

Directors' remuneration report

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation within the viability statement page 43 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity
- The Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated
- The Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy
- The section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

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6. We have nothing to report on the other matters on which we are required to report by exception

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

- Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns
- Certain disclosures of directors' remuneration specified by law are not made
- We have not received all the information and explanations we require for our audit

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 111, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension's regulations and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: specific areas of regulatory capital and liquidity, conduct including Client Assets, money laundering, market abuse regulations and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further rem oved non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose, and the further matters we are required to state to them in accordance with terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

J M Mills

Jonathan Mills (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace Edinburgh
EH1 2EG

10 March 2020

7. Group financial statements

Consolidated income statement

For the year ended 31 December 2019

	Notes	2019 £m	2018[1] £m
Income			
Investment return	3	**464**	(116)
Revenue from contracts with customers	4	**1,743**	1,955
Insurance contract premium income	31	**66**	73
Profit on disposal of interests in associates	1	**1,542**	185
Other income	5	**178**	34
Total income from continuing operations		**3,993**	2,131
Expenses			
Insurance contract claims and change in liabilities	31	**156**	1
Change in non-participating investment contract liabilities	25	**265**	(78)
Administrative expenses			
Restructuring and corporate transaction expenses	9	**374**	231
Impairment of goodwill – asset management	15	**1,569**	880
Other administrative expenses	6	**1,651**	1,746
Total administrative expenses		**3,594**	2,857
Change in liability for third party interest in consolidated funds		**21**	(5)
Finance costs		**36**	45
Total expenses from continuing operations		**4,072**	2,820
Share of profit from associates and joint ventures	16	**79**	130
Reversal of/(loss on) impairment of interest in associates	16	**243**	(228)
Profit/(loss) before tax from continuing operations		**243**	(787)
Tax expense attributable to continuing operations	10	**28**	43
Profit/(loss) for the year from continuing operations		**215**	(830)
Profit for the year from discontinued operations	11	**56**	1,698
Profit for the year		**271**	868
Attributable to:			
Equity shareholders of Standard Life Aberdeen plc			
From continuing operations		**210**	(835)
From discontinued operations		**56**	1,665
Equity shareholders of Standard Life Aberdeen plc		**266**	830
Other equity holders			
From discontinued operations – perpetual notes[2]	30	**–**	28
Non-controlling interests			
From continuing operations – preference shares	30	**5**	5
From discontinued operations – ordinary shares	30	**–**	5
		271	868
Earnings per share from continuing operations			
Basic (pence per share)	12	**8.9**	(29.3)
Diluted (pence per share)	12	**8.8**	(29.3)
Earnings per share			
Basic (pence per share)	12	**11.2**	29.1
Diluted (pence per share)	12	**11.1**	29.1

1 The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

2 The presentation of amounts attributable to certain perpetual debt instruments in 2018 has been restated to show these amounts separately as related to other equity holders rather than as part of non-controlling interests. Refer Note 30.

The Notes on pages 129 to 231 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Notes	2019 £m	2018[1] £m
Profit for the year		**271**	868
Less: profit from discontinued operations	11	**(56)**	(1,698)
Profit/(loss) from continuing operations		**215**	(830)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement losses on defined benefit pension plans	34	**(23)**	(29)
Share of other comprehensive income of associates and joint ventures	16	**(17)**	(15)
Equity holder tax effect of items that will not be reclassified subsequently to profit or loss	10	**–**	–
Total items that will not be reclassified subsequently to profit or loss		**(40)**	(44)
Items that may be reclassified subsequently to profit or loss:			
Fair value (losses)/gains on cash flow hedges	20	**(10)**	54
Fair value losses on available-for-sale financial assets	29	**–**	(9)
Exchange differences on translating foreign operations		**(46)**	14
Share of other comprehensive income of associates and joint ventures	16	**7**	–
Items transferred to the consolidated income statement			
Fair value losses/(gains) on cash flow hedges	20	**22**	(41)
Realised foreign exchange gains		**–**	(2)
Equity holder tax effect of items that may be reclassified subsequently to profit or loss	10	**(2)**	(1)
Total items that may be reclassified subsequently to profit or loss		**(29)**	15
Other comprehensive income for the year from continuing operations		**(69)**	(29)
Total comprehensive income for the year from continuing operations		**146**	(859)
Profit from discontinued operations	11	**56**	1,698
Other comprehensive income from discontinued operations	11	**–**	(43)
Total comprehensive income for the year from discontinued operations		**56**	1,655
Total comprehensive income for the year		**202**	796
Attributable to:			
Equity shareholders of Standard Life Aberdeen plc			
From continuing operations		**141**	(864)
From discontinued operations		**56**	1,622
Other equity holders			
From discontinued operations – perpetual notes[2]		**–**	28
Non-controlling interests			
From continuing operations – preference shares		**5**	5
From discontinued operations – ordinary shares		**–**	5
		202	796

1 The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

2 The presentation of amounts attributable to certain perpetual debt instruments in 2018 has been restated to show these amounts separately as related to other equity holders rather than as part of non-controlling interests. Refer Note 30.

The Notes on pages 129 to 231 are an integral part of these consolidated financial statements.

Reconciliation of consolidated adjusted profit before tax to IFRS profit for the year

For the year ended 31 December 2019

		2019			2018[1]		
	Notes	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Adjusted profit before tax							
Asset management, platforms and wealth[2]		**395**	**–**	**395**	510	–	510
Insurance associates and joint ventures		**189**	**–**	**189**	140	–	140
UK and European insurance		**–**	**–**	**–**	–	210	210
Adjusted profit before tax	2	**584**	**–**	**584**	650	210	860
Adjusted for the following items							
Restructuring and corporate transaction expenses	9	**(407)**	**–**	**(407)**	(239)	(264)	(503)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	2	**(1,844)**	**–**	**(1,844)**	(1,155)	–	(1,155)
Profit on disposal of subsidiaries	1	**–**	**–**	**–**	–	1,780	1,780
Profit on disposal of interests in associates	1	**1,542**	**–**	**1,542**	185	–	185
Reversal of/(loss on) impairment of associates	16	**243**	**–**	**243**	(228)	–	(228)
Investment return variances and economic assumption changes	13	**(25)**	**–**	**(25)**	54	(41)	13
Other[3]	13	**158**	**56**	**214**	(14)	44	30
Total adjusting items	2	**(333)**	**56**	**(277)**	(1,397)	1,519	122
Share of associates' and joint ventures' tax expense	2	**(8)**	**–**	**(8)**	(40)	–	(40)
Profit attributable to non-controlling interests – ordinary shares	2	**–**	**–**	**–**	–	5	5
Profit/(loss) before tax expense[4]		**243**	**56**	**299**	(787)	1,734	947
Tax (expense)/credit attributable to							
Adjusted profit	2	**(69)**	**–**	**(69)**	(95)	(77)	(172)
Adjusting items	2	**41**	**–**	**41**	52	41	93
Total tax expense		**(28)**	**–**	**(28)**	(43)	(36)	(79)
Profit/(loss) for the year		**215**	**56**	**271**	(830)	1,698	868

1 The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

2 The Asset management, platforms and wealth segment was previously named Asset management and platforms. Refer Note 2.

3 The Other adjusting item in 2019 relating to continuing operations includes £140m received in relation to the settlement of arbitration with Lloyds Banking Group/ Scottish Widows (LBG). Refer Note 5.

4 For discontinued operations profit before tax expense attributable to equity holders consists of profit before tax of £56m (2018: £1,780m) less tax expense attributable to policyholders' returns of £nil (2018: £46m).

The Group's key alternative performance measure is adjusted profit before tax. Refer Note 13 for further details.

The Notes on pages 129 to 231 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2019

	Notes	2019 £m	2018[1,2] £m
Assets			
Intangible assets	15	**1,707**	3,404
Pension and other post-retirement benefit assets	34	**1,163**	1,111
Investments in associates and joint ventures accounted for using the equity method	16	**1,509**	1,444
Property, plant and equipment	17	**266**	61
Deferred tax assets	10	**74**	61
Financial investments	19	**2,115**	2,115
Receivables and other financial assets	19	**560**	697
Current tax recoverable	10	**9**	6
Other assets	22	**55**	46
Assets held for sale	23	**767**	762
Cash and cash equivalents	19	**1,615**	1,110
		9,840	10,817
Assets backing unit linked liabilities (excluding held for sale)	25		
Financial investments		**1,528**	1,659
Receivables and other financial assets		**10**	11
Cash and cash equivalents		**44**	30
		1,582	1,700
Total assets		**11,422**	12,517

1 The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

2 The Group has made a presentational change to show its unit linked liabilities and the assets backing these liabilities separately. Refer Note 25.

The Notes on pages 129 to 231 are an integral part of these consolidated financial statements.

	Notes	2019 £m	2018[1,2] £m
Liabilities			
Third party interest in consolidated funds	32	**119**	26
Subordinated liabilities	32	**655**	1,081
Pension and other post-retirement benefit provisions	34	**55**	38
Deferred income	35	**67**	75
Deferred tax liabilities	10	**87**	100
Current tax liabilities	10	**19**	22
Derivative financial liabilities	20	**3**	4
Other financial liabilities	32	**1,315**	1,161
Provisions	37	**102**	105
Other liabilities	37	**5**	9
Liabilities of operations held for sale	23	**747**	657
		3,174	3,278
Unit linked liabilities (excluding held for sale)	25		
Investment contract liabilities		**1,152**	1,468
Third party interest in consolidated funds		**416**	228
Other unit linked liabilities		**14**	4
		1,582	1,700
Total liabilities		**4,756**	4,978
Equity			
Share capital	26	**327**	353
Shares held by trusts	27	**(134)**	(115)
Share premium reserve	26	**640**	640
Retained earnings	28	**2,886**	2,778
Other reserves	29	**2,845**	3,782
Equity attributable to equity shareholders of Standard Life Aberdeen plc		**6,564**	7,438
Non-controlling interests			
Ordinary shares	30	**3**	2
Preference shares	30	**99**	99
Total equity		**6,666**	7,539
Total equity and liabilities		**11,422**	12,517

1 The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

2 The Group has made a presentational change to show its unit linked liabilities and the assets backing these liabilities separately. Refer Note 25.

The Notes on pages 129 to 231 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 121 to 231 were approved by the Board and signed on its behalf by the following Directors:

Sir Douglas Flint
Chairman, 10 March 2020

Stephanie Bruce
Chief Financial Officer, 10 March 2020

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity shareholders of Standard Life Aberdeen plc £m	Non-controlling interests: Ordinary shares £m	Non-controlling interests: Preference shares £m	Total equity £m
31 December 2018		**353**	**(115)**	**640**	**2,778**	**3,782**	**7,438**	**2**	**99**	**7,539**
Effect of change in accounting policy to IFRS 9[1]		–	–	–	(5)	(7)	(12)	–	–	**(12)**
Effect of change in accounting policy to IFRS 16[1]		–	–	–	(12)	–	(12)	–	–	**(12)**
1 January 2019		**353**	**(115)**	**640**	**2,761**	**3,775**	**7,414**	**2**	**99**	**7,515**
Profit for the year from continuing operations		–	–	–	210	–	210	–	5	**215**
Profit for the year from discontinued operations		–	–	–	56	–	56	–	–	**56**
Other comprehensive income for the year from continuing operations		–	–	–	(33)	(36)	(69)	–	–	**(69)**
Other comprehensive income for the year from discontinued operations		–	–	–	–	–	–	–	–	**–**
Total comprehensive income for the year	28,29	**–**	**–**	**–**	**233**	**(36)**	**197**	**–**	**5**	**202**
Issue of share capital	26	–	–	–	–	–	–	–	–	**–**
Dividends paid on ordinary shares	14	–	–	–	(518)	–	(518)	–	–	**(518)**
Dividends paid on preference shares		–	–	–	–	–	–	–	(5)	**(5)**
Shares bought back on-market and cancelled	26, 28,29	(26)	–	–	(390)	(100)	(516)	–	–	**(516)**
Other movements in non-controlling interests in the year		–	–	–	–	–	–	1	–	**1**
Reserves credit for employee share-based payments	29	–	–	–	–	43	43	–	–	**43**
Transfer to retained earnings for vested employee share-based payments	28,29	–	–	–	57	(57)	–	–	–	**–**
Transfer between reserves on impairment of subsidiaries	28,29	–	–	–	780	(780)	–	–	–	**–**
Shares acquired by employee trusts		–	(50)	–	–	–	(50)	–	–	**(50)**
Shares distributed by employee and other trusts and related dividend equivalents	28	–	31	–	(38)	–	(7)	–	–	**(7)**
Transfer from the Standard Life Unclaimed Asset Trust	27,28	–	–	–	1	–	1	–	–	**1**
31 December		**327**	**(134)**	**640**	**2,886**	**2,845**	**6,564**	**3**	**99**	**6,666**

[1] The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated and the cumulative effect of initially applying these standards is recognised in retained earnings at the date of initial application. Refer Basis of preparation.

2018	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity shareholders of Standard Life Aberdeen plc £m	Other equity[1] £m	Non-controlling interests: Ordinary shares £m	Non-controlling interests: Preference shares £m	Total equity £m
1 January		**364**	**(61)**	**639**	**3,162**	**4,500**	**8,604**	**–**	**289**	**99**	**8,992**
(Loss)/profit for the year from continuing operations		–	–	–	(835)	–	(835)	–	–	5	**(830)**
Profit for the year from discontinued operations		–	–	–	1,665	–	1,665	28	5	–	**1,698**
Other comprehensive income for the year from continuing operations		–	–	–	(44)	15	(29)	–	–	–	**(29)**
Other comprehensive income for the year from discontinued operations		–	–	–	–	(43)	(43)	–	–	–	**(43)**
Total comprehensive income for the year	28,29	**–**	**–**	**–**	**786**	**(28)**	**758**	**28**	**5**	**5**	**796**
Issue of share capital	26	–	–	1	–	–	1	–	–	–	**1**
Issue of B shares	26,29	1,000	–	–	–	(1,000)	–	–	–	–	**–**
Reclassification of perpetual debt instruments to equity	30	–	–	–	–	–	–	1,005	–	–	**1,005**
Repurchase of perpetual debt instruments	30	–	–	–	–	–	–	(970)	–	–	**(970)**
Redemption of perpetual debt instruments	30	–	–	–	–	–	–	(44)	–	–	**(44)**
Dividends paid on ordinary shares	14	–	–	–	(634)	–	(634)	–	–	–	**(634)**
Dividends paid on preference shares		–	–	–	–	–	–	–	–	(5)	**(5)**
Coupons paid on perpetual debt instruments		–	–	–	–	–	–	(25)	–	–	**(25)**
Redemption of B shares	26,28	(1,000)	17	–	(1,002)	1,000	(985)	–	–	–	**(985)**
Shares bought back on-market and cancelled	26, 28,29	(11)	–	–	(238)	11	(238)	–	–	–	**(238)**
Other movements in non-controlling interests in the year		–	–	–	–	–	–	–	(292)	–	**(292)**
Reserves credit for employee share-based payments	29	–	–	–	–	36	36	–	–	–	**36**
Transfer to retained earnings for vested employee share-based payments	28,29	–	–	–	68	(68)	–	–	–	–	**–**
Transfer between reserves on disposal of subsidiaries	1	–	–	–	99	(99)	–	–	–	–	**–**
Transfer between reserves on impairment of subsidiaries	28,29	–	–	–	570	(570)	–	–	–	–	**–**
Shares acquired by employee trusts		–	(100)	–	–	–	(100)	–	–	–	**(100)**
Shares distributed by employee and other trusts and related dividend equivalents	28	–	29	–	(33)	–	(4)	–	–	–	**(4)**
Aggregate tax effect of items recognised directly in equity	10	–	–	–	–	–	–	6	–	–	**6**
31 December		**353**	**(115)**	**640**	**2,778**	**3,782**	**7,438**	**–**	**2**	**99**	**7,539**

[1] The presentation of amounts attributable to certain perpetual debt instruments in 2018 has been corrected to show these amounts separately as related to other equity holders rather than as part of non-controlling interests. Refer Note 30.

The Notes on pages 129 to 231 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2019

	Notes	2019 £m	2018[1,2] £m
Cash flows from operating activities			
Profit/(loss) before tax from continuing operations		**243**	(787)
Profit before tax from discontinued operations	11	**56**	1,780
		299	993
Change in operating assets	41	**158**	3,273
Change in operating liabilities	41	**(291)**	(3,127)
Adjustment for non-cash movements in investment income		**4**	(80)
Change in unallocated divisible surplus		**–**	(48)
Other non-cash and non-operating items	41	**(28)**	(581)
Dividends received from associates and joint ventures	16	**93**	44
Taxation paid[3]		**(34)**	(224)
Net cash flows from operating activities		**201**	250
Cash flows from investing activities			
Purchase of property, plant and equipment	17	**(28)**	(28)
Proceeds from sale of property, plant and equipment		**2**	1
Acquisition of subsidiaries and unincorporated businesses net of cash acquired		**(40)**	(33)
Disposal of subsidiaries net of cash disposed of	41	**–**	(5,501)
Acquisition of investments in associates and joint ventures	16	**(51)**	(72)
Proceeds from contingent consideration assets	40	**63**	–
Payments of contingent consideration liabilities	40	**(18)**	–
Disposal of investments in associates and joint ventures	1	**1,720**	201
Taxation paid on disposal of investments in associates and joint ventures[3]		**(22)**	(21)
Purchase of financial investments		**(590)**	(55)
Proceeds from sale or redemption of financial investments		**800**	51
Purchase of intangible assets		**(15)**	(128)
Net cash flows from investing activities		**1,821**	(5,585)
Cash flows from financing activities			
Repayment of other borrowings		**–**	(2)
Repayment of subordinated liabilities and perpetual notes		**(455)**	(1,377)
Payment of lease liabilities		**(32)**	–
Shares acquired by trusts		**(50)**	(100)
Proceeds from issue of shares	26	**–**	1
Interest paid		**(39)**	(117)
Return of cash to shareholders under B share scheme	26	**–**	(983)
Shares bought back on-market and cancelled	26	**(516)**	(238)
Preference dividends paid		**(5)**	(5)
Ordinary dividends paid	14	**(518)**	(634)
Net cash flows from financing activities		**(1,615)**	(3,455)
Net increase/(decrease) in cash and cash equivalents		**407**	(8,790)
Cash and cash equivalents at the beginning of the year		**957**	9,715
Effects of exchange rate changes on cash and cash equivalents		**(17)**	32
Cash and cash equivalents at the end of the year	24	**1,347**	957
Supplemental disclosures on cash flows from operating activities			
Interest paid		**5**	6
Interest received		**34**	1,118
Dividends received		**143**	1,545
Rental income received on investment property		**3**	329

1 The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

2 Restated. The Group has changed the classification of certain cash flows following the disposal of the UK and European insurance business in 2018. The reason for the changes is to make the financial statements more relevant to users as it is more consistent with asset management peers. Refer Basis of preparation (a)(iii).

3 Total taxation paid was £56m in 2019 (2018: £245m).

The Notes on pages 129 to 231 are an integral part of these consolidated financial statements.

Presentation of consolidated financial statements

The Group's significant accounting policies are included at the beginning of the relevant notes to the consolidated financial statements. This section sets out the basis of preparation, a summary of the Group's critical accounting estimates and judgements in applying accounting policies, and other significant accounting policies which have been applied to the financial statements as a whole.

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU), with interpretations issued by the IFRS Interpretations Committee (IFRICs), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of owner occupied property, derivative instruments and other financial assets and financial liabilities at fair value through profit or loss (FVTPL).

The principal accounting policies set out in these consolidated financial statements have been consistently applied to all financial reporting periods presented except as described below.

(a)(i) New standards, interpretations and amendments to existing standards that have been adopted by the Group

The Group has adopted the following new IFRS, interpretations and amendments to existing standards, which are effective by EU endorsement for annual periods beginning on or after 1 January 2019 and IFRS 9 whose adoption has previously been deferred (see the Group's Annual report and accounts for the year ended 31 December 2018 for further details).

IFRS 9 *Financial Instruments*

On 1 January 2019 the Group adopted IFRS 9 *Financial Instruments*. Financial assets are classified at initial recognition based on whether their contractual cash flows are solely payments of principal and interest (SPPI) and the nature of the business model they are managed under. This has resulted in the Group's equity securities and interests in pooled investment funds and certain debt securities being classified as FVTPL and the Group's receivables, other financial assets, cash and other debt securities being measured at amortised cost. Derivative instruments are measured at fair value.

The classification of financial liabilities is unchanged from that applied under IAS 39. Financial liabilities are measured at amortised cost using the effective interest method unless they are derivatives or are designated at FVTPL.

Changes in fair value of all financial instruments classified as FVTPL and derivative instruments are recognised in profit or loss except for derivative instruments that are designated as a hedging instrument in a cash flow hedge or net investment hedge.

Interest is credited to profit or loss using the effective interest rate method for financial instruments measured at amortised cost.

An expected credit loss impairment model is applied to financial assets measured at amortised cost. Impairment losses representing the expected credit loss in the next 12 months are recognised unless there has been a significant increase in credit risk from initial recognition or they relate to trade receivables or contract assets recognised under IFRS 15 *Revenue from Contracts with Customers* or lease receivables recognised under IFRS 16 *Leases* in which case lifetime expected losses are recognised.

Where the terms of a financial liability are modified and the modification does not result in the derecognition of the liability, the liability is adjusted to the net present value of the future cash flows less transaction costs with a modification gain or loss recognised in the income statement.

The Group has elected to continue applying the hedge accounting requirements of IAS 39.

Transition

As permitted by IFRS 9 comparatives have not been restated. The impact of adopting IFRS 9 is recognised in retained earnings at 1 January 2019.

Accounting policies

The updated accounting policies for financial assets, derivatives and financial liabilities are included in Notes 19, 20 and 32 respectively.

Impact of transition

The table below sets out the impact of adopting IFRS 9 on 1 January 2019 on the Group's financial assets and liabilities.

	Notes	31 December 2018 IAS 39 £m	Reclassification £m	Remeasurement £m	1 January 2019 IFRS 9 £m
Financial assets – excluding those backing unit linked liabilities					
Designated at FVTPL (IAS 39)					
Equity securities and interests in pooled investment funds		509	–	–	**509**
Debt securities		725	–	–	**725**
Receivables and other		8	–	–	**8**
Held for trading (IAS 39)					
Derivative financial assets		6	–	–	**6**
At FVTPL (IFRS 9)					**1,248**
Cash flow hedge (IAS 39)					
Derivative financial assets		13	–	–	**13**
Cash flow hedge (IFRS 9)					**13**
Available for Sale (IAS 39)					
Debt securities		862	(862)	–	**–**
Loans and receivables (IAS 39)					
Debt securities		–	862	(8)	**854**
Receivables and other financial assets		689	–	–	**689**
Cash and Cash equivalents		1,110	–	–	**1,110**
At amortised cost (IFRS 9)					**2,653**
Total	19	**3,922**	–	**(8)**	**3,914**
Financial liabilities – excluding those backing unit linked liabilities					
Designated at FVTPL (IAS 39)					
Third party interest in consolidated funds		(26)	–	–	**(26)**
Other financial liabilities		(29)	–	–	**(29)**
Held for trading (IAS 39)					
Derivative financial liabilities		(4)	–	–	**(4)**
Designated at FVTPL (IFRS 9)					**(59)**
At amortised cost (IAS 39)					
Subordinated liabilities		(1,081)	–	(5)	**(1,086)**
Other financial liabilities		(1,132)	–	–	**(1,132)**
At amortised cost (IFRS 9)					**(2,218)**
Total	32	**(2,272)**	–	**(5)**	**(2,277)**
Financial assets backing unit linked liabilities					
Designated at FVTPL (IAS 39)					
Financial investments		1,659	–	–	**1,659**
At FVTPL (IFRS 9)					**1,659**
At amortised cost (IAS 39)					
Receivables and other financial liabilities		11	–	–	**11**
Cash and cash equivalent		30	–	–	**30**
At amortised cost (IFRS 9)					**41**
Total	25	**1,700**	**–**	**–**	**1,700**
Financial liabilities backing unit linked liabilities					
Designated at FVTPL (IAS 39)					
Investment contract liabilities		(1,468)	–	–	**(1,468)**
Third party interest in consolidated funds		(228)	–	–	**(228)**
Designated at FVTPL (IFRS 9)					**(1,696)**
At amortised cost (IAS 39)					
Other financial liabilities		(3)	–	–	**(3)**
At amortised cost (IFRS 9)					**(3)**
Total	25	**(1,699)**	**–**	**–**	**(1,699)**
Change in deferred tax liability				1	
Total net impact of transition from IAS 39 to IFRS 9				**(12)**	

The main impacts of adopting IFRS 9 are as follows:

- The Group's debt securities which were previously classified as available-for-sale (AFS) and therefore measured at fair value are now measured at amortised cost. At 31 December 2018 the fair value of AFS securities was £862m with a corresponding AFS financial assets reserve balance of £7m and deferred tax liability of £1m. On reclassification, the Group's debt securities were recognised at 1 January 2019 at their amortised cost (less expected credit losses) of £854m. The AFS financial assets reserve balance and the related deferred tax liability were no longer recognised. The expected credit losses at 1 January 2019 were less than £1m.
- At 31 December 2018, the Group had subordinated liabilities of £1,081m. Under IFRS 9, where the terms of a financial liability are modified and the modification does not result in the derecognition of the liability, the liability is adjusted to the net present value of the future cash flows less transaction costs with a modification gain or loss recognised in the income statement. During the year ended 31 December 2018, the terms of the 4.25% US Dollar fixed rate subordinated notes were modified. Consequently, on adoption of IFRS 9, these subordinated liabilities have been recognised at 1 January 2019 at a revised amortised cost of £1,086m. The impact on retained earnings was £5m.
- The Group's loans and receivables were reclassified as financial assets measured at amortised cost. This had no impact on their initial recognition or subsequent measurement.
- Held for trading no longer exists as a separate FVTPL category and these assets and liabilities were included within the financial assets or liabilities measured at fair value through profit or loss. Similarly this had no impact on their initial recognition or subsequent measurement.
- All the Group's financial liabilities that were designated as FVTPL under IAS 39 at 31 December 2018 remain designated as FVTPL under IFRS 9. All the Group's financial assets that were designated as FVTPL under IAS 39 at 31 December 2018 are mandatorily classified as FVTPL under IFRS 9.

Disclosure

The adoption of IFRS 9 has also resulted in a number of new disclosure requirements under IFRS 7 *Financial Instruments: Disclosure*. These include new disclosures in relation to:

- Classification of financial assets and liabilities including disclosure of those that are mandatorily classified as FVTPL and those designated as such along with details of any significant reclassifications in the year
- Information on impairment including the Group's approach to expected credit losses
- Additional disclosure on hedging activities

These disclosures are provided in Notes 19 (financial assets), 20 (derivatives), 32 (financial liabilities) and 38 (financial instruments risk management), where relevant.

IFRS 16 *Leases*

On 1 January 2019 the Group adopted IFRS 16 *Leases*. IFRS 16 replaces IAS 17 *Leases* and introduces a new single accounting approach for lessees for all leases (with limited exceptions). As a result there is no longer a distinction between operating leases and finance leases, and lessees will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The accounting for leases by lessors remains largely unchanged. However, a number of the Group's subleases which were operating leases under IAS 17 now qualify as finance leases under IFRS 16.

Transition

The Group has applied the cumulative catch up approach to IFRS 16 and therefore comparatives have not been restated. On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities. Right-of-use assets for property have been calculated as if IFRS 16 has always been applied, recognising the difference between the assets and liabilities in retained earnings. For non-property leases, the right-of-use assets initially recognised were equal to the lease liabilities calculated with no impact on retained earnings.

Practical expedients

The Group has used the following practical expedients permitted under IFRS 16:

- To apply the new standard solely to leases previously identified in accordance with IAS 17 and IFRIC 4 *Determining whether an Arrangement Contains a Lease*
- To not recognise leases with a low value or short-term leases including those whose term ends within 12 months at 1 January 2019
- To apply a single discount rate to leases with similar characteristics

In addition, as at 31 December 2018 the Group recognised an onerous lease provision of £12m under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The Group has applied the practical expedient to utilise the assessment that the lease was onerous under IAS 37 and therefore adjust the right of use asset at the date of initial application by the onerous lease provision rather than conduct an impairment test.

Impact of transition

The impact on opening retained earnings at 1 January 2019 is summarised below:

	1 January 2019 £m
Recognised under IFRS 16	
Right-of-use assets (within property, plant and equipment)[1]	
Property net of impairment	178
Equipment	1
Net investment in finance leases (within Receivables and other financial assets)	7
Lease liabilities (within Other financial liabilities)[1]	(227)
Derecognised on application of IFRS 16	
Onerous lease provisions	12
Accruals for lease incentives (within Other financial liabilities)	16
Net liabilities recognised before tax	**(13)**
Deferred tax	1
Reduction in opening retained earnings	**(12)**

1 Additional right-of-use assets of £5m and additional lease liabilities for £5m were recognised within Assets held for sale and Liabilities of operations held for sale respectively.

When measuring lease liabilities for leases previously classified as operating leases, the Group used discount rates determined on a portfolio basis depending on the geographic location and term of the lease. The weighted average rate used at initial application was 2.6%. The lease commitments for operating leases as previously disclosed in the Group's Annual report and accounts for the year ended 31 December 2018 is reconciled to the lease liabilities at 1 January 2019 below:

	1 January 2019 £m
Operating lease commitments at 31 December 2018 as disclosed in the Group's Annual report and accounts for the year ended 31 December 2018	250
Discounted value of operating lease commitments at 31 December 2018	227
Exemptions for low value leases and leases whose term ends within 12 months at 1 January 2019	(4)
Extension options reasonably certain to be exercised	6
Lease commitments for operations held for sale	(5)
Other	3
Lease liabilities recognised at 1 January 2019	**227**

Accounting policies

The updated accounting policies for leases are included in Note 18.

Disclosure

IFRS 16 introduces new disclosure requirements for lessees and lessors which are provided in Note 18. The objective of the disclosures is for lessees and lessors to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows.

Interpretations and amendments to other standards

- IFRIC 23: Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to IAS 19 *Amendment, Curtailment or Settlement*
- Amendments to IAS 28 *Long-term interests in associates and joint ventures*
- Annual Improvements 2015-2017 cycle

The Group's accounting policies have been updated to reflect these. Management considers the implementation of the above interpretations and amendments to existing standards has had no significant impact on the Group's financial statements.

(a)(ii) Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's annual accounting periods beginning after 1 January 2019. The Group has not early adopted the standards, amendments and interpretations described below:

IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2021, expected to be amended to 1 January 2022)

IFRS 17 was issued in May 2017 and will replace IFRS 4 *Insurance Contracts*. IFRS 4 is an interim standard which permits the continued application of accounting policies, for insurance contracts and contracts with discretionary participation features, which were being used at transition to IFRS except where a change satisfies criteria set out in IFRS 4. IFRS 17 introduces new required measurement and presentation accounting policies for such contracts which reflect the view that these contracts combine features of a financial instrument and a service contract.

IFRS 17's measurement model, which applies to groups of contracts, combines a risk-adjusted present value of future cash flows and an amount representing unearned profit. On transition retrospective application is required unless impracticable, in which case either a modified retrospective approach or a fair value approach is required. IFRS 17 introduces a new approach to presentation in the income statement and statement of comprehensive income.

Following the sale of the UK and European insurance business, the Group has limited direct exposure to insurance contracts and contracts with discretionary participating features which will be impacted by the adoption of IFRS 17. However, the results of the Group's insurance associates, Phoenix and HDFC Life, are expected to be significantly impacted by IFRS 17. The standard has not yet been endorsed by the EU.

Other

There are no other new standards, interpretations and amendments to existing standards that have been published that are expected to have a significant impact on the consolidated financial statements of the Group.

(a)(iii) Statement of cash flows: Classification changes

In 2019, following the disposal of the UK and European insurance business in 2018, the Group's operating cash flows no longer predominantly relate to insurance business. From 1 January 2019 the Group has changed the classification of capital flows arising to/from third party interests in consolidated funds from cash flows arising from financing activities to cash flows arising from operating activities. The reason for this change is to make the financial statements more relevant to users as it is more consistent with asset management peers. Comparative amounts have been restated. The impact of the restatement is to reclassify the 2018 capital flows to third party interests in consolidated funds of £507m and the 2018 distributions paid to third party interests in consolidated funds of £69m which were previously presented as cash flows arising from financing activities. These capital outflows have been reclassified in the 2018 comparative balances and presented as changes in operating liabilities cash flows arising from operating activities. The change in the amounts previously presented is as summarised in the table below.

Consolidated statement of cash flows	2018 As previously presented £m	2018 Reclassification £m	2018 Restated £m
Net cash flows from operating activities	**826**	(576)	250
Net cash flows from financing activities	**(4,031)**	576	(3,455)

(a)(iv) Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements requires management to exercise judgements in applying accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses arising during the year. Judgements and sources of estimation uncertainty are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where judgements have the most significant effect on the amounts recognised in the consolidated financial statements are as follows:

Financial statement area	Critical judgements in applying accounting policies	Related note
Defined benefit pension plans	Assessment of whether the Group has an unconditional right to a refund of the surplus Treatment of tax relating to the surplus	Note 34
Investments in associates	Determining whether the investments in Phoenix and HDFC Life should continue to be classified as associates Identification, valuation and determination of useful lives for equity accounting purposes, of the Group's share of its associate's intangible assets at the date of acquisition of an investment in the associate	Note 16
Intangible assets	Identification and valuation of intangible assets arising from business combinations and the determination of useful lives Determining the group of cash-generating units to which goodwill acquired in a business combination should be allocated	Note 15
Provisions	Determining whether a provision is required for separation costs	Note 37

During the year to 31 December 2019 the following changes have been made to critical judgements in applying accounting policies:

- As a result of the part disposal of our investment in HDFC Life, we have identified its classification as an associate as a critical judgement

There are no other changes to critical judgements from the prior year.

The areas where assumptions and other sources of estimation uncertainty at the end of the reporting period have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Financial statement area	Critical accounting estimates and assumptions	Related note
Financial instruments at fair value through profit or loss	Determination of the fair value of contingent consideration assets and liabilities relating to the sale of the UK and European insurance business to Phoenix	Notes 19, 36 and 40
Defined benefit pension plans	Determination of principal UK pension plan assumptions for mortality, discount rate and inflation	Note 34
Intangible assets	Determination of the recoverable amount in relation to impairment assessment of asset management goodwill	Note 15
Investments in associates	Determination of the recoverable amount in relation to the impairment assessment of investments in associates	Note 16

The determination of the recoverable amount in relation to customer relationships and investment management contract intangibles is no longer considered a critical estimate as a result of amortisation and market movements. All other critical accounting estimates and assumptions are the same as the prior year.

Further detail on critical accounting estimates and assumptions is provided in the relevant note.

(a)(v) Foreign currency translation

The consolidated financial statements are presented in million pounds Sterling.

The statements of financial position of Group entities, including associates and joint ventures accounted for using the equity method, that have a different functional currency than the Group's presentation currency are translated into the presentation currency at the year end exchange rate and their income statements and cash flows are translated at average exchange rates for the year. All resulting exchange differences arising are recognised in other comprehensive income and the foreign currency translation reserve in equity. On disposal of a Group entity the cumulative amount of any such exchange differences recognised in other comprehensive income is reclassified to profit or loss.

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Gains and losses arising from such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the relevant line in the consolidated income statement.

Translation differences on non-monetary items, such as equity securities held at fair value through profit or loss, are reported as part of the fair value gain or loss within investment return in the consolidated income statement. Translation differences on financial assets and liabilities held at amortised cost are included in the relevant line in the consolidated income statement.

The income statements and cash flows, and statements of financial position of Group entities that have a different functional currency from the Group's presentation currency have been translated using the following principal exchange rates:

	2019		2018	
	Income statement and cash flows (average rate)	**Statement of financial position (closing rate)**	Income statement and cash flows (average rate)	Statement of financial position (closing rate)
Euro	**1.142**	**1.180**	1.129	1.114
US Dollar	**1.280**	**1.325**	1.333	1.274
Indian Rupee	**90.106**	**94.563**	90.711	88.913
Chinese Renminbi	**8.830**	**9.228**	8.818	8.744
Hong Kong Dollar	**10.030**	**10.322**	10.444	9.971
Singapore Dollar	**1.745**	**1.781**	1.795	1.736

(b) Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its subsidiaries.

Subsidiaries are all entities (including investment vehicles) over which the Group has control. Control arises when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. For operating entities this generally accompanies a shareholding of 50% or more in the entity. For investment vehicles, including structured entities, the control assessment also considers the removal rights of other investors and whether the Group acts as principal or agent in assessing the link between power and variable returns. In determining whether the Group acts as principal, and therefore controls the entity, the removal rights of other investors and the magnitude of the variability associated with the returns are also taken into account. As a result, the Group often is considered to control investment vehicles in which its shareholding is less than 50%.

Where the Group is considered to control an investment vehicle, such as an open-ended investment company, a unit trust or a limited partnership, and it is therefore consolidated, the interests of parties other than the Group are assessed to determine whether they should be classified as liabilities or as non-controlling interests. The liabilities are recognised in the third party interest in consolidated funds line in the consolidated statement of financial position and any movements are recognised in the consolidated income statement. The financial liability is designated at fair value through profit or loss (FVTPL) as it is implicitly managed on a fair value basis as its value is directly linked to the market value of the underlying portfolio of assets. The interests of parties other than the Group in all other types of entities are recorded as non-controlling interests.

All intra-group transactions, balances, income and expenses are eliminated in full.

The Group uses the acquisition method to account for acquisitions of businesses. At the acquisition date the assets and liabilities of the business acquired and any non-controlling interests are identified and initially measured at fair value on the consolidated statement of financial position.

When the Group acquires or disposes of a subsidiary, the profits and losses of the subsidiary are included from the date on which control was transferred to the Group until the date on which it ceases, with consistent accounting policies applied across all entities throughout.

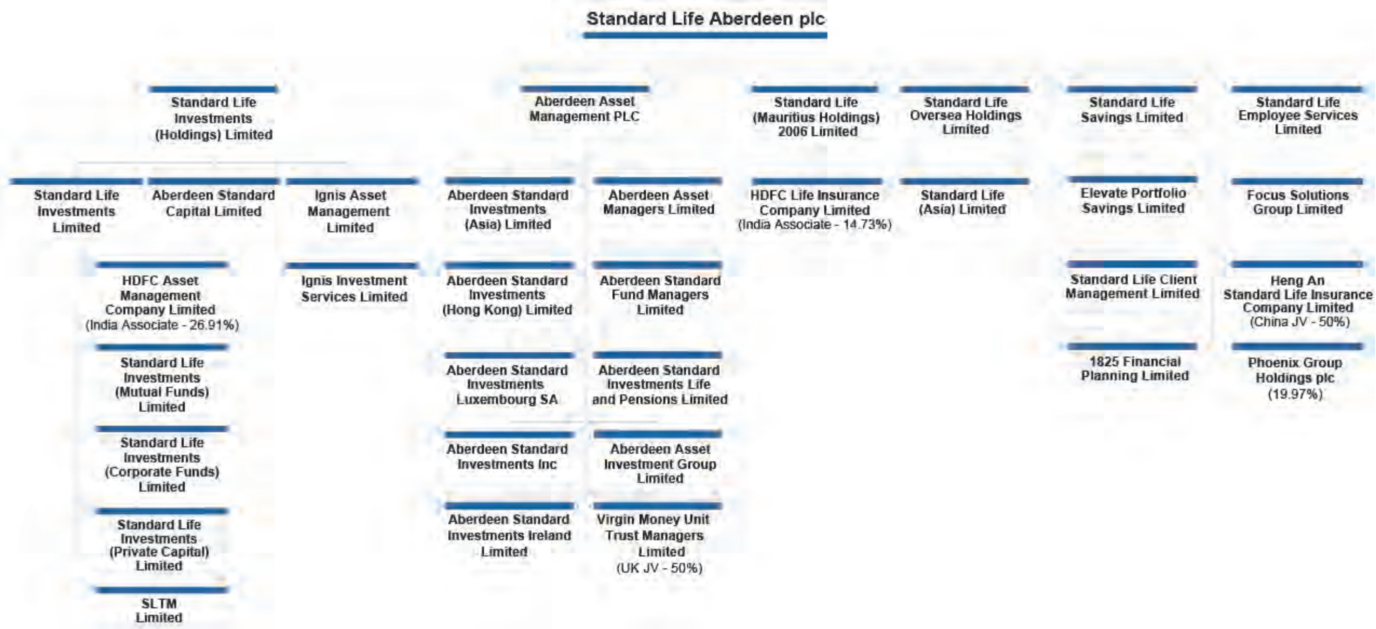
When the Group sells a subsidiary to an associate, the gain on sale of the subsidiary is recognised in full, with no elimination being made for the continuing interest in the subsidiary.

Notes to the Group financial statements

1. Group structure

(a) Composition

The following diagram is an extract of the Group structure at 31 December 2019 and gives an overview of the composition of the Group.



A full list of the Company's subsidiaries is provided in Note 48.

(b) Acquisitions

(b)(i) Subsidiaries

On 29 November 2019, 1825 Financial Planning and Advice Limited (a subsidiary of 1825 Financial Planning Limited) purchased the wealth advisory business of Grant Thornton UK LLP through a business acquisition agreement under which the majority of the clients and employees of the wealth advisory business transferred to 1825 Financial Planning and Advice Limited. The assets under advice at the acquisition date were £1.6bn. The acquisition significantly expands 1825's advice capability and national client reach.

At the acquisition date the consideration, net assets acquired from Grant Thornton UK LLP and resulting goodwill were as follows:

29 November 2019	£m[1]
Cash	40
Fair value of contingent consideration	5
Consideration	**45**
Fair value of net assets acquired	
Customer-related intangible assets	12
Total assets	12
Deferred tax liabilities	2
Total liabilities	2
Goodwill	**35**

[1] The fair value of the contingent consideration of £5m has been calculated by reference to assets under advice growth and could range from £nil to £5m.

Customer-related intangible assets relate to the existing customer relationships in place at the acquisition date. The full amount of the goodwill is expected to be non-deductible for tax purposes.

The amounts of revenue from contracts with customers and profit contributed to the Group's consolidated income statement for the year ended 31 December 2019 from the acquired wealth advisory business were £1m and £nil respectively. The profit contributed excludes amortisation of intangible assets acquired through business combinations. If the acquisition had occurred on 1 January 2019, the Group's total revenue from contracts with customers for the period would have increased by £10m to £1,753m and the profit would have increased by £2m to £273m.

In addition, the following acquisitions were made in the year but are not considered to be material.

On 1 July 2019, 1825 Financial Planning and Advice Limited purchased the wealth management business of BDO Northern Ireland through a similar business acquisition agreement. The assets under advice at the acquisition date were £0.2bn.

On 15 February 2019, Aberdeen Asset Management PLC (AAM PLC) completed the purchase of the entire share capital of Orion Partners Holding Limited and Orion Partner Services Inc. The assets under management were US$0.9bn (£0.7bn) at the acquisition date.

(b)(ii) Joint ventures

On 31 July 2019, as part of the Group's strategic joint venture with Virgin Money, AAM PLC completed the acquisition of 50% (less one share) of Virgin Money Unit Trust Managers Limited (VMUTM) for an upfront cash payment of £40m plus 50% of the capital in the business and certain other costs.

(b)(iii) Prior year acquisitions

On 27 April 2018, Aberdeen Asset Management Inc. purchased the US business of specialist commodity exchange traded product provider ETF Securities by purchasing the entire members' interests of ETF Securities USA LLC, ETF Securities (US) LLC and ETF Securities Advisers LLC. In addition, 1825 Financial Planning Limited completed the purchase of the entire share capital of Fraser Heath Financial Management Ltd and Cumberland Place Financial Management Ltd on 1 March 2018 and 6 April 2018 respectively.

(c) Disposals

(c)(i) Associates

Profit on disposal of investments in associates for the year ended 31 December 2019 of £1,542m includes £1,337m in relation to sales of HDFC Life Insurance Company Limited (HDFC Life) shares and £204m in relation to the HDFC Asset Management Company Limited (HDFC Asset Management) Offer for Sale described below.

(c)(i)(i)HDFC Life Insurance Company Limited (HDFC Life)

During the year, the Group completed the following sales of equity shares in HDFC Life on the National Stock Exchange of India Limited and BSE Limited:

- 92,181,992 equity shares in HDFC Life sold through an Offer for Sale on 12 and 13 March 2019
- 33,032,381 equity shares in HDFC Life sold through an Offer for Sale from 3 to 6 May 2019
- 67,100,000 equity shares in HDFC Life sold through a Bulk Sale on 14 August 2019
- 100,000,000 equity shares in HDFC Life sold through a Bulk Sale on 30 October 2019

In total, 14.49% of the issued equity share capital of HDFC Life was sold for a combined consideration net of taxes and expenses of Rs 135,994m (£1,503m). The combined gain on sale of £1,337m was calculated using the weighted-average cost method. The Group's shareholding in HDFC Life at 31 December 2019 is 297,311,894 equity shares or 14.73% of the issued equity share capital of HDFC Life.

(c)(i)(ii) HDFC Asset Management Company Limited (HDFC Asset Management)

During the year, the Group completed the following sale of equity shares in HDFC Asset Management on the National Stock Exchange of India Limited and BSE Limited:

- 6,422,310 equity shares in HDFC Asset Management sold through an Offer for Sale on 4 and 5 December 2019

Through the sale, 3.02% of the issued equity share capital of HDFC Asset Management was sold for a total consideration net of taxes and expenses of Rs 18,279m (£195m). The gain on sale of £204m before tax was calculated using the weighted-average cost method. The Group's shareholding in HDFC Asset Management at 31 December 2019 is 57,228,305 equity shares or 26.91% of the issued equity share capital of HDFC Asset Management.

Prior year disposals

(c)(ii) Subsidiaries

(c)(ii)(i) UK and European insurance business

On 23 February 2018, the Group announced the proposed sale of the UK and European insurance business to Phoenix (the Sale), conditional on shareholder and relevant regulatory approvals. The Sale was completed on 31 August 2018 and was implemented by the sale to Phoenix of the entire issued share capital of Standard Life Assurance Limited (SLAL).

Under the transaction the following businesses were retained by the Group:

- UK retail platforms, including Wrap and Elevate
- 1825, our financial advice business

In addition, the assets and liabilities of both the UK and Ireland Standard Life staff defined benefit pension plans were retained by the Group.

Following the announcement on 23 February 2018 the UK and European insurance business was classified as held for sale and measured at its carrying amount. The results of the UK and European insurance business to 31 August 2018 were classified as discontinued operations.

Total consideration received comprised cash of £2.0bn, a dividend received from SLAL of £312m in March 2018 and new shares issued at completion representing approximately 19.98% of the then issued share capital of Phoenix. The shareholding in Phoenix was subject to a lock-up of 12 months from completion. The Group recognised a gain on disposal in respect of the Sale which is included in profit from discontinued operations in the consolidated condensed income statement for the year ended 31 December 2018 of £1,780m. On disposal £43m was recycled from the translation reserve and was included in determining the gain on sale. £99m (net) of other reserves were also released directly to retained earnings.

(c)(iii) Associates

(c)(iii)(i) HDFC Asset Management

Profit on disposal of interests in associates for the year ended 31 December 2018 of £185m includes £177m in relation to the HDFC Asset Management initial public offering (IPO) which completed on 6 August 2018 with HDFC Asset Management listing on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited. Through the IPO, the Group sold 16,864,585 equity shares in HDFC Asset Management for a total net consideration of Rs.16,212m (£180m). The gain on sale from the IPO of £177m (£156m after tax) was calculated using the weighted-average cost method. On disposal £2m was recycled from the translation reserve and was included in determining the gain on sale.

2. Segmental analysis

The Group's reportable segments have been identified in accordance with the way in which the Group is structured and managed. IFRS 8 *Operating Segments* requires that the information presented in the financial statements is based on information provided to the 'Chief Operating Decision Maker'. The Chief Operating Decision Maker for the Group is the executive leadership team.

(a) Basis of segmentation

The Group's reportable segments are as follows:

Continuing operations:

Asset management, platforms and wealth (formerly Asset management and platforms)

The name of the segment has been changed from Asset management and platforms to Asset management, platforms and wealth. There has been no change to the definition of the segment.

This segment primarily relates to our Asset management, Platforms and Wealth businesses. Our Asset management subsidiaries and our Asset management associate in India, HDFC Asset Management, provide a range of investment products and services for individuals and institutional customers through a number of different investment vehicles. Our Platforms comprise the Standard Life branded Wrap and Elevate platforms which provide administration services to advisers. Our Wealth activity primarily relates to: Aberdeen Standard Capital which manages assets for private clients, intermediaries acting for clients, charities and trustees; Parmenion, our digital platform; 1825, our financial planning and advice business; and our strategic joint venture with Virgin Money. The segment also includes other wholly owned activities of the Group including the corporate centre and related activities and the UK and Ireland Standard Life staff defined benefit pension plans.

Insurance associates and joint ventures

This segment comprises our life insurance associates and joint ventures in India (HDFC Life), the UK (Phoenix) and China (HASL). These businesses offer a range of pension, insurance and savings products to the Indian, UK, European and Chinese markets.

Discontinued operations:

UK and European insurance

On 23 February 2018, the Group announced the proposed sale of the UK and European insurance business. Refer Note 1 for further details. As a consequence, the results of this business have been presented as discontinued operations. The UK and European insurance business provided a broad range of long-term savings and investment products to individual and corporate customers in the UK, Germany, Austria and Ireland.

(b) Reportable segments – Group adjusted profit before tax and revenue information

(b)(i) Analysis of Group adjusted profit before tax

Adjusted profit before tax is the key alternative performance measure utilised by the Group's management in their evaluation of segmental performance and is therefore also presented by reportable segment.

31 December 2019	Notes	Asset management, platforms and wealth £m	Insurance associates and joint ventures £m	Total continuing operations £m	Discontinued operations £m	Eliminations £m	Total £m
Fee based revenue		1,634	–	**1,634**	–	–	**1,634**
Adjusted operating expenses		(1,333)	–	**(1,333)**	–	–	**(1,333)**
Adjusted operating profit		301	–	**301**	–	–	**301**
Capital management		37	–	**37**	–	–	**37**
Share of associates' and joint ventures' profit before tax[1]		57	189	**246**	–	–	**246**
Adjusted profit before tax		**395**	**189**	**584**	**–**	**–**	**584**
Tax on adjusted profit		(69)	–	**(69)**	–	–	**(69)**
Share of associates' and joint ventures' tax expense	10	(21)	(25)	**(46)**	–	–	**(46)**
Adjusted profit after tax		**305**	**164**	**469**	**–**	**–**	**469**
Adjusted for the following items							
Restructuring and corporate transaction expenses	9	(379)	(28)	**(407)**	–	–	**(407)**
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts[2]		(1,733)	(111)	**(1,844)**	–	–	**(1,844)**
Profit on disposal of interests in associates	1	205	1,337	**1,542**	–	–	**1,542**
Reversal of impairment of associates		–	243	**243**	–	–	**243**
Investment return variances and economic assumption changes	13	–	(25)	**(25)**	–	–	**(25)**
Other		160	(2)	**158**	56	–	**214**
Total adjusting items		**(1,747)**	**1,414**	**(333)**	**56**	**–**	**(277)**
Tax on adjusting items		41	–	**41**	–	–	**41**
Share of associates' and joint ventures' tax expense on adjusting items		(5)	43	**38**	–	–	**38**
Profit attributable to non-controlling interests (preference shares)		(5)	–	**(5)**	–	–	**(5)**
(Loss)/profit for the year attributable to equity shareholders of Standard Life Aberdeen plc		**(1,411)**	**1,621**	**210**	**56**	**–**	**266**
Profit attributable to non-controlling interests							
Ordinary shares				**–**	–		**–**
Preference shares				**5**	–		**5**
Profit for the year				**215**	**56**		**271**

1 Share of associates' and joint ventures' profit before tax comprises the Group's share of results of HDFC Life, HDFC Asset Management, Phoenix, HASL and VMUTM.

2 Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts includes £1,733m included in administrative expenses and set out in Note 15, and £111m relating to intangibles recognised on the part acquisition of associates and included in Share of profit from associates and joint ventures in the consolidated income statement.

Fee based revenue is reported as the measure of revenue in the analysis of adjusted profit before tax. Refer Note 4 for a reconciliation to revenue from contracts with customers. For the year ended 31 December 2019, fee based revenue is the same as adjusted operating income.

Fee based revenue for the year ended 31 December 2019 relates to revenues generated from external customers. The fee based revenue forming part of the adjusted operating income of the Asset management, platforms and wealth segment for the year ended 31 December 2018 included £94m which related to investment management fees arising from intra-group transactions with the UK and European insurance segment classified as discontinued operations. At a Group level an elimination adjustment was required to remove intra-group impacts.

All interest income, interest expense, depreciation and amortisation from continuing operations relates to the Asset management, platforms and wealth segment.

There are no customers whose revenue represents greater than 10% of fee based revenue (2018: none).

31 December 2018	Notes	Asset management, platforms and wealth £m	Insurance associates and joint ventures £m	Total continuing operations £m	Discontinued operations £m	Eliminations £m	Total £m
Fee based revenue		1,868	–	1,868	532	(94)	**2,306**
Spread/risk margin		–	–	–	59	–	**59**
Total adjusted operating income		1,868	–	1,868	591	(94)	**2,365**
Adjusted operating expenses		(1,395)	–	(1,395)	(376)	94	**(1,677)**
Adjusted operating profit		473	–	473	215	–	**688**
Capital management		(9)	–	(9)	(5)	–	**(14)**
Share of associates' and joint ventures' profit before tax[1]		46	140	186	–	–	**186**
Adjusted profit before tax		**510**	**140**	**650**	**210**	**–**	**860**
Tax on adjusted profit		(95)	–	(95)	(77)	–	**(172)**
Share of associates' and joint ventures' tax expense	10	(17)	(26)	(43)	–	–	**(43)**
Adjusted profit after tax		**398**	**114**	**512**	**133**	**–**	**645**
Adjusted for the following items							
Restructuring and corporate transaction expenses	9	(231)	(8)	(239)	(264)	–	**(503)**
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts[2]		(1,117)	(38)	(1,155)	–	–	**(1,155)**
Profit on disposal of subsidiaries	1	–	–	–	1,780	–	**1,780**
Profit on disposal of interests in associates	1	183	2	185	–	–	**185**
Impairment of associates		–	(228)	(228)	–	–	**(228)**
Investment return variances and economic assumption changes	13	–	54	54	(41)	–	**13**
Other		4	(18)	(14)	44	–	**30**
Total adjusting items		**(1,161)**	**(236)**	**(1,397)**	**1,519**	**–**	**122**
Tax on adjusting items		52	–	52	41	–	**93**
Share of associates' and joint ventures' tax expense on adjusting items		2	1	3	–	–	**3**
Profit attributable to other equity holders and non-controlling interests (preference shares and perpetual notes)		(5)	–	(5)	(28)	–	**(33)**
(Loss)/profit for the year attributable to equity shareholders of Standard Life Aberdeen plc		**(714)**	**(121)**	**(835)**	**1,665**	**–**	**830**
Profit attributable to other equity holders and non-controlling interests							
Ordinary shares				–	5		**5**
Preference shares and perpetual notes				5	28		**33**
(Loss)/profit for the year				**(830)**	**1,698**		**868**

1 Share of associates' and joint ventures' profit before tax comprises the Group's share of results of HDFC Life, HDFC Asset Management, Phoenix and HASL.

2 Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts includes £1,117m included in administrative expenses and set out in Note 15, and £38m relating to intangibles recognised on the part acquisition of associates and included in Share of profit from associates and joint ventures in the consolidated income statement.

(b)(ii) Total income and expenses

The following table provides a reconciliation of adjusted operating income and adjusted operating expenses, as presented in the analysis of Group adjusted profit by segment, to total income and total expenses respectively, as presented in the IFRS consolidated income statement. For 2019, adjusted operating income is the same as fee based revenue.

	2019		2018	
	Income £m	Expenses £m	Income £m	Expenses £m
Adjusted operating income and adjusted operating expenses as presented in the analysis of Group adjusted profit by segment from continuing operations	**1,634**	**(1,333)**	1,868	(1,395)
Insurance and participating investment contract claims and change in liabilities	**156**	**(156)**	1	(1)
Change in non-participating investment contract liabilities	**265**	**(265)**	(78)	78
Change in liability for third party interest in consolidated funds	**21**	**(21)**	(5)	5
Other presentation differences	**177**	**(177)**	152	(152)
Adjusting items included in income and expenses	**1,703**	**(2,120)**	202	(1,355)
Capital management	**37**	**–**	(9)	–
Total income and expenses as presented in the IFRS consolidated income statement from continuing operations	**3,993**	**(4,072)**	2,131	(2,820)

This reconciliation includes a number of reconciling items which arise due to presentation differences between IFRS reporting requirements and the determination of adjusted operating income and adjusted operating expenses. Adjusted operating income and expenses exclude items which have an equal and opposite effect on IFRS income and IFRS expenses in the consolidated income statement, such as investment returns which are for the account of policyholders. Other presentation differences generally relate to items included in administrative expenses which are borne by policyholders or are directly related to fee income. Other presentation differences include commission expenses which are presented in expenses in the consolidated income statement but are netted against adjusted operating income in the analysis of Group adjusted profit by segment.

(c) Total income from continuing operations by geographical location

Total income from continuing operations as presented in the consolidated income statement split by geographical location is as follows:

	2019 £m	2018 £m
UK	**1,862**	1,291
Europe, Middle East and Africa	**265**	201
Asia Pacific	**1,708**	464
Americas	**158**	175
Total	**3,993**	2,131

The income of the operating businesses shown above is allocated based on where the income is earned. The return on investment funds is allocated based on where funds are registered.

(d) Non-current non-financial assets by geographical location

	2019 £m	2018 £m
UK	**1,700**	3,417
Europe, Middle East and Africa	**60**	2
Asia Pacific	**71**	6
Americas	**142**	40
Total	**1,973**	3,465

Non-current non-financial assets for this purpose consist of property, plant and equipment and intangible assets.

3. Investment return

Gains and losses resulting from changes in both market value and foreign exchange on investments classified as fair value through profit or loss are recognised in the consolidated income statement in the period in which they occur. The gains and losses include investment income received such as interest payments but exclude dividend income. Dividend income is separately recognised in the consolidated income statement when the right to receive payment is established.

Interest income on financial instruments measured at amortised cost is separately recognised in the consolidated income statement using the effective interest rate method. The effective interest rate method allocates interest and other finance costs at a constant rate over the expected life of the financial instrument, or where appropriate a shorter period, by using as the interest rate the rate that exactly discounts the future cash receipts over the expected life to the net carrying value of the instrument.

Prior to the implementation of IFRS 9, interest income on debt securities classified as available-for-sale under IAS 39 was also separately recognised in the consolidated income statement using the effective interest rate method. These debt securities are measured at amortised cost under IFRS 9. Refer Basis of preparation for further details.

Investment return from discontinued operations for the year ended 31 December 2018 included rental income from investment property (refer Note 11) which was recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives granted such as rent free periods were recognised as an integral part of the total rental income and were spread over the term of the lease.

	2019 £m	2018 £m
Interest and similar income		
Cash and cash equivalents	**18**	18
Debt securities measured at amortised cost	**10**	–
Available-for-sale debt securities	**–**	11
	28	29
Gains on financial instruments at fair value through profit or loss		
Equity securities and interests in pooled investment funds (other than dividend income)	**365**	(193)
Debt securities	**21**	2
Derivative financial instruments	**1**	(8)
	387	(199)
Dividend income	**52**	49
Gains/(losses) on financial instruments at amortised cost	**1**	–
Foreign exchange (losses)/gains on financial instruments other than those at fair value through profit or loss	**(4)**	5
Investment return from continuing operations	**464**	(116)

Included in investment return from continuing operations of £464m (2018: (£116m)) is £392m (2018: (£139m)) in relation to unit linked business including £107m (2018: (£65m)) relating to operations held for sale. Investment returns relating to unit linked business are for the account of policyholders and are excluded from adjusted operating income as they have an equal and opposite effect on IFRS income and IFRS expenses in the consolidated income statement.

4. Revenue from contracts with customers

Revenue from contracts with customers is recognised as services are provided i.e. as the performance obligation is satisfied and it is almost certain that the revenue will be received. Where revenue is received in advance (front-end fees), this income is deferred and recognised as a deferred income liability until the services have been provided (refer Note 35).

Revenue from contracts with customers excludes premium written and earned on insurance and participating investment contracts (Refer Note 31).

(a) Revenue from contracts with customers

The following table provides a breakdown of total revenue from contracts with customers:

	2019 £m	2018 £m
Asset management		
Management fee income – Strategic insurance partners[1]	**312**	370
Management fee income – Other clients[1]	**1,122**	1,372
Performance fees	**37**	9
Revenue from contracts with customers for asset management	**1,471**	1,751
Fund platforms		
Fee income	**204**	173
Other revenue from contracts with customers	**68**	31
Total revenue from contracts with customers from continuing operations	**1,743**	1,955

1 In addition to revenues earned as a percentage of AUM, management fee income includes certain other revenues such as registration fees.

Asset management

Through a number of its subsidiaries, the Group provides asset management services to its customers. This performance obligation is performed over time with the revenue recognised as the obligation is performed. The Group generally receives asset management fees based on the percentage of the assets under management. The percentage varies depending on the level and nature of assets under management. Asset management fees are either deducted from assets or invoiced. Deducted fees are generally calculated, recognised and collected on a daily basis. Other asset management fees are invoiced to the customer either monthly or quarterly with receivables recognised for unpaid invoices. The payment terms for invoiced revenue vary but are typically 30 days from receipt of invoice. Accrued income is recognised to account for income earned but not yet invoiced. There is also some use of performance fees. Performance fees are only recognised once it is highly probable that the revenue will be received.

Fund platforms

Through a number of its subsidiaries, the Group offers customers access to fund platforms. The platforms give customers the ongoing functionality to manage and administer their investments. This performance obligation is performed over time with the revenue recognised as the obligation is performed. Customers pay a platform charge which is generally calculated as a percentage of their assets. The percentage varies depending on the level of assets on the specific platform. The main platform charges are calculated either daily or monthly and are collected and recognised monthly. The charges are collected directly from assets on the platform. There are no significant payment terms.

Fee income from fund platforms includes revenue passed to the product provider and included below in other cost of sales.

The revenue from the contracts with customers is reported within the Asset management, platforms and wealth segment. The following table provides a reconciliation of Revenue from contracts with customers as presented in the consolidated income statement to fee based revenue, as presented in the analysis of adjusted profit before tax for the Asset management, platforms and wealth segment.

	2019 £m	2018 £m
Revenue from contracts with customers from continuing operations as presented in the consolidated income statement	**1,743**	1,955
Presentation differences		
Commission expenses	**(89)**	(105)
Other cost of sales	**(26)**	(8)
Other differences	**6**	26
Fee based revenue from continuing operations as presented in the Asset management, platforms and wealth segment	**1,634**	1,868

Commission expenses and other costs of sales are netted against fee based revenue in the segment reporting but are included within expenses in the consolidated income statement. Other presentation differences relate to amounts presented in a different income line item of the consolidated income statement and charges made to third parties for expenses incurred by the Group.

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(b) Contract receivables, assets and liabilities

The Group has recognised the following receivables, assets and liabilities in relation to contracts with customers.

	Notes	31 December 2019 £m	31 December 2018 £m	1 January 2018 £m
Amount receivable from contracts with customers	21	**130**	112	104
Accrued income from contracts with customers	21	**227**	214	249
Cost of obtaining customer contracts	15	**60**	80	11
Deferred acquisition costs	22	**6**	6	356
Total contract receivables and assets		**423**	412	720

	Notes	31 December 2019 £m	31 December 2018 £m	1 January 2018 £m
Deferred Income	35	**67**	75	157
Accruals	36	**3**	5	6
Total contract liabilities		**70**	80	163

5. Other income

The Group's other income for the year ended 31 December 2019 of £178m (2018: £34m) includes £140m (2018: £nil) in relation to the settlement of arbitration with Lloyds Banking Group/ Scottish Widows (LBG).

On 24 July 2019, the Group announced that it had agreed a final settlement in relation to the arbitration proceedings between the parties concerning LBG's attempt to terminate investment management arrangements under which assets were managed by members of the Group for LBG entities.

In its decision of March 2019, the arbitral tribunal found that LBG was not entitled to terminate these investment management contracts. The Group had continued to manage approximately £104bn (as at 30 June 2019) of assets under management (AUM) for LBG entities during the period of the dispute.

Under the terms of the settlement:

- The Group will continue to manage approximately one third of the total AUM (circa £35bn as at 30 June 2019) on behalf of LBG entities until at least April 2022 (the end of the initial term under the original investment management agreements) subject to applicable investment management arrangements. As at 30 June 2019, this AUM comprised circa £30bn in passive portfolios as well as £5bn in real estate funds.
- Approximately two thirds of the total AUM (the transferring AUM) will be transferred to third party managers appointed by LBG through a series of planned tranches over nine months from 24 July 2019. During this period, the Group will continue to be remunerated for its services in relation to the transferring AUM.
- In addition, the Group received an upfront payment of £140m from LBG as final settlement to compensate for loss of profit in relation to the transferring AUM

6. Other administrative expenses

	Notes	2019 £m	2018[2] £m
Interest expense		**5**	5
Commission expenses		**89**	105
Other cost of sales		**26**	8
Staff costs and other employee-related costs		**646**	673
Operating lease rentals		**2**	50
Auditors' remuneration	8	**8**	8
Depreciation of property, plant and equipment	17	**47**	16
Amortisation of intangible assets	15	**184**	207
Impairment losses on intangible assets[1]	15	**2**	46
Impairment losses on disposal group classified as held for sale	23	**–**	2
Impairment losses on property right-of-use assets	17	**16**	–
Other		**626**	626
		1,651	1,746
Acquisition costs deferred during the year		**(2)**	(2)
Amortisation of deferred acquisition costs		**2**	2
Total other administrative expenses from continuing operations		**1,651**	1,746

1 Impairment losses on intangible assets excludes a goodwill impairment charge of £1,569m (2018: £880m) recognised separately as an individual item on the consolidated income statement. Refer Note 15.

2 The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated and the cumulative effect of initially applying these standards is recognised in retained earnings at the date of initial application. Refer Basis of preparation.

In addition to interest expense of £5m (2018: £5m) set out above, interest expense of £29m (2018: £45m) was incurred in respect of subordinated liabilities and the related cash flow hedge (refer Note 20) and interest expense of £7m (2018: £nil) in respect of lease liabilities which are included in Finance costs in the consolidated income statement.

7. Staff costs and other employee-related costs

The following table shows the staff costs and other employee-related costs aggregated for both continuing and discontinued operations.

	Notes	2019 £m	2018 £m
The aggregate remuneration payable in respect of employees:			
Wages and salaries		**531**	655
Social security costs		**63**	68
Pension costs			
Defined benefit plans		**(40)**	(36)
Defined contribution plans		**58**	71
Employee share-based payments and deferred fund awards	44	**34**	14
Total staff costs and other employee-related costs		**646**	772

	2019	2018
The average number of staff employed by the Group during the year:		
Asset management, platforms and wealth	**6,268**	6,360
UK and European insurance (classified as discontinued operations)[1]	**–**	1,959
Total average number of staff employed	**6,268**	8,319

1 Includes all staff employed by the UK and European insurance business until 31 August 2018.

Information in respect of Directors' remuneration is provided in the Directors' remuneration report on pages 78 to 104.

8. Auditors' remuneration

The following table shows the auditors' remuneration aggregated for both continuing and discontinued operations.

	2019 £m	2018 £m
Fees payable to the Company's auditors for the audit of the Company's individual and consolidated financial statements	**1.1**	1.1
Fees payable to the Company's auditors for other services		
The audit of the Company's consolidated subsidiaries pursuant to legislation	**3.7**	3.6
Audit related assurance services	**2.1**	1.7
Total audit and audit related assurance fees	**6.9**	6.4
Other assurance services	**1.2**	1.6
Other non-audit fee services	**–**	0.2
Total non-audit fees	**1.2**	1.8
Total auditors' remuneration	**8.1**	8.2

Auditors' remuneration disclosed above excludes audit and non-audit fees payable to the Group's principal auditor by Group managed funds which are not controlled by the Group, and therefore not consolidated in the Group's financial statements.

During the year ended 31 December 2019 no audit fees were payable in respect of defined benefit plans to the Group's principal auditor (2018: £nil).

For more information on non-audit services, refer to the Audit Committee report in Section 3 – Corporate governance statement.

9. Restructuring and corporate transaction expenses

Total restructuring and corporate transaction expenses incurred from continuing operations during the year were £374m (2018: £231m). The 2019 expenses mainly relate to merger integration, implementing our global simplified operating model, separation costs following the sale of the UK and European insurance business and £49m in respect of the repurchase of subordinated liabilities (refer Note 33). Deal costs relating to acquisitions included in restructuring and corporate transaction expenses for the year ended 31 December 2019 were £2m (2018: £1m).

For the purposes of determining adjusted profit from continuing operations, an additional £33m was recognised in 2019 relating to our share of asset management joint venture and insurance associate restructuring and corporate transaction expenses (2018: £8m).

Restructuring and corporate transaction expenses of £264m were used to determine adjusted profit before tax from discontinued operations in 2018. These expenses mainly related to the sale of the UK and European insurance business discussed in Note 1. This included separation costs of £53m and £198m in relation to the redemption of Tier 1 subordinated bonds. A further £80m of separation costs was included in the gain on sale relating to contractual obligations arising from the transaction.

10. Taxation

The Group's tax expense comprises both current tax and deferred tax expense.

Current tax is the expected tax payable on taxable profit for the year.

A deferred tax asset represents a tax deduction that is expected to arise in a future period. It is only recognised to the extent that there is expected to be future taxable profit or investment return to offset the tax deduction. A deferred tax liability represents taxes which will become payable in a future period as a result of a current or prior year transaction. Where local tax law allows, deferred tax assets and liabilities are netted off on the statement of financial position. The tax rates used to determine deferred tax are those enacted or substantively enacted at the reporting date.

Deferred tax is recognised on temporary differences arising from investments in subsidiaries and associates unless the timing of the reversal is in our control and it is expected that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is recognised in the consolidated income statement except when it relates to items recognised in other comprehensive income or directly in equity, in which case it is credited or charged to other comprehensive income or directly to equity respectively.

(a) Tax charge in the consolidated income statement

(a)(i) Current year tax expense

	2019 £m	2018 £m
Current tax:		
UK	**6**	20
Overseas	**49**	44
Adjustment to tax expense in respect of prior years	**(1)**	3
Total current tax attributable to continuing operations	**54**	67
Deferred tax:		
Deferred tax credit arising from the current year	**(26)**	(12)
Adjustment to deferred tax in respect of prior years	**–**	(12)
Total deferred tax attributable to continuing operations	**(26)**	(24)
Total tax expense attributable to continuing operations	**28**	43

The share of associates' and joint ventures' tax expense is £8m (2018: £40m) and is included in profit before tax in the consolidated income statement in 'Share of profit from associates and joint ventures'.

In 2019 unrecognised tax losses from previous years were used to reduce the current tax expense by £nil (2018: £4m). Unrecognised tax losses and timing differences were used to reduce the deferred tax expense by £1m (2018: £nil).

Current tax recoverable and current tax liabilities at 31 December 2019 were £9m (2018: £6m) and £19m (2018: £22m) respectively. In addition current tax recoverable and current tax liabilities in relation to unit linked business were £nil (2018: £nil) and £2m (2018: £1m) respectively. Current tax assets and liabilities at 31 December 2019 and 31 December 2018 are expected to be recoverable or payable in less than 12 months.

(a)(ii) Reconciliation of tax expense

	2019 £m	2018 £m
Profit/(Loss) before tax from continuing operations	**243**	(787)
Tax at 19% (2018: 19%)	**46**	(150)
Permanent differences	**(4)**	21
Tax effect of accounting for share of profit from associates and joint ventures	**(15)**	(25)
Impairment losses on intangible assets	**298**	171
(Reversal of)/impairment of investment in associate	**(46)**	43
Different tax rates	**(15)**	(16)
Adjustment to current tax expense in respect of prior years	**(1)**	3
Recognition of previously unrecognised tax credit	**(1)**	(4)
Deferred tax not recognised	**13**	10
Adjustment to deferred tax expense in respect of prior years	**–**	(12)
Write down of deferred tax asset	**6**	4
Non-taxable profit on sale of subsidiaries and associates	**(254)**	(2)
Other	**1**	–
Total tax expense from continuing operations for the year	**28**	43

The standard UK corporation tax rate for the accounting period is 19%. As at 31 December 2019 the standard UK corporation tax rate is due to fall to 17% from 1 April 2020 under legislation which had been substantively enacted at the reporting date. This change has, therefore, been taken into account in the calculation of UK deferred tax balances. The UK government has indicated that it will legislate to repeal the reduction in the standard UK corporation tax rate and maintain it at 19%.

The accounting for certain items in the consolidated income statement results in certain reconciling items in the table above, the values of which vary from year to year depending upon the underlying accounting values:

Details of significant reconciling items are as follows:

- Permanent differences in 2019 include expenses and accounting losses which are not tax deductible for tax purposes. It also includes the difference between the tax basis and accounting value for employee share-based awards and non-deductible contributions to the Irish pension scheme.
- The share of profits from associates and joint ventures is presented net of tax in the consolidated income statement and therefore gives a reconciling item
- The impairment of the goodwill intangible asset is not tax deductible
- The reversal of the impairment of the investment in associates is not subject to tax
- Different tax rates will vary according to the level of profit subject to tax at rates different from the UK corporation tax rate (such as in our Asian business) and in 2019 mainly comprises a non-recurring reconciling item from the gain on sale made from the sale of shares in our associate HDFC Asset Management. This arose because the Indian rate of tax on long-term capital gains is less than the UK corporate tax rate.
- The ability to value tax losses and other tax assets also affects the tax charge. We have not recognised a deferred tax asset of £13m on tax losses arising in the year due to uncertainty as to when these losses will be utilised and have written off previously recognised deferred tax assets of £6m due to uncertainty of recovery.
- The sales of shares in HDFC Life did not give rise to taxable gains due to the effect of reliefs available under India's tax legislation and its international tax treaties

The Group operates in a large number of territories and during the normal course of business will be subject to audit or enquiry by local tax authorities. At any point in time the Group will also be engaged in commercial transactions the tax outcome of which may be uncertain due to their complexity or uncertain application of tax law. Tax provisions, therefore, are subjective by their nature and require management judgement based on the interpretation of legislation, management experience and professional advice. As such, this may result in the Group recognising provisions for uncertain tax positions. Management will provide for uncertain tax positions where they judge that it is probable there will be a future outflow of economic benefits from the Group to settle the obligation. In assessing uncertain tax positions management considers each issue on its own merits using their judgement as to the estimate of the most likely outcome. When making estimates, management considers all available evidence. This may include forecasts of future profitability, the frequency and severity of any losses, and statutory carry forward and carry back provisions as well as management experience of tax attributes expiring without use. Where the final outcome differs from the amount provided this difference will impact the tax charge in future periods. Management re-assesses provisions at each reporting date based upon latest available information.

(b) Tax relating to components of other comprehensive income

Tax relating to components of other comprehensive income is as follows:

	2019 £m	2018 £m
Tax relating to defined benefit pension plan deficits	–	–
Equity holder tax effect relating to items that will not be reclassified subsequently to profit or loss	**–**	–
Deferred tax on net change in financial assets designated as available-for-sale[1]	**–**	(1)
Tax relating to fair value losses recognised on cash flow hedges	**(2)**	9
Tax relating to cash flow hedge losses transferred to consolidated income statement	**4**	(7)
Equity holder tax effect relating to items that may be reclassified subsequently to profit or loss	**2**	1
Tax relating to other comprehensive income from continuing operations	**2**	1

1 Debt securities that were previously held at fair value as available-for-sale under IAS 39 are held under IFRS 9 at amortised cost from 1 January 2019.

All of the amounts presented above are in respect of equity holders of Standard Life Aberdeen plc.

(c) Tax relating to items taken directly to equity

	Notes	2019 £m	2018 £m
Tax credit relating to coupons payable on perpetual notes classified as equity		**–**	(6)
Tax relating to items taken directly to equity		**–**	(6)

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(d) Deferred tax assets and liabilities

(d)(i) Movements in net deferred tax liabilities

	2019 £m	2018 £m
Opening balance carried forward	**(39)**	(302)
Effect of change in accounting policy to IFRS 9[1]	**1**	–
Effect of change in accounting policy to IFRS 16[1]	**1**	–
Opening balance at 1 January	**(37)**	(302)
Reclassified as held for sale during the year	**–**	224
Acquired through business combinations	**(2)**	(1)
Amounts credited to the consolidated income statement	**26**	44
Amounts credited directly to equity in respect of employee share-based payments	**–**	(2)
Tax on available-for-sale assets	**–**	1
Tax on cash flow hedge	**(2)**	(2)
Other	**2**	(1)
Net deferred tax liability at 31 December	**(13)**	(39)

1 The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

(d)(ii) Analysis of recognised deferred tax

	2019 £m	2018 £m
Deferred tax assets comprise:		
Losses carried forward	**40**	27
Depreciable assets	**12**	9
Employee benefits	**22**	24
Provisions and other temporary timing differences	**1**	2
Gross deferred tax assets	**75**	62
Less: Offset against deferred tax liabilities	**(1)**	(1)
Deferred tax assets	**74**	61
Deferred tax liabilities comprise:		
Unrealised gains on investments	**2**	3
Employee benefits	**3**	2
Temporary timing differences	**2**	1
Deferred tax on intangible assets acquired through business combinations	**78**	92
Other	**3**	3
Gross deferred tax liabilities	**88**	101
Less: Offset against deferred tax assets	**(1)**	(1)
Deferred tax liabilities	**87**	100
Net deferred tax liability at 31 December	**(13)**	(39)

A deferred tax asset of £40m (2018: £27m) for the Group has been recognised in respect of losses of various subsidiaries. Deferred tax assets are recognised to the extent that it is probable that the losses will be capable of being offset against taxable profits and gains in future periods. The value attributed to them takes into account the certainty or otherwise of their recoverability. Their recoverability is measured against the reversal of deferred tax liabilities and anticipated taxable profits and gains based on business plans.

Deferred tax assets and liabilities are expected to be recovered or settled after more than 12 months.

(e) Unrecognised deferred tax

Due to uncertainty regarding recoverability, deferred tax assets have not been recognised in respect of the following:

- Cumulative losses carried forward of £80m in the UK and £301m overseas (2018: £74m, £268m respectively)

Of these unrecognised deferred tax assets, certain losses have expiry dates as follows:

- US losses of £164m with expiry dates between 2027-2037 (2018: £169m)
- Other overseas losses of £19m with expiry dates before 2024 (2018: £11m)
- Other overseas losses of £9m with expiry dates between 2025 and 2029 (2018: £3m)

11. Discontinued operations

The Group classifies as discontinued operations areas of business which have been disposed of or are classified as held for sale at the year end and which either, represent a separate major line of business or geographical area, or are part of a plan to dispose of one. The results of discontinued operations are shown separately on the face of the consolidated income statement from the results of the remaining (continuing) parts of the Group's business.

Discontinued operations relate solely to the UK and European insurance business. The sale completed on 31 August 2018 (refer Note 1).

For the year ended 31 December 2019, the profit from discontinued operations of £56m reflects a change in the value of the contingent consideration relating to the sale of the UK and European insurance business to Phoenix. For the year ended 31 December 2019, net cash flows from discontinued operations of £63m are included in net cash flows from investing activities.

The consolidated income statement, other comprehensive income and cash flows from discontinued operations for the year ended 31 December 2018 are shown below:

Consolidated income statement	Notes	2018 £m
Income		
Investment return		2,350
Revenue from contracts with customers		117
Insurance and participating investment contract premium income		1,256
Profit on disposal of subsidiaries		1,780
Other income		10
Total income from discontinued operations		**5,513**
Expenses		
Insurance and participating investment contract claims and change in liabilities		1,657
Change in non-participating investment contract liabilities		1,470
Administrative expenses		
Restructuring and corporate transaction expenses	9	264
Other administrative expenses		339
Total administrative expenses		**603**
Provision for annuity sales practices		–
Change in liability for third party interest in consolidated funds		(32)
Finance costs		35
Total expenses from discontinued operations		**3,733**
Profit before tax from discontinued operations		**1,780**
Tax expense attributable to policyholders' returns		46
Profit before tax expense attributable to equity holders		**1,734**
Total tax expense		82
Less: Tax attributable to policyholders' returns		(46)
Tax expense attributable to equity holders		**36**
Profit for the period from discontinued operations		**1,698**

Intercompany income and expenses that will continue post completion are eliminated in discontinued operations and those that will not continue post completion are eliminated in continuing operations. Revenue from contracts with customers is shown net of elimination of intra-group revenue which will continue post completion.

The Group provides additional disclosure in relation to the total tax expense for discontinued operations. Certain products are subject to tax on policyholders' investment returns. This tax 'policyholder tax', is accounted for as an element of income tax. To make the tax expense disclosures more meaningful, policyholder tax and tax payable on equity holder's profit are disclosed separately. The policyholder tax expense is the amount payable in the period plus the movement of amounts expected to be payable in future periods by policyholders on their investment return. The remainder of the tax expense is attributed to equity holders as tax payable on equity holders' profit.

Other comprehensive income	2018 £m
Items that will not be reclassified subsequently to profit or loss:	
Revaluation of owner occupied property	2
Total items that will not be reclassified subsequently to profit or loss	**2**
Items that may be reclassified subsequently to profit or loss:	
Exchange differences on translating foreign operations	3
Change in unallocated divisible surplus	(5)
Total items that may be reclassified subsequently to profit or loss	**(2)**
Items that were transferred to profit or loss on disposal of subsidiaries:	
Release of foreign currency translation reserve	(43)
Total items that were transferred to profit or loss on disposal of subsidiaries	**(43)**
Other comprehensive income for the period from discontinued operations	**(43)**

Cash flows	2018[1] £m
Net cash flows from operating activities	(519)
Net cash flows from financing activities	(36)
Net cash flows from investing activities	(7,537)
Total net cash flows	**(8,092)**

[1] Restated. The Group has changed the classification of certain cash flows following the disposal of the UK and European insurance business in 2018. The reason for the changes is to make the financial statements more relevant to users as it is more consistent with asset management peers. Refer Basis of preparation (a)(iii).

The net cash flows from investing activities for the year ended 31 December 2018 did not include cash consideration received from the disposal of the UK and European insurance business of £1,971m but included the cash and cash equivalents of £7,472m at the date of disposal.

12. Earnings per share

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the year excluding shares owned by the employee trusts that have not vested unconditionally to employees.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year to assume the conversion of all dilutive potential ordinary shares, such as share options granted to employees.

Adjusted earnings per share is calculated on adjusted profit after tax attributable to ordinary equity holders of the Company i.e. adjusted profit net of dividends paid on preference shares.

Basic earnings per share was 11.2p (2018: 29.1p) and diluted earnings per share was 11.1p (2018: 29.1p) for the year ended 31 December 2019. The following table shows details of basic, diluted and adjusted earnings per share.

	2019			2018		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Adjusted profit before tax	**584**	**–**	**584**	650	210	860
Tax on adjusted profit	**(69)**	**–**	**(69)**	(95)	(77)	(172)
Share of associates' and joint ventures' tax expense	**(46)**	**–**	**(46)**	(43)	–	(43)
Adjusted profit after tax	**469**	**–**	**469**	512	133	645
Dividend paid on preference shares	**(5)**	**–**	**(5)**	(5)	–	(5)
Adjusted profit after tax attributable to equity shareholders of the Company	**464**	**–**	**464**	507	133	640
Adjusting items	**(333)**	**56**	**(277)**	(1,397)	1,519	122
Tax on adjusting items	**41**	**–**	**41**	52	41	93
Share of associates' and joint ventures' tax expense on adjusting items	**38**	**–**	**38**	3	–	3
Adjustment for perpetual debt instruments classified as equity net of tax	**–**	**–**	**–**	–	(28)	(28)
Profit attributable to equity shareholders of the Company	**210**	**56**	**266**	(835)	1,665	830
			Millions			Millions
Weighted average number of ordinary shares outstanding			**2,374**			2,848
Dilutive effect of share options and awards			**32**			29
Weighted average number of diluted ordinary shares outstanding			**2,406**			2,877
	Pence	**Pence**	**Pence**	Pence	Pence	Pence
Basic earnings per share	**8.9**	**2.3**	**11.2**	(29.3)	58.4	29.1
Diluted earnings per share	**8.8**	**2.3**	**11.1**	(29.3)	58.4	29.1
Adjusted earnings per share	**19.5**	**–**	**19.5**	17.8	4.7	22.5
Adjusted diluted earnings per share	**19.3**	**–**	**19.3**	17.8	4.7	22.5

Details of the share options and awards which may be treated as dilutive are provided in Note 44. In accordance with IAS 33, no share options and awards were treated as dilutive for the year ended 31 December 2018 due to the loss attributable to equity holders of the Company from continuing operations in the year. This results in the adjusted diluted earnings per share from continuing operations and the total diluted earnings per share including discontinued operations being calculated using a weighted average number of ordinary shares of 2,848 million.

As discussed in Note 26 the Company undertook a share consolidation during the year ended 31 December 2018 followed by a return of capital to shareholders. In accordance with IAS 33, earnings per share has not been restated following the share consolidation as there was an overall corresponding change in resources due to the redemption of the B shares. As a result of the share consolidation and share buyback (refer Note 26), earnings per share from continuing operations for the year ended 31 December 2019 and the year ended 31 December 2018 are not directly comparable.

13. Adjusted profit and adjusting items

Adjusted profit before tax is the Group's key alternative performance measure. Adjusted profit excludes the impact of the following items:

- Restructuring costs and corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts
- Profit or loss arising on the disposal of a subsidiary, joint venture or associate
- Fair value movements in contingent consideration
- Items which are one-off and, due to their size or nature, are not indicative of the long-term operating performance of the Group

Adjusted profit also excludes impacts arising from investment return variances and economic assumption changes in the Group's insurance entities. It is calculated based on expected returns on investments backing equity holder funds, with consistent allowance for the corresponding expected movements in equity holder liabilities. Impacts arising from the difference between the expected return and actual return on investments, and the corresponding impact on equity holder liabilities except where they are directly related to a significant management action, are excluded from adjusted profit and are presented within profit before tax. The impact of certain changes in economic assumptions is also excluded from adjusted profit and is presented within profit before tax.

Dividends payable on preference shares classified as non-controlling interests are excluded from adjusted profit in line with the treatment of ordinary shares. Similarly to preference shares, coupons paid on perpetual debt instruments classified as equity for which interest is only accounted for when paid is excluded from adjusted profit. This includes our share of interest payable on Tier 1 debt instruments held by associates. Coupons payable on perpetual debt instruments classified as equity for which interest is accrued are included in adjusted profit before tax.

(a) Investment return variances and economic assumptions changes – insurance entities

Wholly owned insurance entities

The Group’s UK and European insurance business was sold during the year ended 31 December 2018 and was classified as discontinued operations in 2018. The Group’s other wholly owned insurance business, SL Asia, is classified as held for sale (refer Note 23).

The components of IFRS profit attributable to market movements and interest rate changes which give rise to variances between actual and expected returns on investments backing equity holder funds, with consistent allowance for the corresponding expected movement in equity holder liabilities, as well as the impact of changes in economic assumptions on equity holder liabilities, are excluded from adjusted profit for the Group’s wholly owned insurance entities. Investments backing equity holder funds include investments backing annuities and subordinated debt, and investments from surplus capital in insurance companies.

For UK and European insurance annuities this meant that all fluctuations in liabilities and the assets backing those liabilities due to market interest rate (including credit risk) movements over the year were excluded from adjusted profit.

The expected rates of return for debt securities and equity securities were determined separately for the UK and European insurance business. The expected rates of return for equity securities were determined based on the gilt spot rates of an appropriate duration plus an equity risk premium (2018: 3%). Investments in pooled investment funds which target equity returns over the longer term, including absolute return funds, also used an expected rate of return determined based on the gilt spot rates of an appropriate duration plus a risk premium (2018: 3%).

In respect of debt securities at fair value through profit or loss, the expected rate of return was determined based on the average prospective yields for the debt securities actually held.

For UK and European insurance business, the expected rates of return used for both the assets backing subordinated liabilities and the subordinated liabilities themselves included a discount for expected credit defaults. This meant that the interest expense included in adjusted profit for subordinated liabilities was after deducting a margin for own credit risk. Additionally, the effect of the accounting mismatch, where subordinated liabilities are measured at amortised cost and certain assets backing the liabilities are measured at fair value, was also excluded from adjusted profit.

Gains and losses on foreign exchange are deemed to represent investment return variances and economic assumption changes and thus are excluded from adjusted profit.

Investment return variances and economic assumption changes for the year ended 31 December 2018 related principally to the impact of interest rate changes on UK annuity liabilities and the assets backing those liabilities.

Associates and joint ventures insurance entities

Where associates and joint ventures have a policy for determining investment return variances and economic assumption changes, the Group uses the policy of the associate or joint venture for including their results in the Group's adjusted profit. This currently applies only to the Group's investment in Phoenix. The Phoenix policy is similar to that used by the wholly owned insurance entities as described above. The main differences are as follows:

- Phoenix investment return variances, including those relating to owners' funds, include gains and losses on derivatives held to hedge life company Solvency II surplus positions. Such hedging positions were not previously held outside with profit funds by wholly owned insurance entities.
- Phoenix recognise charges on unit linked business based on expected investment returns, whereas wholly owned insurance entities use actual investment returns
- Phoenix include the impact of strategic asset allocation activities, such as investment in higher yielding illiquid assets, as investment variances. Wholly owned subsidiaries treat these within adjusted profit where they are directly related to a significant management action.

(b) Other

In the reconciliation of consolidated adjusted profit before tax to profit for the period the other adjusting item sub-total includes £140m (2018: £nil) relating to the settlement of arbitration with LBG. Refer Note 5. Also included is (£16m) (2018: £nil) in relation to the impairment of property right-of-use assets, £12m (2018: £nil) in relation to the alignment of the reporting period of HDFC Asset Management and £61m (2018: £3m) net fair value movements in contingent consideration. In 2019, £56m of the £61m fair value gain is in relation to discontinued operations.

The other adjusting item in 2018 relating to discontinued operations included a held for sale accounting adjustment relating to the amortisation of intangible assets (primarily deferred acquisition costs) and depreciation of tangible assets of £44m. Following the classification of the UK and European insurance business as held for sale on the announcement of the proposed transaction on 23 February 2018, no amortisation or depreciation was recognised. This increase to profit has been recognised as an adjusting item.

14. Dividends on ordinary shares

Dividends are distributions of profit to holders of Standard Life Aberdeen plc's share capital and as a result are recognised as a deduction in equity. Final dividends are announced with the Annual report and accounts and are recognised when they have been approved by shareholders. Interim dividends are announced with the Half year results and are recognised when they are paid.

	2019		2018	
	Pence per share	**£m**[1]	Pence per share	£m
Prior year's final dividend paid	**14.30**	**345**	14.30	420
Interim dividend paid	**7.30**	**173**	7.30	214
Total dividends paid on ordinary shares		**518**		634
Current year final recommended dividend	**14.30**	**322**	14.30	345

1 Estimated for current year final recommended dividend.

The final recommended dividend will be paid on 19 May 2020 to shareholders on the Company's register as at 3 April 2020, subject to approval at the 2020 Annual General Meeting. After the current year final recommended dividend, the total dividend in respect of the year ended 31 December 2019 is 21.60p (2018: 21.60p).

During the year ended 31 December 2018, in addition to the dividend distribution on ordinary shares, the Group returned 33.99 pence per ordinary share (£1,000m) to shareholders through a B share scheme as discussed in Note 26.

15. Intangible assets

Goodwill is created when the Group acquires a business and the consideration exceeds the fair value of the net assets acquired. In determining the net assets acquired in business combinations, intangible assets are recognised where they are separable or arise from contractual or legal rights. Intangible assets acquired by the Group through business combinations consist mainly of customer relationships, technology and brands. Any remaining value that cannot be identified as a separate intangible asset on acquisition forms part of goodwill.

In addition to intangible assets acquired through business combinations, the Group recognises as intangible assets software which has been developed internally and other purchased technology which is used in managing and executing our business. Costs to develop software internally are capitalised after the research phase and when it has been established that the project is technically feasible and the Group has both the intention and ability to use the completed asset.

Intangible assets are recognised at cost and amortisation is charged to the income statement over the length of time the Group expects to derive benefits from the asset. The allocation of the income statement charge to each reporting period is dependent on the expected pattern over which future benefits are expected to be derived. Where this pattern cannot be determined reliably the charge is allocated on a straight-line basis.

Goodwill is not charged to the income statement unless it becomes impaired.

The Group also recognises the cost of obtaining customer contracts (refer Note 4) as an intangible asset. For the cost of obtaining customer contracts, the intangible asset is amortised on the same basis as the transfer to the customer of the services to which the intangible asset relates.

		Acquired through business combinations							
	Notes	Goodwill £m	Brand £m	Customer relationships and investment management contracts £m	Technology £m	Internally developed software[1] £m	Purchased software and other £m	Cost of obtaining customer contracts £m	Total £m
Gross amount									
At 1 January 2018		3,442	93	982	74	403	66	11	5,071
Reclassified as held for sale during the year		(18)	–	–	(6)	(311)	(67)	–	(402)
Additions		14	–	37	–	29	4	79	163
Disposals and adjustments		–	–	–	(1)	–	1	–	–
Other		–	–	–	–	–	–	6	6
At 31 December 2018		3,438	93	1,019	67	121	4	96	4,838
Additions		**37**	**–**	**13**	**–**	**10**	**3**	**2**	**65**
Other		**–**	**–**	**(1)**	**–**	**–**	**(4)**	**(2)**	**(7)**
At 31 December 2019		**3,475**	**93**	**1,031**	**67**	**131**	**3**	**96**	**4,896**
Accumulated amortisation and impairment									
At 1 January 2018		(15)	(7)	(208)	(34)	(247)	(46)	–	(557)
Reclassified as held for sale during the year		–	–	–	6	204	46	–	256
Amortisation charge for the year		–	(19)	(143)	(13)	(16)	–	(16)	(207)
Impairment losses recognised[2]		(891)	–	(35)	–	–	–	–	(926)
At 31 December 2018		(906)	(26)	(386)	(41)	(59)	–	(16)	(1,434)
Amortisation charge for the year	6	**–**	**(19)**	**(111)**	**(13)**	**(20)**	**(1)**	**(20)**	**(184)**
Impairment losses recognised[2]	6	**(1,569)**	**–**	**–**	**(1)**	**(1)**	**–**	**–**	**(1,571)**
At 31 December 2019		**(2,475)**	**(45)**	**(497)**	**(55)**	**(80)**	**(1)**	**(36)**	**(3,189)**
Carrying amount									
At 1 January 2018		3,427	86	774	40	156	20	11	4,514
At 31 December 2018		2,532	67	633	26	62	4	80	3,404
At 31 December 2019		**1,000**	**48**	**534**	**12**	**51**	**2**	**60**	**1,707**

1 Included in the internally developed software of £51m (2018: £62m) is £6m (2018: £13m) relating to intangible assets not yet ready for use.

2 Included in the 2019 goodwill impairment losses recognised of £1,569m (2018: £891m) is an impairment of £1,569m (2018: £880m) recognised on asset management goodwill and shown separately in the consolidated income statement and £nil (2018: £11m) included in other administrative expenses in Note 6.

The Group's goodwill has been acquired through a series of business combinations. Of the Group's goodwill of £1,000m (2018: £2,532m) at 31 December 2019, £915m (2018: £2,483m) is attributed to the asset management group of cash-generating units, which comprises the Group's asset management business excluding HDFC Asset Management, in the Asset management, platforms and wealth segment. The remaining goodwill of £85m (2018: £49m) is attributable to a number of smaller cash-generating units in the Asset management, platforms and wealth segment.

On the acquisition of AAM PLC in 2017, we identified intangible assets in relation to customer relationships, brand and technology as being separable from goodwill. Identification and valuation of intangible assets acquired in business combinations is a key judgement.

Goodwill

Goodwill of £3,209m was attributed to the asset management group of cash-generating units in relation to the acquisition of AAM PLC in 2017. In attributing the goodwill relating to the acquisition of AAM PLC to a group of cash-generating units we considered the existing cash-generating units which are expected to benefit from the synergies from the combination. As the benefit was expected to arise across Aberdeen Standard Investments (a combination of AAM PLC and Standard Life Investments now managed and reported together within the Asset management, platforms and wealth segment) we judged it was appropriate to allocate goodwill to this asset management group of cash-generating units. This is the lowest level at which goodwill is monitored for internal management purposes.

Customer relationships

The customer relationships acquired through AAM PLC were grouped where the customer groups have similar economic characteristics and similar useful economic lives. This gave rise to three separate intangible assets which we have termed Lloyds Banking Group, open ended funds, and segregated and similar.

In relation to the open ended funds we considered that it was most appropriate to recognise an intangible asset relating to customer relationships between AAM PLC and open ended fund customers, rather than an intangible asset relating to investment management agreements between AAM PLC and AAM PLC's open ended funds. Our judgement was that the value associated with the open ended fund assets under management was predominantly derived from the underlying customer relationships, taking into account that a significant proportion of these assets under management are from institutional clients.

The description of the three separate intangible assets including their estimated useful life at the acquisition date of 14 August 2017 was as follows:

Customer relationship intangible asset	Description	Useful life at acquisition date	Fair value on acquisition date £m	Carrying value 2019 £m	Carrying value 2018 £m
Lloyds Banking Group	Customer relationship with Lloyds Banking Group, including Scottish Widows Group.	4 years	**78**	**–**	4
Open ended funds	Separate vehicle group – open ended investment vehicles.	11 years	**223**	**111**	138
Segregated and similar	All other vehicle groups dominated by segregated mandates which represent 75% of this group.	12 years	**427**	**280**	338

Measuring the fair value of intangible assets acquired in business combinations required further assumptions and judgements. Customer relationships were valued using discounted cash flow projections. The key assumptions in measuring the fair value of the customer relationships at the acquisition date were as follows:

- Net attrition – net attrition represents the expected rate of outflows of assets under management net of inflows from existing customers. This assumption was primarily based on recent experience.
- Market growth – a market growth adjustment was applied based on the asset class
- Operating margin – this assumption was consistent with forecast margins and included the impact of synergies that would be expected by any market participant and impacted the Aberdeen customer relationship cash flows
- Discount rate – this assumption was based on the internal rate of return (IRR) of the transaction and is consistent with a market participant discount rate

The above assumptions, and in particular the net attrition assumption, were also used to determine the useful economic life at the acquisition date of each asset used for amortisation. The reducing balance method of amortisation is considered appropriate for these intangibles, consistent with the attrition pattern on customer relationships which means that the economic benefits delivered from the existing customer base will reduce disproportionately over time.

There has been no change to the useful lives of the Open ended funds and Segregated and similar customer relationship intangible assets. Therefore the residual useful life of the Open ended funds customer relationship intangible asset is 8.6 years and the residual life of the Segregated and similar customer relationship intangible asset is 9.6 years.

Estimates and assumptions

The key estimates and assumptions in relation to intangible assets are:

- Determination of the recoverable amount of goodwill and customer intangibles
- Determination of useful lives

Determination of the recoverable amount of goodwill and customer intangibles

Goodwill is assessed for impairment at least annually by comparing the recoverable amount of each cash-generating unit to which goodwill has been allocated with its carrying value.

For all other intangible assets, an assessment is made at each reporting date as to whether there is an indication that the intangible asset has become impaired. If any indication of impairment exists then the recoverable amount of the asset is determined. The recoverable amounts are defined as the higher of fair value less costs to sell and the value in use where the value in use is based on the present value of future cash flows. Where the carrying value exceeds the recoverable amount then the carrying value is written down to the recoverable amount.

In assessing value in use, expected future cash flows are discounted to their present value using a pre-tax discount rate. Judgement is required in assessing both the expected cash flows and an appropriate discount rate which is based on current market assessments of the time value of money and the risks associated with the asset.

Goodwill

The impairment of goodwill in 2019 of £1,569m relates to an impairment of asset management goodwill (2018: £880m), the group of cash-generating units for which is our asset management business excluding HDFC Asset Management. The impairment charge is in the Asset management, platforms and wealth segment. The impairment resulted from the impact of 2019 net outflows, market conditions and competitive pricing on future revenue projections. Further details relating to 2019 net outflows, fee based revenue and fee revenue yield are included in the Chief Financial Officer's overview in the Strategic report. The impairment has been included within administrative expenses in the consolidated income statement.

The recoverable amount of this group of cash-generating units, which is based on value in use (VIU) at 31 December 2019, is £2,603m (2018: £4,111m). This is also the carrying value at the year end. The key assumptions are discount rate, growth rate and forecast cash flows.

The VIU calculation uses a pre-tax discount rate of 11.9% (2018: 11.1%). This is based on the Group/ peer companies cost of equity adjusted for forecasting risk. The risk free rate used in determining the cost of equity is based on 20-year gilts. The increase in the discount rate compared to 2018 reflects increased risk in variation of cash flows due to inherently uncertain market and sector conditions, and takes into account that future revenue projections are now significantly lower than previously forecast and used in the prior year impairment review. The VIU calculation uses a terminal growth rate of 2.2% (2018: 2.2%) based on global GDP growth and inflation.

The VIU calculation used cash flow projections for three years to end 2022 which were based on management approved profit forecasts adjusted to market conditions at 31 December 2019, with the terminal growth rate used for subsequent years. Three years of projections is in line with our business planning process. Profits were adjusted to a cash flow basis, e.g. amortisation and depreciation removed.

Key assumptions used by management in setting the three-year profit forecasts are:

- Revenue is modelled based on future levels of assets under management and fee revenue yields by asset class
- Assets under management is modelled from future net flow assumptions and market movements. Net flow assumptions take into account past experience, the pipeline of sales, improved investment performance, the withdrawal of LBG assets and assume a reduction in institutional channel redemptions over the three-year forecast period. Market assumptions assume modest equity market growth, for example UK equity market growth of 3% per annum (excluding dividends).
- Fee revenue yields reflect past experience adjusted to assume a decline relative to 2019 due to market pressure on margins
- Cost forecasts are based on function level budgets, which are based on past experience adjusted to assume the delivery of planned expense savings over the three-year planning period

Where future expense savings relating to staff and property costs require provisions to be made in future years, IFRS does not permit these expense savings to be allowed for in VIU calculations. Consequently, for the purpose of the VIU calculation these expense savings (and the related implementation costs) have been added back to management's expectation of the level of future operating expenses.

The following table shows the consequence of illustrative downside sensitivities of key assumptions on the carrying amount of the goodwill balance at 31 December 2019. As the year end carrying value is the recoverable amount any downside sensitivity will lead to a further future impairment loss.

	Goodwill £m
Reduction in terminal growth rate of 0.2%	61
Discount rate increased by 1%	284
Forecast cash flows reduced by 20%	550

Customer relationship and investment management contract intangibles

The recoverable amount for customer intangible assets is value in use. In assessing value in use, expected future cash flows are discounted to their present value using a pre-tax discount rate. Judgement is required in assessing both the expected cash flows and an appropriate discount rate which is based on current market assessments of the time value of money and the risks associated with the asset.

In 2019, no indicators of impairment have been identified in relation to customer intangible assets reflecting the impact of higher market levels on assets under management, and associated revenues, and the amortisation of the customer intangible assets in the year.

The 2018 impairment of £35m related to the open-ended funds customer relationship intangible asset which is in the Asset management, platforms and wealth segment. The impairment resulted from the impact of markets and flows on future earnings expectations. The recoverable amount of this asset was calculated using a pre-tax discount rate of 13.1%.

There have been no previous impairment charges recognised on the segregated and similar customer relationship intangible asset recognised on the acquisition of Aberdeen.

Determination of useful lives

The determination of useful lives requires judgement in respect of the length of time that the Group expects to derive benefits from the asset and considers for example expected duration of customer relationships and when technology is expected to become obsolete for technology based assets. The amortisation period and method for each of the Group's intangible asset categories is as follows:

- Customer relationships acquired through business combinations – generally between 7 and 12 years, generally reducing balance method
- Investment management contracts acquired through business combinations – between 10 and 17 years, straight-line
- Brand acquired through business combinations – 5 years, straight-line
- Technology acquired through business combinations – between 3 and 6 years, straight line
- Internally developed software – between 2 and 6 years. Amortisation is on a straight-line basis and commences once the asset is available for use
- Purchased software – between 2 and 6 years, straight-line
- Costs of obtaining customer contracts – between 3 and 9 years, generally reducing balance method

Internally developed software

The determination of amounts to be recognised as internally developed software requires judgement and assumptions in respect of whether assets are capable of being separated and the extent to which development costs form part of the separable asset. Additionally judgement is required to determine which costs have been incurred in relation to the research phase, which are not capitalised, and which have been incurred in relation to the development phase of a project, which can be capitalised. We consider that costs are directly attributable to the software asset and can therefore be capitalised, where they would not have been incurred if the software development had not taken place.

16. Investments in associates and joint ventures

Associates are entities where the Group can significantly influence decisions made relating to the financial and operating policies of the entity but does not control the entity. For entities where voting rights exist, significant influence is presumed where the Group holds between 20% and 50% of the voting rights.

Joint ventures are strategic investments where the Group has agreed to share control of an entity's financial and operating policies through a shareholders' agreement and decisions can only be taken with unanimous consent.

Associates, other than those accounted for at fair value through profit or loss, and joint ventures are accounted for using the equity method from the date that significant influence or shared control, respectively, commences until the date this ceases with consistent accounting policies applied throughout.

Under the equity method, investments in associates and joint ventures are initially recognised at cost. When an interest is acquired at fair value from a third party, the value of the Group's share of the investee's identifiable assets and liabilities is determined applying the same valuation criteria as for a business combination at the acquisition date. This is compared to the cost of the investment in the investee. Where cost is higher the difference is identified as goodwill and the investee is initially recognised at cost which includes this component of goodwill. Where cost is lower a bargain purchase has arisen and the investee is initially recognised at the Group's share of the investee's identifiable assets and liabilities unless the recoverable amount for the purpose of assessing impairment is lower, in which case the investee is initially recognised at the recoverable amount.

Subsequently the carrying value is adjusted for the Group's share of post-acquisition profit or loss and other comprehensive income of the associate or joint venture, which are recognised in the consolidated income statement and other comprehensive income respectively. The Group's share of post-acquisition profit or loss includes amortisation charges based on the valuation exercise at acquisition. The carrying value is also adjusted for any impairment losses.

Where the Group has an investment in an associate, a portion of which is held by, or is held indirectly through, a mutual fund, unit trust or similar entity, including investment-linked insurance funds, that portion of the investment is measured at FVTPL. In general, investment vehicles which are not subsidiaries are considered to be associates where the Group holds more than 20% of the voting rights.

The level of future dividend payments and other transfers of funds to the Group from associates and joint ventures accounted for using the equity method could be restricted by the regulatory solvency and capital requirements of the associate or joint venture, certain local laws or foreign currency transaction restrictions.

(a) Investments in associates and joint ventures accounted for using the equity method

	2019			2018		
	Associates £m	**Joint ventures £m**	**Total £m**	Associates £m	Joint ventures £m	Total £m
At 1 January	**1,260**	**184**	**1,444**	404	99	503
Reclassified from held for sale	**–**	**–**	**–**	8	–	8
Exchange translation adjustments	**(16)**	**(11)**	**(27)**	(15)	3	(12)
Additions	**–**	**51**	**51**	1,023	72	1,095
Disposals	**(178)**	**–**	**(178)**	–	–	–
Profit after tax	**63**	**16**	**79**	121	9	130
Other comprehensive income	**(22)**	**12**	**(10)**	(16)	1	(15)
Dilution gains	**–**	**–**	**–**	7	–	7
Reversal of impairment/ (impairment)	**243**	**–**	**243**	(228)	–	(228)
Distributions of profit	**(93)**	**–**	**(93)**	(44)	–	(44)
At 31 December	**1,257**	**252**	**1,509**	1,260	184	1,444

The following associates and joint ventures are considered to be material to the Group as at 31 December 2019.

Name of associate	Nature of relationship	Principal place of business	Measurement Method	Interest held by the Group at 31 December 2019	Fair value of interest held by the Group at 31 December 2019	Interest held by the Group at 31 December 2018	Fair value of interest held by the Group at 31 December 2018
Phoenix Group Holdings plc (Phoenix)	Associate	United Kingdom	Equity Accounted	**19.97%**	**1,079**	19.98%	812
HDFC Life Insurance Company Limited (HDFC Life)	Associate	India	Equity Accounted	**14.73%**	**1,968**	29.23%	2,567
HDFC Asset Management Company Limited (HDFC Asset Management)	Associate	India	Equity Accounted	**26.91%**	**1,937**	29.96%	1,077
Heng An Standard Life Insurance Company Limited (HASL)	Joint venture	China	Equity Accounted	**50.00%**	**n/a**	50.00%	n/a

The country of incorporation or registration is the same as their principal place of business. The interest held by the Group is the same as the proportion of voting rights held. The material associates are all listed. HASL is not listed.

(b) Investments in associates accounted for using the equity method

The table below provides summarised financial information for those associates which are considered to be material to the Group. The summarised financial information reflects the amounts presented in the financial statements or management accounts of the relevant associates amended to reflect adjustments made when using the equity method, including fair value adjustments on acquisition and not the Group's share of those amounts.

	Phoenix		HDFC Life		HDFC Asset Management[1]	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Summarised financial information of associate:						
Revenue	**4,182**	1,409	**3,617**	3,072	**276**	207
Profit after tax (all from continuing operations)	**28**	366	**128**	118	**170**	83
Other comprehensive income	**(110)**	(76)	**–**	–	**–**	–
Total comprehensive income	**(82)**	290	**128**	118	**170**	83
Total assets[2]	**242,666**	230,111	**14,607**	13,349	**388**	336
Total liabilities[2]	**237,043**	224,042	**13,818**	12,598	**27**	23
Net assets	**5,623**	6,069	**789**	751	**361**	313
Attributable to NCI and other equity holders	**808**	788	**–**	–	**–**	–
Attributable to investee's shareholder	**4,815**	5,281	**789**	751	**361**	313
Interest held	**19.97%**	19.98%	**14.73%**	29.23%	**26.91%**	29.96%
Share of net assets	**962**	1,055	**116**	220	**97**	94

	Phoenix		HDFC Life		HDFC Asset Management		Other		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Carrying value of associates accounted for using the equity method	**961**	812	**167**	329	**120**	110	**9**	9	**1,257**	1,260
Dividends received[3]	**67**	33	**9**	–	**17**	14	**–**	–	**93**	47
Share of (loss)/profit after tax	**(5)**	65	**26**	31	**42**	26	**–**	(1)	**63**	121

1 Revenue and profit after tax for HDFC Asset Management presented are for the 15 months to 31 December 2019 (2018: 12 months to September 2018). Total assets and total liabilities presented are as at 30 September 2019 (2018: 30 September 2018) as the statement of financial position at 31 December 2019 was not made publicly available. (Refer below for details of accounting period alignment).

2 As a liquidity presentation is used by insurance companies when presenting their statement of financial position, an analysis of total assets and total liabilities between current and non-current has not been provided for Phoenix and HDFC Life. The majority of HDFC Asset Management's assets and liabilities are current.

3 2018 dividend received from HDFC Asset Management includes £3m on interest that was classified as held for sale.

Phoenix

Phoenix is the largest life and pensions consolidator in Europe. Our investment in Phoenix supports our strategic partnership.

On 23 February 2018, the Group announced the proposed sale of the UK and European insurance business to Phoenix (the Sale), implemented by selling the entire issued share capital of Standard Life Assurance Limited (SLAL). Refer Note 1 for further details. Following the completion of the Sale in August 2018, as part of the total consideration, the Group was issued with new Phoenix shares representing 19.98% of the issued share capital of Phoenix. Our judgement is that taking into account our representation on Phoenix's board and the significant transactions between the Group and Phoenix, Phoenix should be classified as an associate.

At acquisition the value of the Group's share of Phoenix's identifiable assets and liabilities was determined. This value was determined using the same valuation bases as required for a business combination under which most of the identifiable assets and liabilities of the enlarged Phoenix group (including SLAL) were measured at fair value. The most significant assets that were not measured at fair value were Phoenix's defined benefit pension schemes which were measured at their IAS 19 value.

A key judgement was the identification, valuation and determination of useful lives, of the Group's share of Phoenix's intangible assets at the date of acquisition. The main intangible assets identified were the acquired present value of in-force business (AVIF) for both SLAL and other Phoenix entities. AVIF comprised the difference between the fair value and IFRS carrying value of insurance contracts together with the fair value of future profits expected to arise on investment contracts. The valuation of the AVIF was determined using the application of present value techniques to the best estimate cash flows expected to arise from policies that were in-force at the acquisition date, adjusted to reflect the price of bearing the uncertainty inherent in those cash flows. This approach incorporated a number of judgements and assumptions which impacted the resultant valuation, the most significant of which were mortality rates, expected policy lapses, the expenses associated with servicing the policies, future investment returns, the discount rate and the risk adjustment for uncertainty, determined using a cost of capital approach. The Group's share of profit after acquisition under the equity method reflects the amortisation of these intangible assets. This differs from the amortisation recognised in Phoenix's own IFRS financial statements due to the revaluation of the existing Phoenix intangible assets at August 2018 for equity method purposes. The amortisation method reflects the expected emergence of economic benefits which results in higher amortisation in earlier periods.

	Useful life at acquisition date Years	Fair value at acquisition date £m	Group's share at acquisition date £m
Intangible asset:			
SLAL AVIF	24	2,931	586
Existing Phoenix AVIF	15	1,503	300

The cost of the Group's investment in Phoenix was equal to the fair value of its 19.98% interest at the date of acquisition, being £1,023m. The Group's share of the value of the identifiable net assets of the enlarged Phoenix group exceeded the cost of the Group's investment in Phoenix resulting in a bargain purchase gain of £15m which was offset by an impairment loss as described below.

There has been no change to the useful lives of the SLAL AVIF and Existing Phoenix AVIF. Therefore the residual useful lives of these assets at 31 December 2019 are 22.7 years and 13.7 years respectively.

The determination of longevity and persistency actuarial assumptions is also a key judgement in the determination of the Phoenix profits for 2019 and therefore the Group's carrying value of Phoenix at 31 December 2019.

Estimates and assumptions

A key area of estimation is determining the recoverable amount of Phoenix on a value in use basis for the purpose of assessing impairment. We consider that under IAS 28 the market value of Phoenix represents the best estimate of the present value of future dividends and therefore this market value is used as the value in use. As the value in use is based on the market value, a discount rate is not determined.

At 31 December 2018 the market value of the Group's interest in Phoenix was £812m which was significantly below the carrying value. We considered this to be an indicator of impairment and therefore an impairment review was performed. During the 12 months ended 31 December 2018 an impairment loss of £243m was recognised on the Group's interest in Phoenix, of which £15m arose at acquisition and was offset against the bargain purchase gain giving a loss on impairment in the consolidated income statement for the year ended 31 December 2018 of £228m.

At 31 December 2019 the market value of the Group's interest in Phoenix was £1,079m and this has been used as the value in use. On this basis, a reversal of the impairment above of £243m has been recognised in the consolidated income statement for the year ended 31 December 2019.

The determination that market value should be used as the value in use is an area of judgement. If the recoverable amount falls below the carrying value in a future period this will result in a future impairment.

Phoenix has taken advantage of the temporary exemption granted to insurers in IFRS 4 *Insurance Contracts* from applying IFRS 9 as a result of meeting the exemption criteria as at 31 December 2015. As at that date Phoenix's activities were considered to be predominantly connected with insurance as the percentage of the carrying amount of its liabilities in relation to insurance relative to the total carrying amounts of all its liabilities was greater than 90%.

The financial assets with contractual cash flows that are solely payments of principal and interest (excluding those held for trading or managed on a fair value basis) are set out below together with all other financial assets, measured at fair value through profit and loss.

	Fair value as at 31 December 2019 £m	Fair value as at 31 December 2018[1] £m
Financial assets with contractual cash flows that are solely payments of principal and interest (SPPI) excluding those held for trading or managed on a fair value basis	**6,197**	6,526
Financial assets other than those above[2]	**218,355**	204,398
Total	**224,552**	210,924

1 Comparative figures have been restated by Phoenix to ensure a consistent presentation for all similar items across all Phoenix subsidiaries following the acquisition of the UK and European insurance business.

2 The change in fair value in the year to 31 December 2019 of all other financial assets that are FVTPL is a gain of £20,231m (4 months ended 31 December 2018: loss of £11,509m).

An analysis of credit ratings of financial assets with contractual cash flows that are SPPI, excluding those held for trading or managed on a fair value basis, is provided below:

2019 Carrying value	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Non-rated £m	Unit-linked £m	Total £m
Loans and deposits	–	21	47	164	–	284	–	**516**
Cash and cash equivalents	295	733	3,105	23	–	142	40	**4,338**
Accrued income	–	–	–	–	–	160	–	**160**
Other receivables	–	–	–	–	–	1,183	–	**1,183**
	295	**754**	**3,152**	**187**	**–**	**1,769**	**40**	**6,197**

2018 Carrying value	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Non-rated £m	Unit-linked £m	Total £m
Loans and deposits	–	7	46	–	–	370	–	**423**
Cash and cash equivalents	327	947	1,836	1,265	–	450	101	**4,926**
Accrued income	–	–	–	–	–	151	–	**151**
Other receivables	–	–	–	–	–	1,026	–	**1,026**
	327	**954**	**1,882**	**1,265**	**–**	**1,997**	**101**	**6,526**

HDFC Life

HDFC Life is one of India's leading life insurance companies. The investment in HDFC Life allows the Group to benefit from the life insurance market in one of the world's fastest growing economies.

During 2019 the Group reduced its interest in HDFC Life to 14.73%. Refer Note 1 for further details. Whilst the Group's remaining interest is less than 20%, being the threshold where significant influence is presumed, our judgement is that HDFC Life should continue to be classified as an associate. This judgement takes into account other key indicators of significant influence including the Group's representation on the Board of HDFC Life and the Group's ability to participate in policy-making processes including decisions about dividends or other distributions that require unanimous Board approval under the articles of association.

The difference between the carrying value of this associate and the Group's current share of net assets is due primarily to goodwill of £49m arising from additional investments being made at fair value rather than book value. (2018: £104m.)

The year end date for HDFC Life is 31 March which is different from the Group's year end date of 31 December. For the purposes of the preparation of the Group's consolidated financial statements, financial information as at and for the 12 months ended 31 December is used for HDFC Life.

At 31 March 2016 HDFC Life had significant insurance liabilities and its liabilities arising from contracts within the scope of IFRS 4 and liabilities connected with insurance were over 90% of its total liabilities. Therefore HDFC Life was eligible to defer the implementation of IFRS 9 for equity accounting purposes.

The fair value of HDFC Life's financial assets at 31 December 2019 that remain under IAS 39 for equity accounting purposes and the change in fair value during the year ended 31 December 2019 are as follows:

	Fair value as at 31 December 2019 £m	Fair value as at 31 December 2018 £m
Financial assets with contractual cash flows that are solely payments of principal and interest (SPPI) excluding those held for trading or managed on a fair value basis[1,2]	**6,871**	5,662
Financial assets other than those above[2]	**8,046**	7,596
Total	**14,917**	13,258

1 Financial assets that are SPPI (excluding those held for trading or managed on a fair value basis) are predominantly AAA debt instruments including central and state government securities. Their carrying value at 31 December 2019 is £6,659m (2018: £5,642m). Securities with fair value and carrying value of £34m (2018: £10m) are rated below BBB.

2 The change in fair value in the year to 31 December 2019 for financial assets that are SPPI (excluding those held for trading or managed on a fair value basis) is a gain of £758m (2018: £385m). The change in fair value for all other financial assets is a gain of £727m (2018: £116m).

HDFC Asset Management

HDFC Asset Management manages a range of mutual funds and provides portfolio management and advisory services. The investment in HDFC Asset Management is a strategic investment in a leading asset manager in India, one of the world's fastest growing markets.

On 6 August 2018, HDFC Asset Management listed on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited following completion of an IPO. Refer Note 1 for further details.

The difference between the carrying value of this associate and the Group's share of net assets is due primarily to goodwill arising on the buyback of shares by HDFC Asset Management from employees.

The year end date of HDFC Asset Management is 31 March which is different from the Group's year end date of 31 December. For the purposes of the preparation of the Group's consolidated financial statements, financial information for the period to 31 December is used for HDFC Asset Management. In previous years, financial information for the 12 months to 30 September was used for HDFC Asset Management. The Group's share of HDFC Asset Management's profits for the 15 months to 31 December 2019, being £42m which includes £7m related to the 3 months to 31 December 2018 (£12m net of tax of £5m), has been recognised in the consolidated income statement. Profits for the 3 months to 31 December 2018 have been excluded from adjusted profit (Refer Note 13).

(c) Investments in joint ventures

	HASL		Other		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Carrying value of joint ventures accounted for using the equity method	**205**	184	**47**	–	**252**	184
Dividends received	**–**	–	**–**	–	**–**	–
Share of profit/(loss) after tax	**20**	9	**(4)**	–	**16**	9

The Group's share of the profit after tax (all from continuing operations) and total comprehensive income of other joint ventures was a loss of £4m (2018: £nil).

HASL

The Group has a 50% share in HASL, one of China's leading life insurance companies offering life and health insurance products. The investment in HASL is a strategic investment giving the Group access to one of the world's largest markets.

On 25 September 2018, the Group made a US$95m (£72m) capital contribution to HASL. The Group's interest remained at 50%.

The table below provides summarised financial information for HASL, the joint venture which is considered to be material to the Group. The summarised financial information reflects the amounts presented in the financial statements of HASL amended to reflect adjustments made when using the equity method.

	HASL	
	2019	2018
	£m	£m
Summarised financial information of joint venture:		
Revenue	**426**	361
Depreciation and amortisation	**3**	2
Interest income	**57**	49
Interest expense	**2**	3
Income tax (expense)/income	**6**	(6)
Profit after tax (all from continuing operations)	**41**	17
Other comprehensive income	**25**	1
Total comprehensive income	**66**	18
Total assets[1]	**1,957**	1,714
Total liabilities[1]	**1,547**	1,347
Cash and cash equivalents	**67**	208
Net assets	**410**	367
Attributable to investee's shareholder	**410**	367
Interest held	**50%**	50%
Share of net assets	**205**	184

1 As a liquidity presentation is used by insurance companies when presenting their statement of financial position, an analysis of total assets and total liabilities between current and non-current has not been provided for HASL.

At 31 December 2015 HASL had significant insurance liabilities and its liabilities arising from contracts within the scope of IFRS 4 and liabilities connected with insurance were over 90% of its total liabilities. Therefore HASL was eligible to defer the implementation of IFRS 9 for equity accounting purposes.

The fair value of HASL's financial assets at 31 December 2019 that remain under IAS 39 for equity accounting purposes and the change in fair value during the year ended 31 December 2019 are as follows:

	Fair value as at 31 December 2019 £m	Fair value as at 31 December 2018 £m
Financial assets with contractual cash flows that are solely payments of principal and interest (SPPI) excluding those held for trading or managed on a fair value basis[1,2]	**1,344**	1,338
Financial assets other than those above[2]	**598**	365
Total	**1,942**	1,703

1 Financial assets that are SPPI (excluding those held for trading or managed on a fair value basis) are predominantly AAA debt instruments. Their carrying value at 31 December 2019 is £1,321m (2018: £1,321m). No securities are rated below BBB (2018: none).

2 The change in fair value in the year to 31 December 2019 for financial assets that are SPPI (excluding those held for trading or managed on a fair value basis) is a gain of £63m (2018: £80m). The change in fair value for all other financial assets is a gain of £68m (2018: loss of £12m).

(d) Investments in associates measured at FVTPL

The aggregate fair value of associates accounted for at FVTPL included in equity securities and interests in pooled investment funds (refer Note 19) at 31 December 2019 is £45m (2018: £34m) none of which are considered individually material to the Group.

17. Property, plant and equipment

Property, plant and equipment consists primarily of property owned and occupied by the Group and the computer equipment used to carry out the Group's business along with right-of-use assets for leased property and equipment.

Owner occupied property: Owner occupied property is initially recognised at cost and subsequently revalued to fair value at each reporting date. Depreciation, being the difference between the carrying amount and the residual value of each significant part of a building, is charged to the consolidated income statement over its useful life. The useful life of each significant part of a building is estimated as being between 30 and 50 years. A revaluation surplus is recognised in other comprehensive income unless it reverses a revaluation deficit which has been recognised in the consolidated income statement.

Equipment: Equipment is initially recognised at cost and subsequently measured at cost less depreciation. Depreciation is charged to the income statement over 2 to 15 years depending on the length of time the Group expects to derive benefit from the asset.

Right-of-use asset: Refer Note 18 below for the accounting policies for right-of-use assets.

	Notes	Owner occupied property £m	Equipment £m	Right-of-use assets – property £m	Right-of-use assets – equipment £m	Total £m
Cost or valuation						
At 1 January 2018		81	182	–	–	263
Reclassified as held for sale during the year		(79)	(108)	–	–	(187)
Additions		–	28	–	–	28
Disposals and adjustments[2]		–	(4)	–	–	(4)
Foreign exchange adjustment		–	3	–	–	3
At 31 December 2018		2	101	–	–	103
Right-of-use assets recognised on implementation of IFRS 16[1]		**–**	**–**	**354**	**1**	**355**
At 1 January 2019		**2**	**101**	**354**	**1**	**458**
Additions		**–**	**28**	**74**	**1**	**103**
Disposals and adjustments[2]		**–**	**(3)**	**(9)**	**–**	**(12)**
Derecognition of right-of-use assets relating to subleases classified as finance leases		**–**	**–**	**(11)**	**–**	**(11)**
Foreign exchange adjustment		**–**	**(1)**	**(4)**	**–**	**(5)**
At 31 December 2019		**2**	**125**	**404**	**2**	**533**
Accumulated depreciation and impairment						
At 1 January 2018		–	(117)	–	–	(117)
Reclassified as held for sale during the year		–	91	–	–	91
Depreciation charge for the year	6	–	(16)	–	–	(16)
Disposals and adjustments[2]		–	2	–	–	2
Foreign exchange adjustment		–	(2)	–	–	(2)
At 31 December 2018		–	(42)	–	–	(42)
Right-of-use assets recognised on implementation of IFRS 16[1]		**–**	**–**	**(176)**	**–**	**(176)**
At 1 January 2019		**–**	**(42)**	**(176)**	**–**	**(218)**
Depreciation charge for the year	6	**–**	**(18)**	**(28)**	**(1)**	**(47)**
Disposals and adjustments[2]		**–**	**1**	**3**	**–**	**4**
Derecognition of right-of-use assets relating to subleases classified as finance leases		**–**	**–**	**8**	**–**	**8**
Impairment		**–**	**–**	**(16)**	**–**	**(16)**
Foreign exchange adjustment		**–**	**–**	**2**	**–**	**2**
At 31 December 2019		**–**	**(59)**	**(207)**	**(1)**	**(267)**
Carrying amount						
At 1 January 2018		81	65	–	–	146
At 31 December 2018		2	59	–	–	61
At 1 January 2019		2	59	178	1	240
At 31 December 2019		**2**	**66**	**197**	**1**	**266**

1 The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated and the cumulative effect of initially applying these standards is recognised in retained earnings at the date of initial application. Refer Basis of preparation.

2 For the year ended 31 December 2019 £nil (2018: £nil) of disposals and adjustments relates to equipment with net book value of £nil which is no longer in use.

Included in property right-of-use assets, are right-of-use assets that meet the definition of investment property. Their carrying amount at 31 December 2019 is £28m (1 January 2019: £24m). During the year to 31 December 2019 there were additions of £26m, depreciation of £2m, derecognitions related to new subleases classified as finance leases £4m and impairments of £16m related to these assets. Rental income received and direct operating expenses incurred to generate that rental income in the year to 31 December 2019 were £2m and £3m respectively.

The fair value of these right-of-use assets at 31 December 2019 is £28m. The valuation technique used to determine the fair value considers the rental income expected to be received under sub-leases during the term of the lease and the direct expenses expected to be incurred in managing the leased property, discounted using a discount rate that reflects the risks inherent in the cash flow estimates. It is not based on valuations by an independent valuer. This is a Level 3 valuation technique as defined in Note 40.

The impairment charge of £16m, which has been included in other administrative expenses in the consolidated income statement, relates to a leased property that is vacant at 31 December 2019 awaiting subletting. The recoverable amount of the property right-of-asset is its value in use of £11m and is reported in the asset management, platforms and wealth segment.

If owner occupied property was measured using the cost model, the historical cost before impairment would be £2m (2018: £2m). As the expected residual value of owner occupied property is in line with the current fair value, no depreciation is currently charged.

Further details on the leases under which the Group's right-of-use assets are recognised are provided in Note 18 below.

18. Leases

On 1 January 2019, the Group adopted IFRS 16 *Leases*. Refer Basis of preparation for details of the transition from the previous leasing standard, IAS 17 to IFRS 16.

As the Group has not restated comparative information, the classification and measurement of leases at 31 December 2019 is in accordance with IFRS 16 while the classification and measurement of leases at 31 December 2018 is in accordance with IAS 17.

Classification and measurement in accordance with IFRS 16
Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. However, as noted in the Basis of preparation, the Group used the practical expedient permitted under IFRS 16 to apply the new standard at transition solely to leases previously identified in accordance with IAS 17 and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

Right-of-use assets are measured at cost less accumulated depreciation and impairment losses and are presented in property, plant and equipment (refer Note 17). The Group does not revalue its right-of-use assets. This applies to all right-of-use assets, including those that are assessed as meeting the definition of investment property. The cost comprises the amount of the initial measurement of the lease liability plus any initial direct costs and expected restoration costs not relating to wear and tear. Costs relating to wear and tear are expensed over the term of the lease. Depreciation is charged on right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group assesses right-of-use assets for impairment when such indicators exist, and where required, reduces the value of the right-of-use asset accordingly.

The related lease liability (included in other financial liabilities – refer Note 36) is calculated as the present value of the future lease payments. The lease payments are discounted using the rate implicit within the lease where readily available or the Group's incremental borrowing rate where the implicit rate is not readily available. Interest is calculated on the liability using the discount rate and is charged to the consolidated income statement under finance costs.

In determining the value of the right-of-use assets and lease liabilities, the Group considers whether any leases contain lease extensions or termination options that the Group is reasonably certain to exercise.

Where a leased property has been sublet, the Group assesses whether the sublease has transferred substantially all the risk and rewards of the right-of-use asset to the lessee under the sublease. Where this is the case, the right-of-use asset is derecognised and a net investment in finance leases (included in Receivables and other financial assets – refer Note 21) is recognised, calculated as the present value of the future lease payments receivable under the sublease. Where a property is only partially sublet, only the portion of the right-of-use asset relating to the sublet part of the property is derecognised and recognised as a net investment in finance leases.

Any difference between the initial value of the net investment in finance leases and the right-of-use asset derecognised is recognised in the consolidated income statement (within other income or expenses). Interest is calculated on the net investment in finance lease using the discount rate and is recognised in the consolidated income statement as interest income.

Where the sublease does not transfer substantially all the risk and rewards of the right-of-use assets to the lessee under the sublease, the Group continues to recognise the right-of-use asset. The sub-lease is accounted for as an operating lease with the lease payments received recognised as property rental income in other income in the consolidated income statement. Lease incentives granted are recognised as an integral part of the property rental income and are spread over the term of the lease.

The Group does not recognise right-of-use assets and lease liabilities for short-term leases (less than 1 year from inception) and leases where the underlying asset is of low value.

Classification and measurement in accordance with IAS 17 in respect of prior periods
Under IAS 17, a contract was or contained a lease based on the assessment of whether fulfilment of the arrangement was dependent on the use of a specific asset or assets; and the arrangement had conveyed a right to use the asset.

All the Group's leases as lessee were classified as operating leases under IAS 17. Operating lease rentals were recognised in the consolidated income statement on a straight line over the term of the lease. Lease incentives received such as rent free periods were recognised as an integral part of the operating lease rental expense and were spread over the term of the lease.

Under IAS 17, all the Group's subleases were also classified as operating leases. Unlike IFRS 16 where the assessment of whether a sublease is a finance or operating lease is based on the head lease right-of-use asset, the IAS 17 assessment was based on the underlying asset e.g. the building for property leases. IFRS 16 did not change the lessor accounting for operating leases.

(a) Leases where the Group is lessee

The Group leases various offices and equipment used to carry out its business. Leases are generally for fixed periods but may be subject to extensions or early termination clauses. The remaining periods for current leases range from less than 1 year to 19 years. A number of leases which are due to end in 2031 contain options that would allow the Group to extend the lease term. The Group reviews its property use on an ongoing basis and these extensions have not been included in the right-of-use asset or lease liability calculations.

The Group has recognised the following assets and liabilities in relation to these leases where the Group is a lessee:

	2019 £m
Right-of-use assets:	
Property	197
Equipment	1
Total right-of-use assets	**198**
Lease liabilities	**(268)**

The following table provides a maturity analysis of the contractual undiscounted cash flows for the lease liabilities:

	2019 £m
Less than 1 year	33
Greater than or equal to 1 year and less than 2 years	29
Greater than or equal to 2 years and less than 3 years	28
Greater than or equal to 3 years and less than 4 years	26
Greater than or equal to 4 years and less than 5 years	23
Greater than or equal to 5 years and less than 10 years	102
Greater than or equal to 10 years and less than 15 years	57
Greater than or equal to 15 years	14
Total undiscounted lease liabilities	**312**

Details of the movements in the Group's right-of-use assets including additions and depreciation are included in Note 17.

The interest on lease liabilities for the year ended 31 December 2019 was £7m.

The Group does not recognise right-of-use assets and lease liabilities for short-term leases and leases where the underlying asset is of low value. The expenses for these leases for the year ended 31 December 2019 were £2m. The Group lease commitment for short-term leases was £nil at 31 December 2019.

Prior to the implementation of IFRS 16, the Group accounted for all leases where the Group was the lessee as operating leases and recorded an operating lease rental expense of £50m for the year ended 31 December 2018. The Group's commitment under operating leases was £250m at 31 December 2018. Refer to Basis of preparation for the reconciliation of this lease commitment on a discounted basis to the opening lease liabilities on implementation of IFRS 16 at 1 January 2019.

The total cash outflow for lease liabilities recognised in the consolidated statement of cash flows for the year ended 31 December 2019 was £32m.

(b) Leases where the Group is lessor (subleases)

Where the Group no longer requires a leased property, the property may be sublet to a third party. The sublease may be for the full remaining term of the Group's lease or only part of the remaining term.

At 31 December 2019, the Group had a net investment in finance leases asset of £15m for subleases which had transferred substantially all the risk and rewards of the right-of-use assets to the lessee under the sublease. All other sub-leases are accounted for as operating leases. Prior to the implementation of IFRS 16, all the Group's subleases were accounted for as operating leases. The net investment in finance leases recognised at 1 January 2019 on implementation of IFRS 16 was £7m. The increase during the year ended 31 December 2019 was mainly due to four new subleases entered into during the year.

(b)(i) Finance leases

During the year ended 31 December 2019, the Group received finance income on the net investment in finance leases asset of less than £1m. The Group recorded an initial gain of £4m in relation to new sub-leases entered into during the year ended 31 December 2019.

The following table provides a maturity analysis of the future contractual undiscounted cash flows for the net investment in finance leases and a reconciliation to the net investment in finance leases asset:

	2019 **£m**
Less than 1 year	2
Greater than or equal to 1 year and less than 2 years	2
Greater than or equal to 2 years and less than 3 years	2
Greater than or equal to 3 years and less than 4 years	1
Greater than or equal to 4 years and less than 5 years	1
Greater than or equal to 5 years and less than 10 years	7
Greater than or equal to 10 years and less than 15 years	2
Total contractual undiscounted cash flows under finance leases	17
Unearned finance income	(2)
Total net investment in finance leases	**15**

(b)(ii) Operating leases

During the year ended 31 December 2019, the Group received property rental income from operating leases of £2m.

The following table provides a maturity analysis of the future contractual undiscounted cash flows for subleases classified as operating leases:

	2019 **£m**	2018[1] £m
Less than 1 year	**3**	4
Greater than or equal to 1 year and less than 2 years	**3**	3
Greater than or equal to 2 years and less than 3 years	**2**	3
Greater than or equal to 3 years and less than 4 years	**–**	3
Greater than or equal to 4 years and less than 5 years	**–**	1
Greater than or equal to 5 years and less than 10 years	**–**	5
Greater than or equal to 10 years and less than 15 years	**–**	1
Total contractual undiscounted cash flows under operating leases	**8**	20

1 Subleases classified as operating leases under IAS 17.

FINANCIAL INFORMATION

19. Financial assets

On 1 January 2019, the Group adopted IFRS 9 *Financial Instruments*. Refer Basis of preparation for details of the transition from the previous financial instruments standard, IAS 39 to IFRS 9.

As the Group has not restated comparative information, the classification and measurement of financial assets at 31 December 2019 is in accordance with IFRS 9 while the classification and measurement of financial assets at 31 December 2018 is in accordance with IAS 39.

Classification and measurement in accordance with IFRS 9
Financial assets are initially recognised at their fair value. Subsequently all equity securities and interests in pooled investment funds and derivative instruments are measured at fair value. All equity securities and interests in pooled investment funds are classified as FVTPL on a mandatory basis. Changes in their fair value are recognised in investment return in the consolidated income statement. The classification of derivatives and the accounting treatment of derivatives designated as a hedging instrument are set out in Note 20.

The subsequent measurement of debt instruments depends on whether their cash flows are solely payments of principal and interest and the nature of the business model they are held in as follows:

SPPI[1] test satisfied?	Business model	IFRS 9 classification
Yes	A: Objective is to hold to collect contractual cash flows	Amortised cost[2]
Yes	B: Objective is achieved by both collecting contractual cash flows and selling	Fair value through other comprehensive income (FVOCI)[2]
Yes	C: Objective is neither A nor B	FVTPL
No	N/A	FVTPL

1 Solely payments of principal and interest.

2 May be classified as FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Group has no debt instruments that are managed within a business model whose objective is achieved both by collecting contractual cash flows and selling and therefore there are no debt instruments classified as FVOCI. Debt instruments classified as FVTPL are classified as such due to the business model they are managed under, predominantly being held in consolidated investment vehicles.

The methods and assumptions used to determine fair value of financial assets at FVTPL are discussed in Note 40.

Amortised cost is calculated, and related interest is credited to the consolidated income statement, using the effective interest method. Impairment is determined using an expected credit loss impairment model which is applied to all financial asset measured at amortised cost. Financial assets measured at amortised cost attract a loss allowance equal to either:

- 12 month expected credit losses (losses resulting from possible default within the next 12 months)
- Lifetime expected credit losses (losses resulting from possible defaults over the remaining life of the financial asset)

Financial assets attract a 12 month ECL allowance unless the asset has suffered a significant deterioration in credit quality or the simplified approach for calculation of ECL has been applied. As permitted under IFRS 9 *Financial Instruments*, the Group has applied the simplified approach to calculate the ECL allowance for trade receivables and contract assets recognised under IFRS 15 *Revenue from Contracts with Customers* and lease receivables recognised under IFRS 16 *Leases*. Under the simplified approach the ECL is calculated over the remaining life of the asset.

Classification and measurement in accordance with IAS 39 in respect of prior periods
Management determined the classification of financial investments at initial recognition. Financial investments which were not derivatives and were not designated at FVTPL were classified as either available-for-sale (AFS) or loans and receivables.

Derivatives were measured at fair value. Derivatives were classified as held for trading except for derivatives that were designated as hedging instruments in cash flow or net investment hedges. Changes in the fair value of held for trading derivatives were recognised in investment return in the consolidated income statement. The classification of derivatives and the accounting treatment of derivatives designated as a hedging instrument are set out in Note 20.

The majority of the Group's debt securities and all equity securities and interests in pooled investment funds were designated at FVTPL as they were part of groups of assets which were managed and whose performance was evaluated on a fair value basis. These investments were recognised at fair value with changes in fair value recognised in investment return in the consolidated income statement. Commercial real estate loans were included within debt securities designated at fair value.

All other debt securities were classified as AFS and were recognised at fair value with changes in fair value recognised in other comprehensive income. Interest was credited to the consolidated income statement using the effective interest rate method. On disposal of an AFS security any gains or losses previously recognised in other comprehensive income were recognised in the consolidated income statement (recycling).

Loans and receivables which included cash and cash equivalents were measured at amortised cost calculated using the effective interest rate method.

The table below sets out an analysis of financial assets excluding those assets backing unit linked liabilities which are set out in Note 25.

2019	Notes	At fair value through profit or loss[1] £m	Cash flow hedge £m	At amortised cost £m	Total £m
Derivative financial assets	20	16	3	–	**19**
Equity securities and interests in pooled investment funds	40	725	–	–	**725**
Debt securities	40	769	–	602	**1,371**
Financial investments		1,510	3	602	**2,115**
Receivables and other financial assets	21	1	–	559	**560**
Cash and cash equivalents	24	–	–	1,615	**1,615**
Total		**1,511**	**3**	**2,776**	**4,290**

1 All financial assets measured at fair value through profit or loss have been classified at FVTPL on a mandatory basis. The Group has not designated any financial assets as FVTPL.

2018[1]	Notes	Designated as at fair value through profit or loss £m	Held for trading £m	Cash flow hedge £m	Available-for-sale £m	Loans and receivables £m	Total £m
Derivative financial assets	20	–	6	13	–	–	**19**
Equity securities and interests in pooled investment funds	40	509	–	–	–	–	**509**
Debt securities	40	725	–	–	862	–	**1,587**
Financial investments		1,234	6	13	862	–	**2,115**
Receivables and other financial assets	21	8	–	–	–	689	**697**
Cash and cash equivalents	24	–	–	–	–	1,110	**1,110**
Total		**1,242**	**6**	**13**	**862**	**1,799**	**3,922**

1 Comparatives for 2018 have been represented to exclude assets backing unit linked liabilities. Refer Notes 20 and 25.

The amount of debt securities expected to be recovered or settled after more than 12 months is £273m (2018: £287m). Due to the nature of equity securities and interests in pooled investment funds, there is no fixed term associated with these securities.

Estimates and assumptions

Determination of the fair value of contingent consideration assets included in receivables and other financial assets is a key estimate. The methods and assumptions used to determine fair value of these assets are discussed in Note 40.

20. Derivative financial instruments

A derivative is a financial instrument that is typically used to manage risk and whose value moves in response to an underlying variable such as interest or foreign exchange rates. The Group uses derivative financial instruments in order to match subordinated debt liabilities and to reduce the risk from potential movements in foreign exchange rates on seed capital and co-investments and potential movements in market rates on seed capital. Certain consolidated investment vehicles may also use derivatives to take and alter market exposure, with the objective of enhancing performance and controlling risk.

Management determines the classification of derivatives at initial recognition. Under IFRS 9, all derivative instruments are classified as at FVTPL except those designated as part of a cash flow hedge or net investment hedge. Derivatives at FVTPL are measured at fair value with changes in fair value recognised in the consolidated income statement.

Under IAS 39, all derivative instruments were classified as held for trading except those designated as part of a hedging relationship. Held for trading derivatives were also measured at fair value with changes in fair value recognised in the consolidated income statement.

On adoption of IFRS 9 *Financial instruments*, the Group has elected to continue applying the hedge accounting requirements of IAS 39. The accounting treatment below applies to derivatives designated as part of a hedging relationship.

Using derivatives to manage a particular exposure is referred to as hedging. For a derivative to be considered as part of a hedging relationship its purpose must be formally documented at inception. In addition, the effectiveness of the hedge must be initially high and be able to be reliably measured on a regular basis. Derivatives used to hedge variability in future cash flows such as coupons payable on subordinated liabilities or revenue receivable in a foreign currency are designated as cash flow hedges, while derivatives used to hedge currency risk on investments in foreign operations are designated as net investment hedges.

Where a derivative qualifies as a cash flow or net investment hedge, hedge accounting is applied. The effective part of any gain or loss resulting from the change in fair value is recognised in other comprehensive income, and in the cash flow or net investment hedge reserve in equity, while any ineffective part is recognised immediately in the consolidated income statement. If a derivative ceases to meet the relevant hedging criteria, hedge accounting is discontinued.

For cash flow hedges, the amount recognised in the cash flow hedge reserve is transferred to the consolidated income statement (recycled) in the same period or periods during which the hedged item affects profit or loss and is transferred immediately if the cash flow is no longer expected to occur. For net investment hedges, the amount recognised in the net investment hedge reserve is transferred to the consolidated income statement on disposal of the investment.

		2019			2018		
	Notes	Contract amount £m	Fair value assets £m	Fair value liabilities £m	Contract amount £m	Fair value assets £m	Fair value liabilities £m
Cash flow hedges	19,32	**566**	**3**	**–**	589	13	–
Net investment hedges		**–**	**–**	**–**	6	–	–
FVTPL/Held for trading	19,32	**534**	**16**	**3**	330	6	4
Derivative financial instruments	40	**1,100**	**19**	**3**	925	19	4
Derivative financial instruments backing unit linked liabilities	25	**669**	**5**	**6**	295	2	2
Total derivative financial instruments		**1,769**	**24**	**9**	1,220	21	6

Derivative assets of £4m (2018: £13m) are expected to be recovered after more than 12 months. Derivative liabilities of £1m (2018: £nil) are expected to be settled after more than 12 months.

(a) Hedging strategy

During 2019 the Group reaffirmed its strategy for hedging foreign currency risks, providing a consistent approach to managing these risks. The Group generally does not hedge the currency exposure relating to revenue and expenditure, nor does it hedge translation of overseas profits in the income statement. Where appropriate, the Group may use derivative contracts to reduce or eliminate currency risk arising from individual transactions or seed capital and co-investment activity.

(a)(i) Cash flow hedges

On 18 October 2017, the Group issued subordinated notes with a principal amount of US$750m. In order to manage its foreign exchange risk relating to the principal and coupons payable on these notes the Group entered into a cross-currency swap which is designated as a cash flow hedge. The cash flow hedge was fully effective during the year. The cross-currency swap has the effect of swapping the 4.25% US Dollar fixed rate subordinated notes into 3.2% Sterling fixed rate subordinated notes with a principal amount of £569m. The cross-currency swap has a fair value asset position of £3m (2018: £13m asset). During the year ended 31 December 2019 fair value losses of £10m (2018: gains of £54m) were recognised in other comprehensive income in relation to the cross-currency swap. Losses of £28m (2018: gains of £35m) and forward points/gains of £6m (2018: gains of £6m) were transferred from other comprehensive income to investment return and finance costs respectively in the consolidated income statement in relation to the cross-currency swap during the year.

(a)(ii) Net investment hedges

At 31 December 2019, the Group had no open derivative contracts which were designated as net investment hedges. At 31 December 2018, forward foreign exchange contracts with a notional principal amount of £6m and a net fair value liability position of less than £1m were designated as net investment hedges and gave rise to losses for the year of less than £1m which was deferred in the net investment hedge translation reserve. The effectiveness of hedges of net investments in foreign operations was measured with reference to changes in the spot exchange rates. Any ineffectiveness, together with any difference in value attributable to forward points, was recognised in the consolidated income statement. In 2019, the losses recognised in the consolidated income statement for forward foreign exchange contracts designated as net investment hedges were less than £1m (2018: less than £1m).

(a)(iii) FVTPL/Held for trading

Derivative financial instruments classified as FVTPL/held for trading include those that the Group holds as economic hedges of financial instruments that are measured at fair value. FVTPL/held for trading derivative financial instruments are also held by the Group to match contractual liabilities that are measured at fair value or to achieve efficient portfolio management in respect of instruments measured at fair value.

	2019			2018		
	Contract amount £m	Fair value assets £m	Fair value liabilities £m	Contract amount £m	Fair value assets £m	Fair value liabilities £m
Equity derivatives:						
Futures	177	2	1	58	1	–
Variance swaps	5	6	–	4	4	–
Total return swaps	29	–	1	–	–	–
Bond derivatives:						
Futures	1	–	–	–	–	–
Interest rate derivatives:						
Swaps	153	–	2	37	–	–
Futures	–	–	–	15	–	–
Foreign exchange derivatives:						
Forwards	718	10	5	475	2	6
Other derivatives:						
Inflation rate swaps	14	1	–	5	–	–
Credit default swaps	106	2	–	31	1	–
Derivative financial instruments at FVTPL/ held for trading	1,203	21	9	625	8	6

(b) Maturity profile

The maturity profile of the contractual undiscounted cash flows in relation to derivative financial instruments is as follows:

2019	Within 1 year £m	1-5 years £m	5-10 years £m	10-15 years £m	15-20 years £m	Greater than 20 years £m	Total £m
Cash inflows							
Derivative financial assets	411	99	651	–	–	1	1,162
Derivative financial liabilities	281	–	–	–	–	–	281
Total	692	99	651	–	–	1	1,443
Cash outflows							
Derivative financial assets	(386)	(73)	(633)	–	–	–	(1,092)
Derivative financial liabilities	(287)	(1)	(1)	–	–	(1)	(290)
Total	(673)	(74)	(634)	–	–	(1)	(1,382)
Net derivative financial instruments cash inflows	19	25	17	–	–	–	61

Included in the above maturity profile are the following cash flows in relation to cash flow hedge assets:

2019	Within 1 year £m	1-5 years £m	5-10 years £m	10-15 years £m	15-20 years £m	Greater than 20 years £m	Total £m
Cash inflows	24	96	650	–	–	–	770
Cash outflows	(18)	(73)	(632)	–	–	–	(723)
Net cash flow hedge cash inflows	6	23	18	–	–	–	47

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Cash inflows and outflows are presented on a net basis where the Group is required to settle cash flows net.

2018	Within 1 year £m	1-5 years £m	5-10 years £m	10-15 years £m	15-20 years £m	Greater than 20 years £m	Total £m
Cash inflows							
Derivative financial assets	34	88	714	–	–	–	**836**
Derivative financial liabilities	5	–	–	–	–	–	**5**
Total	**39**	**88**	**714**	**–**	**–**	**–**	**841**
Cash outflows							
Derivative financial assets	(18)	(64)	(660)	–	–	–	**(742)**
Derivative financial liabilities	(10)	–	–	–	–	–	**(10)**
Total	**(28)**	**(64)**	**(660)**	**–**	**–**	**–**	**(752)**
Net derivative financial instruments cash inflows	**11**	**24**	**54**	**–**	**–**	**–**	**89**

Included in the above maturity profile are the following cash flows in relation to cash flow hedge assets:

2018	Within 1 year £m	1-5 years £m	5-10 years £m	10-15 years £m	15-20 years £m	Greater than 20 years £m	Total £m
Cash inflows	25	88	714	–	–	–	**827**
Cash outflows	(18)	(64)	(660)	–	–	–	**(742)**
Net cash flow hedge cash inflows	**7**	**24**	**54**	**–**	**–**	**–**	**85**

21. Receivables and other financial assets

	Notes	2019 £m	2018[1] £m
Amounts receivable from contracts with customers	4(b)	**130**	112
Accrued income		**231**	214
Cancellations of units awaiting settlement		**111**	189
Net investment in finance leases		**15**	–
Collateral pledged in respect of derivative contracts	38	**18**	8
Contingent consideration asset	40	**1**	8
Other		**54**	166
Receivables and other financial assets		**560**	697

1 Comparatives for 2018 have been represented to exclude assets backing unit linked liabilities. Refer Note 25.

The carrying amounts disclosed above reasonably approximate the fair values as at the year end.

The amount of receivables and other financial assets expected to be recovered after more than 12 months is £25m (2018: £10m).

Accrued income includes £227m (2018: £214m) of accrued income from contracts with customers (refer Note 4(b)).

22. Other assets

	2019 £m	2018 £m
Prepayments	**48**	38
Deferred acquisition costs	**6**	6
Other	**1**	2
Other assets	**55**	46

The amount of other assets expected to be recovered after more than 12 months is £6m (2018: £9m).

All deferred acquisition costs above are costs deferred on investment contracts (deferred origination costs) which relate to contracts with customers (refer Note 4(b)). The amortisation charge for deferred origination costs relating to contracts with customers from continuing operations for the year was £2m (2018: £2m).

23. Assets and liabilities held for sale

Assets and liabilities held for sale are presented separately in the consolidated statement of financial position and consist of operations and individual non-current assets whose carrying amount will be recovered principally through a sale transaction (expected within one year) and not through continuing use.

Operations held for sale, being disposal groups, and investments in associates accounted for using the equity method are measured at the lower of their carrying amount and their fair value less disposal costs. No depreciation or amortisation is charged on assets in a disposal group once it has been classified as held for sale.

Operations held for sale include newly established investment vehicles which the Group has seeded but is actively seeking to divest from. For these investment funds, which do not have significant liabilities or non-financial assets, financial assets continue to be measured based on the accounting policies that applied before they were classified as held for sale. The Group classifies seeded operations as held for sale where the intention is to dispose of the investment vehicle in a single transaction. Where disposal of a seeded investment vehicle will be in more than one tranche the operations are not classified as held for sale in the consolidated statement of financial position.

Certain amounts seeded into funds are classified as interests in pooled investment funds. Investment property and owner occupied property held for sale relates to property for which contracts have been exchanged but the sale had not completed during the current financial year. Interests in pooled investment funds and investment property held for sale continue to be measured based on the accounting policies that applied before they were classified as held for sale.

	2019 £m	2018 £m
Assets of operations held for sale		
Standard Life (Asia) Limited	**765**	667
Investment vehicles	**2**	95
Assets held for sale	**767**	762
Liabilities of operations held for sale		
Standard Life (Asia) Limited	**747**	643
Investment vehicles	**–**	14
Liabilities of operations held for sale	**747**	657

(a) Standard Life (Asia) Limited

On 29 March 2017, the Group announced the proposed sale of its wholly owned Hong Kong insurance business, Standard Life (Asia) Limited to the Group's Chinese joint venture business, Heng An Standard Life Insurance Company Limited. Standard Life (Asia) Limited is reported in the Asset management, platforms and wealth segment and Heng An Standard Life Insurance Company Limited is reported within the Insurance associates and joint ventures segment. The transaction remains subject to regulatory approval and Standard Life (Asia) Limited continues to be classified as an operation held for sale.

At 31 December 2019, this disposal group was measured at fair value less cost to sell and comprised the following assets and liabilities:

	2019 £m	2018 £m
Assets of operations held for sale		
Equity securities and interests in pooled investment funds	**674**	604
Cash and cash equivalents	**26**	33
Other assets	**65**	30
Total assets of operations held for sale	**765**	667
Liabilities of operations held for sale		
Non-participating insurance contract liabilities	**647**	574
Non-participating investment contract liabilities	**49**	52
Other liabilities	**51**	17
Total liabilities of operations held for sale	**747**	643
Net assets of operations held for sale	**18**	24

Following the remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell, an impairment loss of £nil (2018: £2m) is included in Other administrative expenses in the consolidated income statement. Fair value has been determined by reference to the expected sale price.

Net assets of operations held for sale are net of intercompany balances between Standard Life (Asia) Limited and the rest of the Group. The net assets of Standard Life (Asia) Limited on a gross basis as at 31 December 2019 are £18m (2018: £18m).

24. Cash and cash equivalents

Cash and cash equivalents include cash at bank, money at call and short notice with banks, and any highly liquid investments with less than three months to maturity from the date of acquisition. For the purposes of the consolidated statement of cash flows, cash and cash equivalents also include bank overdrafts which are included in other financial liabilities on the consolidated statement of financial position.

Where the Group has a legally enforceable right of set off and intention to settle on a net basis, cash and overdrafts are offset in the consolidated statement of financial position.

	2019 £m	2018[1] £m
Cash at bank and in hand	**852**	658
Money at call, term deposits and debt instruments with less than three months to maturity from acquisition	**763**	452
Cash and cash equivalents	**1,615**	1,110

	Notes	2019 £m	2018[1] £m
Cash and cash equivalents		**1,615**	1,110
Cash and cash equivalents backing unit linked liabilities	25	**44**	30
Cash and cash equivalents classified as held for sale	23	**26**	33
Bank overdrafts	36	**(338)**	(216)
Total cash and cash equivalents for consolidated statement of cash flows		**1,347**	957

1 Comparatives for 2018 have been represented to exclude assets backing unit linked liabilities. Refer Note 25.

Cash at bank, money at call and short notice and deposits are subject to variable interest rates.

Included in cash and cash equivalents and bank overdrafts are £592m (2018: £566m) and £338m (2018: £216m) relating to balances within a cash pooling facility in support of which cross guarantees are provided by certain subsidiary undertakings and interest is paid or received on the net balance. Included in cash and cash equivalents is an offsetting overdraft of £219m (2018: £343m) where the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis.

Cash and cash equivalents in respect of unit linked funds (including third party interests in consolidated funds) are held in separate bank accounts and are not available for general use by the Group.

25. Unit linked liabilities and assets backing unit linked liabilities

The Group operates unit linked life assurance businesses through a number of subsidiaries. These subsidiaries provide investment products through a life assurance wrapper. These products do not contain any features which transfer significant insurance risk and therefore are classified as investment contracts. Unit linked non-participating investment contracts are separated into two components being an investment management services component and a financial liability. All fees and related administrative expenses are deemed to be associated with the investment management services component (refer Note 4). The financial liability component is designated at FVTPL as it is implicitly managed on a fair value basis as its value is directly linked to the market value of the underlying portfolio of assets. This is unchanged following the adoption of IFRS 9.

Where the Group is deemed to control an investment vehicle as a result of holdings in that vehicle by subsidiaries to back unit linked non-participating investment contract liabilities, the assets and liabilities of the vehicle are consolidated within the Group's statement of financial position. The liability for third party interest in such consolidated funds is presented as a unit linked liability.

Unit linked liabilities and assets backing unit linked liabilities are presented separately in the consolidated statement of financial position except for those held in operations held for sale, which are presented in assets and liabilities held for sale in the consolidated statement of financial position. This is a change in presentation compared to 2018, where these assets and liabilities were not presented separately. This change in presentation, which follows the sale of the UK and European insurance business in 2018, is to make the financial statements more relevant to users by highlighting the matched assets and liabilities that relate to unit linked business separately to other shareholder business assets and liabilities on the face of the consolidated statement of financial position.

Contributions received on non-participating investment contracts and from third party interest in consolidated funds are treated as deposits and not reported as revenue in the consolidated income statement.

Withdrawals paid out to policyholders on non-participating investment contracts and to third party interest in consolidated funds are treated as a reduction to deposits and not recognised as expenses in the consolidated income statement.

Investment return and related benefits credited in respect of non-participating investment contracts and third party interest in consolidated funds are recognised in the consolidated income statement as changes in investment contract liabilities and changes in liability for third party interest in consolidated funds respectively.

Assets backing unit linked liabilities comprise financial investments, which are all classified as FVTPL on a mandatory basis, and receivables and other financial assets and cash and cash equivalents which are measured at amortised cost.

(a) Financial instrument risk management

The shareholder is not directly exposed to market risk or credit risk in relation to the financial assets backing unit linked liabilities. The shareholder's exposure to market risk on these assets is limited to variations in the value of future fee based revenue as fees are based on a percentage of fund value.

The shareholder is exposed to liquidity risk relating to unit linked funds. For the unit linked business, liquidity risk is primarily managed by holding a range of diversified instruments which are assessed against cash flow and funding requirements. A core portfolio of assets is maintained and invested in accordance with the mandates of the relevant unit linked funds. Given that unit linked policyholders can usually choose to surrender, in part or in full, their unit linked contracts at any time, the non-participating investment contract unit linked liabilities are designated as payable within one year. Such surrenders would be matched in practice, if necessary, by sales of underlying assets. Policyholder behaviour and the trading position of asset classes are actively monitored. The Group can delay settling liabilities to unit linked policyholders to ensure fairness between those remaining in the fund and those leaving the fund. The length of any such delay is dependent on the underlying financial assets.

(b) Fair value measurement of unit linked financial liabilities and financial assets backing unit linked liabilities

Each of the unit linked financial liabilities and the financial assets backing unit linked liabilities has been categorised below using the fair value hierarchy as defined in Note 40. Refer Note 40 for details of valuation techniques used.

2019	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Classified as held for sale[1] £m	Total £m
Financial investments	1,991	211	–	–	(674)	**1,528**
Receivables and other financial assets	–	–	–	10	–	**10**
Cash and cash equivalents	–	–	–	45	(1)	**44**
Total financial assets backing unit linked liabilities	**1,991**	**211**	**–**	**55**	**(675)**	**1,582**
Investment contract liabilities	–	1,201	–	–	(49)	**1,152**
Third party interest in consolidated funds	–	416	–	–	–	**416**
Other unit linked financial liabilities	–	6	–	6	–	**12**
Total unit linked financial liabilities	**–**	**1,623**	**–**	**6**	**(49)**	**1,580**

2018	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Classified as held for sale[1] £m	Total £m
Financial investments	2,114	149	–	–	(604)	**1,659**
Receivables and other financial assets	–	–	–	11	–	**11**
Cash and cash equivalents	–	–	–	31	(1)	**30**
Total financial assets backing unit linked liabilities	**2,114**	**149**	**–**	**42**	**(605)**	**1,700**
Investment contract liabilities	–	1,520	–	–	(52)	**1,468**
Third party interest in consolidated funds	–	228	–	–	–	**228**
Other unit linked financial liabilities	–	–	–	3	–	**3**
Total unit linked financial liabilities	**–**	**1,748**	**–**	**3**	**(52)**	**1,699**

1 Financial investments include financial assets backing unit linked liabilities classified as non-participating insurance contracts within liabilities of operations held for sale. (Refer Note 23).

The financial investments backing unit linked liabilities comprise equity securities and interests in pooled investment funds of £1,338m (2018: £1,521m), debt securities of £185m (2018: £136m) and derivative financial assets of £5m (2018: £2m). In addition to unit linked financial liabilities shown above there is a current tax liability of £2m (2018: £1m) included in unit linked liabilities.

The fair value of financial instruments not held at fair value approximates to their carrying value at 31 December 2019 and 31 December 2018.

There were no financial instruments transferred from level 1 to level 2 in the year (2018: none). There were no movements in level 3 financial assets and liabilities (2018: none).

(c) Change in non-participating investment contract liabilities

The change in non-participating investment contract liabilities was as follows:

	2019 £m	2018 £m
At 1 January	**1,468**	105,769
Reclassified as held for sale during the year	**–**	(104,174)
Contributions	**158**	183
Account balances paid on surrender and other terminations in the year	**(729)**	(235)
Change in non-participating investment contract liabilities recognised in the consolidated income statement[1]	**258**	(72)
Recurring management charges	**(3)**	(3)
At 31 December	**1,152**	1,468

[1] Change in non-participating investment contract liabilities recognised in the consolidated income statement in the table above excludes £7m (2018: (£6m)) in relation to non-participating investment contract liabilities classified as held for sale.

(d) Derivatives

The treatment of collateral accepted and pledged in respect of financial instruments and the Group's approach to offsetting financial assets and liabilities is described in Note 38. The following table presents the impact of master netting agreements and similar arrangements for derivatives backing unit linked liabilities.

As at 31 December 2019	Gross amounts of financial instruments as presented on the consolidated statement of financial position £m	Related amounts not offset on the consolidated statement of financial position: Financial instruments £m	Financial collateral pledged/(received) £m	Net position £m
Financial assets				
Derivatives[1]	3	(2)	–	1
Total financial assets	**3**	**(2)**	**–**	**1**
Financial liabilities				
Derivatives[1]	(5)	2	–	(3)
Total financial liabilities	**(5)**	**2**	**–**	**(3)**

As at 31 December 2018	Gross amounts of financial instruments as presented on the consolidated statement of financial position £m	Related amounts not offset on the consolidated statement of financial position: Financial instruments £m	Financial collateral pledged/(received) £m	Net position £m
Financial assets				
Derivatives[1]	2	–	–	2
Total financial assets	**2**	–	–	**2**
Financial liabilities				
Derivatives[1]	(2)	–	–	(2)
Total financial liabilities	**(2)**	**–**	**–**	**(2)**

[1] Only OTC derivatives subject to master netting agreements have been included above.

26. Issued share capital and share premium

Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. The Company's share capital consists of the number of ordinary shares in issue multiplied by their nominal value. The difference between the proceeds received on issue of the shares and the nominal value of the shares issued is recorded in share premium.

(a) Issued share capital

The movement in the issued ordinary share capital of the Company was:

Issued shares fully paid	2019		2018		
	13 61/63p each	£m	12 2/9p each	13 61/63p each	£m
At 1 January	**2,529,412,224**	**353**	2,978,936,877	–	364
Shares issued in respect of share incentive plans	**1,114**	**–**	435,340	288	–
Shares issued in respect of share options	**–**	**–**	350,156	–	–
New shares issued immediately prior to share consolidation	**–**	**–**	4	–	–
Share consolidation	**–**	**–**	(2,941,738,848)	2,574,021,492	–
Shares bought back on-market and cancelled	**(190,689,614)**	**(26)**	(37,983,529)	(44,609,556)	(11)
At 31 December	**2,338,723,724**	**327**	–	2,529,412,224	353

All ordinary shares in issue in the Company rank pari passu and carry the same voting rights and entitlement to receive dividends and other distributions declared or paid by the Company.

On 22 October 2018, the Company undertook a share consolidation of the Company's share capital. 7 new ordinary shares of 13 61/63 pence each were issued for each holding of 8 existing ordinary shares of 12 2/9 pence each. As a result, the number of shares in issue reduced from 2,941,738,848 to 2,574,021,492.

On 25 June 2018, a share buyback of up to £750m through on-market purchases was approved by shareholders. During the year ended 31 December 2019, the Company has bought back and cancelled 190,689,614 shares (2018: 82,593,085 shares). The total consideration was £516m (2018: £238m) which includes transaction costs and any unsettled purchases of shares. At 31 December 2019, there were no unsettled purchases of shares (2018: 792,527 shares).

This consideration has resulted in a reduction in retained earnings of £390m (2018: £238m) and in the special reserve of £126m (2018: £nil). An amount of £26m (2018: £11m) has been credited to the capital redemption reserve relating to the nominal value of the shares cancelled.

The Company can issue shares to satisfy awards granted under employee incentive plans which have been approved by shareholders. Details of the Group's employee plans are provided in Note 44.

(b) Return of capital in the prior year

2,941,738,848 B shares were issued for nil consideration with a nominal value of 33.99 pence each on 22 October 2018, resulting in a total of £1,000m being credited to the B share capital account. At the same time £1,000m was deducted from the merger reserve. On 24 October 2018 the B shares were redeemed at 33.99 pence each. An amount of £1,000m was deducted from the B share capital account and £1,000m was transferred from retained earnings to the capital redemption reserve. The costs of the B share scheme of £2m were recognised directly in equity.

(c) Share premium

	2019 £m	2018 £m
1 January	**640**	639
Shares issued in respect of share options	**–**	1
31 December	**640**	640

27. Shares held by trusts

Shares held by trusts relates to shares in Standard Life Aberdeen plc that are held by the Standard Life Aberdeen Employee Benefit Trust (SLA EBT), Standard Life Employee Trust (ET), the Aberdeen Asset Management Employee Benefit Trust 2003 (AAM EBT) and, prior to its closure, the Standard Life Unclaimed Asset Trust (UAT). The SLA EBT was established on 28 March 2019.

The SLA EBT, ET and AAM EBT purchase shares in the Company for delivery to employees under employee incentive plans. Purchased shares are recognised as a deduction from equity at the price paid for them. Where new shares are issued to the SLA EBT, ET or AAM EBT the price paid is the nominal value of the shares. When shares are distributed from the trust their corresponding value is released to retained earnings.

In July 2006 Standard Life Group demutualised and former members of the mutual company were allocated shares in the new listed Company. Some former members had not claimed their shares and the UAT was established to hold these shares on their behalf. The claim entitlement period for the UAT expired on 9 July 2016 and all remaining claims have now been concluded. On 13 December 2019, Standard Life Aberdeen plc instructed the Trustees of the UAT to return all remaining unclaimed shares and other assets held and to formally close the UAT. All assets in the UAT were transferred to Standard Life Aberdeen plc on 20 December 2019 and £1m was credited to the retained earnings of the Company (see Note 28). Prior to Standard Life Aberdeen plc issuing its closure instruction to the Trustees, the shares remaining in the UAT after 9 July 2016 had been measured at £nil.

The number of shares held by trusts at 31 December 2019 was as follows:

	2019	2018
Number of shares held by trusts		
Standard Life Aberdeen Employee Benefit Trust	**15,378,831**	–
Standard Life Employee Trust	**26,685,390**	31,589,855
Aberdeen Asset Management Employee Benefit Trust 2003	**10,579,914**	20,327,295
Standard Life Unclaimed Asset Trust	**–**	153,020

28. Retained earnings

The following table shows movements in retained earnings during the year. The movements are aggregated for both continuing and discontinued operations.

	Notes	2019 £m	2018 £m
Opening balance carried forward		**2,778**	3,162
Effect of change in accounting policy to IFRS 9[1]		**(12)**	–
Effect of change in accounting policy to IFRS 16[1]		**(5)**	–
Opening balance at 1 January		**2,761**	3,162
Recognised in comprehensive income			
Recognised in profit for the year attributable to equity holders		**266**	830
Recognised in other comprehensive income			
Remeasurement (losses)/gains on defined benefit pension plans	34	**(23)**	(29)
Share of other comprehensive income of associates and joint ventures		**(10)**	(15)
Total items recognised in comprehensive income		**233**	786
Recognised directly in equity			
Dividends paid on ordinary shares		**(518)**	(634)
Redemption of B shares	26	**–**	(1,002)
Shares bought back on-market and cancelled	26	**(390)**	(238)
Transfer from other reserves on disposal of subsidiaries	1	**–**	99
Transfer between reserves on impairment of subsidiaries	29	**780**	570
Transfer for vested employee share-based payments		**57**	68
Transfer from the Standard Life Unclaimed Asset Trust	27	**1**	–
Shares distributed by employee and other trusts		**(38)**	(33)
Total items recognised directly in equity		**(108)**	(1,170)
At 31 December		**2,886**	2,778

1 The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated and the cumulative effect of initially applying these standards is recognised in retained earnings at the date of initial application. Refer Basis of preparation.

29. Movements in other reserves

In July 2006 Standard Life Group demutualised and during this process the merger reserve, the reserve arising on Group reconstruction and the special reserve were created.

Merger reserve: the merger reserve consists of two components. Firstly at demutualisation in July 2006 the Company issued shares to former members of the mutual company. The difference between the nominal value of these shares and their issue value was recognised in the merger reserve. The reserve includes components attaching to each subsidiary that was transferred to the Company at demutualisation based on their fair value at that date. Secondly following the completion of the merger of Standard Life plc and AAM PLC on 14 August 2017, an additional amount was recognised in the merger reserve representing the difference between the nominal value of shares issued to shareholders of AAM PLC and their fair value at that date. On disposal or impairment of a subsidiary any related component of the merger reserve is released to retained earnings.

Reserve arising on Group reconstruction: The value of the shares issued at demutualisation was equal to the fair value of the business at that date. The business's assets and liabilities were recognised at their book value at the time of demutualisation. The difference between the book value of the business's net assets and its fair value was recognised in the reserve arising on Group reconstruction. The reserve comprises components attaching to each subsidiary that was transferred to the Company at demutualisation. On disposal of such a subsidiary any related component of the reserve arising on Group reconstruction is released to retained earnings.

Special reserve: Immediately following demutualisation and the related initial public offering, the Company reduced its share premium reserve by court order giving rise to the special reserve. Dividends can be paid out of this reserve.

Capital redemption reserve: In August 2018, as part of the return of capital and share buyback (refer Note 26) the capital redemption reserve was created.

The following tables show the movements in other reserves during the year. The movements are aggregated for both continuing and discontinued operations.

	Notes	Cash flow hedges £m	Foreign currency translation £m	Available-for-sale financial assets £m	Merger reserve £m	Equity compensation reserve £m	Special reserve £m	Reserve arising on Group reconstruction £m	Capital redemption reserve £m	Total £m
31 December 2018		**(6)**	**49**	**7**	**3,097**	**68**	**241**	**(685)**	**1,011**	**3,782**
Effect of change in accounting policy to IFRS 9[1]		–	–	(7)	–	–	–	–	–	**(7)**
1 January 2019		**(6)**	**49**	**–**	**3,097**	**68**	**241**	**(685)**	**1,011**	**3,775**
Recognised in other comprehensive income										
Fair value gains on cash flow hedges		(10)	–	–	–	–	–	–	–	**(10)**
Exchange differences on translating foreign operations		–	(46)	–	–	–	–	–	–	**(46)**
Items transferred to profit or loss from continuing operations		22	–	–	–	–	–	–	–	**22**
Aggregate tax effect of items recognised in other comprehensive income		(2)	–	–	–	–	–	–	–	**(2)**
Total items recognised in other comprehensive income		**10**	**(46)**	**–**	**–**	**–**	**–**	**–**	**–**	**(36)**
Recognised directly in equity										
Shares bought back on-market and cancelled	26	–	–	–	–	–	(126)	–	26	**(100)**
Reserves credit for employee share-based payments		–	–	–	–	43	–	–	–	**43**
Transfer to retained earnings for vested employee share-based payments		–	–	–	–	(57)	–	–	–	**(57)**
Transfer between reserves on impairment of subsidiaries		–	–	–	(780)	–	–	–	–	**(780)**
Total items recognised directly within equity		**–**	**–**	**–**	**(780)**	**(14)**	**(126)**	**–**	**26**	**(894)**
At 31 December 2019		**4**	**3**	**–**	**2,317**	**54**	**115**	**(685)**	**1,037**	**2,845**

[1] The Group has initially applied IFRS 9 at 1 January 2019. Under the transition method chosen, comparative information is not restated and the cumulative effect of initially applying this standard is recognised in retained earnings at the date of initial application. Refer Basis of preparation.

The merger reserve includes £2,304m (2018: £3,084m) in relation to the Group's asset management businesses. This includes £1,990m (2018: £2,601m) relating to the merger with Aberdeen. Following the impairment of the Company's investments in its asset management entities (refer Section 8), £780m (2018: £570m) was transferred from the merger reserve to retained earnings to mitigate the impact on distributable reserves. £996m of the merger reserve relating to the asset management businesses was also utilised during the year ended 31 December 2018 for the issue of the B shares (refer Note 26).

2018	Notes	Revaluation of owner occupied property £m	Cash flow hedges £m	Foreign currency translation £m	Available-for-sale financial assets £m	Merger reserve £m	Equity compensation reserve £m	Special reserve £m	Reserve arising on Group reconstruction £m	Capital redemption reserve £m	Total £m
At 1 January		**1**	**(17)**	**82**	**15**	**5,957**	**100**	**241**	**(1,879)**	**–**	**4,500**
Recognised in other comprehensive income											
Fair value losses on available-for-sale financial assets		–	–	–	(9)	–	–	–	–	–	**(9)**
Fair value gains on cash flow hedges		–	54	–	–	–	–	–	–	–	**54**
Revaluation of owner occupied property		2	–	–	–	–	–	–	–	–	**2**
Exchange differences on translating foreign operations		–	–	17	–	–	–	–	–	–	**17**
With profits funds: Associated UDS movement recognised in other comprehensive income		–	–	(5)	–	–	–	–	–	–	**(5)**
Items transferred to profit or loss from continuing operations		–	(41)	(2)	–	–	–	–	–	–	**(43)**
Items transferred to profit or loss on disposal of a subsidiary	1	–	–	(43)	–	–	–	–	–	–	**(43)**
Aggregate tax effect of items recognised in other comprehensive income		–	(2)	–	1	–	–	–	–	–	**(1)**
Total items recognised in other comprehensive income		**2**	**11**	**(33)**	**(8)**	**–**	**–**	**–**	**–**	**–**	**(28)**
Recognised directly in equity											
Issue of B shares	26	–	–	–	–	(1,000)	–	–	–	–	**(1,000)**
Redemption of B shares	26	–	–	–	–	–	–	–	–	1,000	**1,000**
Shares bought back on-market and cancelled	26	–	–	–	–	–	–	–	–	11	**11**
Reserves credit for employee share-based payments		–	–	–	–	–	36	–	–	–	**36**
Transfer to retained earnings for vested employee share-based payments		–	–	–	–	–	(68)	–	–	–	**(68)**
Transfer between reserves on disposal of subsidiaries	1	(3)	–	–	–	(1,290)	–	–	1,194	–	**(99)**
Transfer between reserves on impairment of subsidiaries		–	–	–	–	(570)	–	–	–	–	**(570)**
Total items recognised directly within equity		**(3)**	**–**	**–**	**–**	**(2,860)**	**(32)**	**–**	**1,194**	**1,011**	**(690)**
At 31 December		**–**	**(6)**	**49**	**7**	**3,097**	**68**	**241**	**(685)**	**1,011**	**3,782**

30. Non-controlling interests and other equity

Non-controlling interests include preference shares. In addition, the perpetual debt instruments issued by Standard Life Aberdeen plc were classified prior to their redemption as other equity as no contractual obligation to deliver cash existed.

(a) Non-controlling interests – ordinary shares

Non-controlling interests – ordinary shares of £3m were held at 31 December 2019 (2018: £2m). The profit attributable to non-controlling interests from discontinued operations for the year ended 31 December 2018 comprised £5m in respect of ordinary shares.

(b) Non-controlling interests – preference shares

	2019 £m	2018 £m
5% 2015 Non-voting perpetual non-cumulative redeemable preference shares	**99**	99

The Group recognises preference shares issued by AAM PLC as non-controlling interests. The profit attributable to these non-controlling interests from continuing operations for the year ended 31 December 2019 was £5m (2018: £5m).

The preference shares have no fixed redemption date, except at the sole discretion of the issuer after the fifth anniversary from issue. Preference share dividends are discretionary and where declared, are paid in arrears in two tranches at a rate of 5% per annum and are non-cumulative. No interest accrues on any cancelled or unpaid dividends. During the year ended 31 December 2019 preference share dividends of £5m (2018: £5m) were paid.

The preference shares can be converted irrevocably into a fixed number of ordinary shares of AAM PLC in the event of the conversion trigger. The conversion trigger occurs if AAM PLC's Common Equity Tier 1 (CET1) capital ratio falls below 5.125%. The CET1 ratio (unaudited) at 31 December 2019 was 29.3% (2018: 34.4%).

(c) Other equity – perpetual debt instruments

6.75% Sterling fixed rate perpetual subordinated guaranteed bonds and 6.546% Sterling fixed rate perpetual Mutual Assurance Capital Securities

From the date of the repayment of a £100 internal subordinated loan note issued by Standard Life Assurance Limited (SLAL) to the Company on 30 August 2018, the perpetual subordinated guaranteed bonds and Mutual Assurance Capital Securities (MACS) issued by the Company were reclassified to equity from subordinated liabilities (refer Note 33). The perpetual subordinated guaranteed bonds and MACS were recognised in equity at their fair value of the subordinated debt liabilities at 30 August 2018 of £672m and £334m respectively. During the year ended 31 December 2018, the Group recognised a fair value loss of £198m on the reclassification which is included in Restructuring and corporate transaction expenses from discontinued operations (refer Note 9).

The prior classification as liabilities was determined by the interaction of these perpetual debt instruments with the £100 internal subordinated loan note. There was no fixed redemption date for the internal loan note, but interest payments could not be deferred and had to be paid on the date they became due and payable. Under the terms for the guaranteed bonds and MACS any interest deferred on these instruments would have become immediately due and payable on the date of an interest payment in respect of the internal loan note. The existence of the internal loan note therefore removed the discretionary nature of the interest payments on the subordinated guaranteed bonds and MACS, and resulted in their classification as liabilities.

Following a tender and redemption process which completed on 25 October 2018, the Company repurchased/redeemed the guaranteed bonds and MACS for £703m and £336m respectively (including accrued interest and fees). The difference between the carrying value of the guaranteed bonds and MACS and the cost of the repurchase and mandatory redemption of £21m (net of tax) was recognised directly as profit attributable to other equity during the year ended 31 December 2018.

The guaranteed bonds bore interest on their principal amount at 6.75% per annum payable annually in arrears on 12 July. The MACS bore interest on their principal amount at 6.546% per annum payable annually in arrears on 4 November. The coupons payable on the guaranteed bonds and MACS were tax deductible. During the year ended 31 December 2018, £7m (net of tax) was recognised directly in equity as profit attributable to other equity in relation to the coupons payable on the guaranteed bonds and MACS.

The total amount in respect of the year ended 31 December 2018 recognised as profit attributable to other equity holders in relation to perpetual debt instruments was therefore £28m. The presentation of amounts attributable to these perpetual debt instruments in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity has been corrected in 2019 to show these amounts separately as related to other equity holders rather than as part of non-controlling interests.

31. Insurance contracts, investment contracts and reinsurance contracts

Insurance contracts, participating investment contracts and reinsurance contracts relate to the UK and European insurance business sold in 2018, Standard Life (Asia) Limited classified as held for sale, and insurance associates in the UK, India and China.

(i) Classification of insurance and investment contracts

The measurement basis of assets and liabilities arising from life and pensions business contracts is dependent upon the classification of those contracts as either insurance or investment contracts.

Insurance contracts

A contract is classified as an insurance contract only if it transfers significant insurance risk. Insurance risk is significant if an insured event could cause an insurer to pay significant additional benefits to those payable if no insured event occurred, excluding scenarios that lack commercial substance. Our judgement is that where death benefits exceed maturity benefits by 10% or more a contract is classified as an insurance contract, by 5% or less it is not an insurance contract. There are no material contracts within the 5% to 10% range. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire.

Investment contracts

Life and pensions business contracts that are not classified as insurance contracts are classified as investment contracts.

Participating contracts

The Group has written insurance and investment contracts which contain discretionary participating features (e.g. with profits business). These contracts provide a contractual right to receive additional benefits as a supplement to guaranteed benefits. These additional benefits are based on the performance of with profits funds and their amount and timing is at the discretion of the Group. These contracts are referred to as participating insurance contracts if they contain a feature that transfers significant insurance risk and otherwise as participating investment contracts.

Hybrid contracts

Generally, life and pensions business product classes are sufficiently homogeneous to permit a single classification at the level of the product class. However, in some cases, a product class may contain individual contracts that fall across multiple classifications (hybrid contracts). For certain significant hybrid contracts our judgement is that it is appropriate to separate the product class into the insurance element, a non-participating investment element and a participating investment element, so that each element is accounted for separately.

Embedded derivatives

Where a contract contains a feature that meets the definition of both an insurance contract and a derivative, the contract is classified in its entirety as an insurance contract.

(ii) Income statement presentation – insurance and participating investment contracts

For insurance contracts and participating investment contracts, IFRS 4 *Insurance Contracts* permits the continued application, for income statement presentation purposes, of accounting policies that were being used at the date of transition to IFRS, except where a change is deemed to make the financial statements more relevant to the economic decision-making needs of users and no less reliable, or more reliable, and no less relevant to those needs. Therefore the Group applies accounting policies based on the Association of British Insurers Statement of Recommended Practice issued in 2005 (ABI SORP) as described below.

Premiums received on insurance contracts and participating investment contracts are recognised as revenue in the consolidated income statement when due for payment, except for unit linked premiums which are accounted for when the corresponding liabilities are recognised. For single premium business, this is the date from which the policy is effective. For regular (and recurring) premium contracts, receivables are established at the date when payments are due.

Claims paid on insurance contracts and participating investment contracts are recognised as expenses in the consolidated income statement. Maturity claims and annuities are accounted for when due for payment. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the insurance liability. Death claims and all other claims are accounted for when notified.

When a policyholder exercises an option within an investment contract to utilise withdrawal proceeds from the investment contract to secure future benefits which contain significant insurance risk, the related investment contract liability is derecognised and an insurance contract liability is recognised. The withdrawal proceeds which are used to secure the insurance contract are recognised as premium income.

Claims payable include the direct costs of settlement. Reinsurance recoveries are accounted for in the same period as the related claim.

The change in insurance and participating investment contract liabilities, comprising the full movement in the corresponding liabilities during the period, is recognised in the consolidated income statement. This also includes the movement in unallocated divisible surplus (UDS) in the period. However, where movements in assets and liabilities which are attributable to participating policyholders are recognised in other comprehensive income, the change in UDS arising from these movements is not recognised in the consolidated income statement as it is also recognised in other comprehensive income.

(iii) Measurement – insurance and participating investment contract liabilities

For insurance contracts and participating investment contracts, IFRS 4 *Insurance Contracts* permits the continued application, for measurement purposes, of accounting policies that were being used at the date of transition to IFRS, except where a change is deemed to make the financial statements more relevant to the economic decision-making needs of users and no less reliable, or more reliable, and no less relevant to those needs. Therefore the Group applies accounting policies based on the ABI SORP as described below. As was permitted under the ABI SORP, the Group adopts local regulatory valuation methods, adjusted for consistency with asset measurement policies, for the measurement of liabilities under insurance contracts and participating investment contracts issued by overseas subsidiaries and associates.

(iv) Measurement – participating contract liabilities

Participating contract liabilities are analysed into the following components:

- Participating insurance contract liabilities
- Participating investment contract liabilities
- Present value of future profits on non-participating contracts, which is treated as a deduction from gross participating contract liabilities
- Unallocated divisible surplus

The policy for measuring each component is noted below.

Participating insurance and investment contract liabilities

Participating contract liabilities arising under contracts issued by with profits funds which were within the scope of the Prudential Regulation Authority (PRA) realistic capital regime prior to the introduction of Solvency II are measured on the PRA realistic basis that was used in the PRA realistic capital regime. Under this approach, the value of participating insurance and participating investment contract liabilities in each with profits fund is calculated as:

- With profits benefits reserves (WPBR) for the fund as determined under the PRA realistic basis, plus
- Future policy related liabilities (FPRL) for the fund as determined under the PRA realistic basis, less
- Any amounts due to equity holders included in FPRL, less
- The portion of future profits on non-participating contracts included in FPRL not due to equity holders, where this portion can be separately identified

The WPBR is primarily based on the retrospective calculation of accumulated asset shares. The aggregate value of individual policy asset shares reflects the actual premium, expense and charge history of each policy. The net investment return credited to the asset shares is consistent with the return achieved on the assets notionally backing participating business. Any mortality deductions are based on published mortality tables adjusted where necessary for experience variations. For those asset shares on an expense basis, the allowance for expenses attributed to the asset share is, as far as practical, the appropriate share of the actual expenses incurred or charged to the fund. For those on a charges basis, the allowance is consistent with the charges for an equivalent unit linked policy. The FPRL comprises other components such as a market consistent stochastic valuation of the cost of options and guarantees.

Prior to the sale of Standard Life Assurance Limited (SLAL) to Phoenix Group Holdings Plc (Phoenix), the Group's principal with profits fund was the Heritage With Profits Fund (HWPF). The application to the HWPF of the Group's accounting policy for participating insurance and investment contract liabilities is described below. This policy for the HWPF now applies, for equity accounting purposes, to the Group's associate Phoenix.

The participating contracts held in the HWPF were issued by a with profits fund that fell within the scope of the PRA realistic capital regime. Under the Scheme of Demutualisation (the Scheme), the residual estate of the HWPF exists to meet amounts which may be charged to the HWPF under the Scheme. However, to the extent that SLAL's board is satisfied that there is an excess residual estate, it shall be distributed over time as an enhancement to final bonuses payable on the remaining eligible policies invested in the HWPF. This planned enhancement to the benefits under with profits contracts held in the HWPF is included in the FPRL under the PRA realistic basis, resulting in a realistic surplus of nil. Applying the policy noted above, this planned enhancement is therefore included within the measurement of participating contract liabilities.

The Scheme provides that certain defined cash flows (recourse cash flows) arising in the HWPF on specified blocks of UK and Ireland business, both participating and non-participating, may be transferred out of that fund when they emerge, being transferred to the Shareholder Fund (SHF) or the Proprietary Business Fund (PBF) of SLAL, and thus accrue to the ultimate benefit of equity holders of the company. Under the Scheme, such transfers are subject to certain constraints in order to protect policyholders. The Scheme also provides for additional expenses to be charged by the PBF to the HWPF in respect of Germany branch business in SLAL.

Under the PRA realistic basis, the discounted value of expected future cash flows on participating contracts not reflected in the WPBR is included in FPRL (as a reduction in FPRL where future cash flows were expected to be positive). The discounted value of expected future cash flows on non-participating contracts not reflected in the measure on non-participating liabilities is recognised as a separate asset (where future cash flows are expected to be positive). The Scheme requirement to transfer future recourse cash flows out of the HWPF is recognised as an addition to FPRL. The discounted value of expected future cash flows on non-participating contracts can be apportioned between those included in the recourse cash flows and those retained in the HWPF for the benefit of policyholders.

Applying the policy noted above:

- The value of participating insurance and participating investment contract liabilities on the consolidated statement of financial position is reduced by future expected (net positive) cash flows arising on participating contracts
- Future expected cash flows on non-participating contracts are not recognised as an asset of the HWPF on the consolidated statement of financial position. However, future expected cash flows on non-participating contracts that are not recourse cash flows under the Scheme are used to adjust the value of participating insurance and participating investment contract liabilities on the consolidated statement of financial position.

Some participating contract liabilities arise under contracts issued by a non-participating fund with a with profits investment element then transferred to a with profits fund within SLAL that fell within the scope of the PRA's realistic capital regime. The with profits investment element of such contracts was measured as described above. Any liability for insurance features retained in the non-participating fund was measured using the gross premium method applicable to non-participating contracts (see Section (v)).

Present value of future profits (PVFP) on non-participating contracts held in a with profits fund

An amount is recognised for the PVFP on non-participating contracts held in the HWPF since the determination of the realistic value of liabilities for with profits contracts in the HWPF takes account of this value. The amount is recognised as a deduction from liabilities. As this amount can be apportioned between an amount recognised in the realistic value of with profits contract liabilities and an amount recognised in UDS, the apportioned amounts are reflected in the measurement of participating contract liabilities and UDS respectively.

Unallocated divisible surplus (UDS)

The UDS comprises the difference between the assets and all other recognised liabilities in with profits funds. This amount is recognised as a liability when it is not considered to be allocated to shareholders due to uncertainty regarding transfers from these funds to equity holders.

In relation to the HWPF, amounts are considered to be allocated to equity holders when they emerge as recourse cash flows within the HWPF.

As a result of the policies for measuring the HWPF's assets and all its other recognised liabilities:

- The UDS of the HWPF comprises the value of future recourse cash flows on participating contracts (but not the value of future recourse cash flows on non-participating contracts), the value of future additional expenses to be charged on Germany branch business and the effect of any measurement differences between the Realistic Balance Sheet value and IFRS accounting policy value of all assets and all liabilities other than participating contract liabilities recognised in the HWPF
- The recourse cash flows are recognised as they emerge as an addition to equity holders' profits if positive or as a deduction if negative. As the additional expenses are charged in respect of the Germany branch business, they are recognised as an addition to equity holders' profits.

(v) Measurement – non-participating insurance contract liabilities

Measurement for UK business is based on a best estimate with a margin for prudence.

UK and European insurance business

The liability for annuity in payment contracts was measured by discounting the expected future annuity payments together with an appropriate estimate of future expenses at an assumed rate of interest derived from yields on the underlying assets.

Other non-participating insurance contracts are measured using the gross premium method. In general terms, a gross premium valuation basis is one in which the premiums brought into account are the full amounts receivable under the contract. The method includes explicit estimates of premiums, expected claims and costs of maintaining contracts. Cash flows are discounted at the valuation rate of interest determined to reflect conditions at the reporting date in accordance with Prudential Regulation Authority (PRA) requirements that existed at 31 December 2015.

UK Associates – Phoenix

Non-participating insurance contract liabilities are measured, for equity accounting purposes, at best estimate with an explicit margin for prudence with the process used to determine assumptions based on Solvency II data. The valuation interest rate is a risk free rate (swap curve plus 10 bps) with an explicit adjustment for illiquidity in respect of assets backing illiquid liabilities. Demographic assumptions are based on a best estimate with an explicit margin for demographic risks.

Standard Life (Asia) Limited

The Group's policy for measuring liabilities for non-participating insurance contracts issued by overseas subsidiaries is to apply the valuation technique used in the issuing entity's local statutory or regulatory reporting.

(vi) Measurement – liability adequacy test

The Group applies a liability adequacy test at each reporting date to ensure that the insurance and participating contract liabilities (less related deferred acquisition costs) are adequate in the light of the estimated future cash flows. This test is performed by comparing the carrying value of the liability and the discounted projections of future cash flows.

If a deficiency is found in the liability (i.e. the carrying value amount of its insurance liabilities is less than the future expected cash flows), that deficiency is provided for in full. The deficiency is recognised in the consolidated income statement.

(vii) Reinsurance contracts

Contracts with reinsurers are assessed to determine whether they contain significant insurance risk. Contracts that did not give rise to a significant transfer of insurance risk to the reinsurer are considered financial reinsurance and are accounted for in a manner consistent with financial instruments.

Contracts that gave rise to a significant transfer of insurance risk to the reinsurer are assessed to determine whether they contained an element that did not transfer significant insurance risk and which could be measured separately from the insurance component. Where such elements are present, they are accounted for separately with any deposit element being accounted for in a manner consistent with financial instruments. The remaining elements, or where no such separate elements are identified, the entire contracts, are classified as reinsurance contracts.

Reinsurance contracts are measured using valuation techniques and assumptions that are consistent with the valuation techniques and assumptions used in measuring the underlying policy benefits and taking into account the terms of the reinsurance contract.

Reinsurance recoveries due from reinsurers and reinsurance premiums due to reinsurers under reinsurance contracts that are contractually due at the reporting date are separately recognised in receivables and other financial assets and other financial liabilities respectively unless a right of offset exists, in which case the net amount is reported on the consolidated statement of financial position.

Expenses, including interest, arising under elements of contracts with reinsurers that do not transfer significant insurance risk are recognised on an accruals basis in the consolidated income statement as expenses under arrangements with reinsurers.

(a) Insurance contract premium income

	2019 £m	2018 £m
Gross earned premium	**67**	75
Premium ceded to reinsurers	**(1)**	(2)
Insurance contract premium income from continuing operations	**66**	73

(b) Insurance contract claims and change in liabilities

	2019 £m	2018 £m
Claims and benefits paid	**61**	62
Claim recoveries from reinsurers	**(2)**	(4)
Net insurance claims	**59**	58
Change in reinsurance assets and liabilities	**1**	5
Change in insurance contract liabilities	**96**	(62)
Insurance contract claims and change in liabilities from continuing operations	**156**	1

32. Financial liabilities

On 1 January 2019, the Group adopted IFRS 9 *Financial Instruments*. Refer Basis of preparation for details of the transition from the previous financial instruments standard, IAS 39 to IFRS 9.

As the Group has not restated comparative information, the measurement of financial liabilities at 31 December 2019 is in accordance with IFRS 9 while the measurement of financial liabilities at 31 December 2018 is in accordance with IAS 39. The classification of financial liabilities under IFRS 9 is the same as under IAS 39. Only one measurement difference arose as described below.

Management determines the classification of financial liabilities at initial recognition. Financial liabilities which are managed and whose performance is evaluated on a fair value basis are designated as at fair value through profit or loss. Changes in the fair value of these financial liabilities are recognised in the consolidated income statement.

Derivatives are also measured at fair value. Changes in the fair value of derivatives are recognised in investment return in the consolidated income statement except for derivative instruments that are designated as a cash flow hedge or net investment hedge. The classification of derivatives and the accounting treatment of derivatives designated as a hedging instrument are set out in Note 20.

Other financial liabilities are classified as being subsequently measured at amortised cost. Amortised cost is calculated, and the related interest expense is recognised in the consolidated income statement, using the effective interest method.

All financial liabilities are initially recognised at fair value less, in the case of financial liabilities subsequently measured at amortised cost, transaction costs that are directly attributable to the issue of the liability.

Under IFRS 9, where the terms of a financial liability measured at amortised cost are modified and the modification does not result in the derecognition of the liability, the liability is adjusted to the net present value of the future cash flows less transaction costs with a modification gain or loss recognised in the income statement. No modification gain or loss was recognised under IAS 39.

The methods and assumptions used to determine fair value of financial liabilities measured at fair value through profit or loss and derivatives are discussed in Note 40.

The table below sets out an analysis of financial liabilities excluding unit linked financial liabilities which are set out in Note 25.

2019	Notes	Designated as at fair value through profit or loss £m	Cash flow hedge £m	At amortised cost £m	Total £m
Third party interest in consolidated funds		119	–	–	**119**
Subordinated liabilities	33	–	–	655	**655**
Derivative financial liabilities	20	3	–	–	**3**
Other financial liabilities	36	14	–	1,301	**1,315**
Total		**136**	**–**	**1,956**	**2,092**

2018[1]	Notes	Designated as at fair value through profit or loss £m	Held for trading £m	Cash flow hedge £m	At amortised cost £m	Total £m
Third party interest in consolidated funds		26	–	–	–	**26**
Subordinated liabilities	33	–	–	–	1,081	**1,081**
Derivative financial liabilities	20	–	4	–	–	**4**
Other financial liabilities	36	29	–	–	1,132	**1,161**
Total		**55**	**4**	**–**	**2,213**	**2,272**

1 Comparatives for 2018 have been represented to exclude unit linked liabilities. Refer Note 25.

33. Subordinated liabilities

Subordinated liabilities are debt instruments issued by the Company which rank below its other obligations in the event of liquidation but above the share capital. Subordinated liabilities are initially recognised at the value of proceeds received after deduction of issue expenses. Subsequent measurement is at amortised cost using the effective interest rate method.

		2019		2018[1]	
	Notes	Principal amount	Carrying value	Principal amount	Carrying value
Subordinated notes					
4.25% US Dollar fixed rate due 30 June 2028		**$750m**	**£563m**	$750m	£581m
5.5% Sterling fixed rate due 4 December 2042		**£92m**	**£92m**	£500m	£500m
Total subordinated liabilities	40		**£655m**		£1,081m

1 The Group has initially applied IFRS 9 at 1 January 2019. Under the transition method chosen, comparative information is not restated and the cumulative effect of initially applying this standard is recognised in retained earnings at the date of initial application. Refer Basis of preparation.

On 26 March 2019, the Company repurchased 5.5% Sterling fixed rate subordinated notes with a principal amount of £408m (out of a total principal amount of £500m). The total amount paid was £462m including £7m of accrued interest and a repurchase loss of £49m has been included in restructuring and corporate transaction expenses (refer Note 9).

A description of the key features of the Group's subordinated liabilities as at 31 December 2019 is as follows:

	4.25% US Dollar fixed rate[1,2] (from 15 November 2018)	4.25% US Dollar fixed rate[1,2] (until 15 November 2018)	5.5% Sterling fixed rate
Principal amount	$750m	$750m	£92m
Issue date	18 October 2017	18 October 2017	4 December 2012
Maturity date	30 June 2028	30 June 2048	4 December 2042
Callable at par at option of the Company from	Not applicable	30 June 2028 and on every interest payment date (semi-annually) thereafter	4 December 2022 and on every interest payment date (semi-annually) thereafter
If not called by the Company interest will reset to	Not applicable	2.915% over the five-year Treasury rate (and at each fifth anniversary)	4.85% over the five-year gilt rate (and at each fifth anniversary)

1 The cash flows arising from the US dollar subordinated notes give rise to foreign exchange exposure which the Group manages with a cross-currency swap designated as a cash flow hedge. Refer Note 20 for further details.

2 During the year ended 31 December 2018, the terms of the 4.25% US Dollar fixed rate subordinated notes were renegotiated to allow the notes to qualify as regulatory capital under CRD IV (refer Note 46).

The difference between the fair value and carrying value of the subordinated liabilities is presented in Note 40. A reconciliation of movements in subordinated liabilities in the year is provided in Note 41.

The principal amount of all the subordinated liabilities is expected to be settled after more than 12 months. The accrued interest on the subordinated liabilities of £nil (2018: £2m) is expected to be settled within 12 months.

During the year to 31 December 2018, the Group redeemed/repurchased subordinated liabilities with the following key features:

	7% US Dollar fixed rate	6.75% Sterling fixed rate	6.546% Sterling fixed rate
Principal amount	$500m	£500m	£300m
Issue date	1 March 2013	12 July 2002	4 November 2004
Maturity date	Perpetual	Perpetual	Perpetual
Callable at par at option of the Company from	1 March 2018 and on any interest payment date thereafter	12 July 2027 and on every fifth anniversary thereafter	6 January 2020 and on every anniversary thereafter
If not called by the Company interest will reset to	Not applicable	2.85% over the gross redemption yield on the appropriate five-year benchmark gilt rate	2.7% over the gross redemption yield on the appropriate one-year benchmark gilt rate

The 7% US Dollar fixed rate perpetual capital notes with a principal amount of $500m were redeemed on 1 March 2018.

The 6.75% Sterling fixed rate subordinated guaranteed bonds and 6.546% Sterling fixed rate Mutual Assurance Capital Securities with principal amounts of £500m and £300m respectively were redeemed on 25 October 2018. These debt instruments were classified as equity for the period from 30 August 2018 to their redemption/repurchase on 25 October 2018. Refer Note 30 for further details.

34. Pension and other post-retirement benefit provisions

The Group operates two types of pension plans:

- Defined benefit plans which provide pension payments upon retirement to members as defined by the plan rules. All of the Group's defined benefit plans, with the exception of a small plan in Ireland, are closed to future service accrual.
- Defined contribution plans where the Group makes contributions to a member's pension plan but has no further payment obligations once the contributions have been paid

The Group's liabilities in relation to its defined benefit plans are valued by at least annual actuarial calculations. The Group has funded these liabilities in relation to its UK and Ireland defined benefit plans by ring-fencing assets in trustee-administered funds. The Group has further smaller defined benefit plans some of which are unfunded.

The statement of financial position reflects a net asset or net liability for each defined benefit pension plan. The liability recognised is the present value of the defined benefit obligation (estimated future cash flows are discounted using the yields on high quality corporate bonds) less the fair value of plan assets, if any. If the fair value of the plan assets exceeds the defined benefit obligation, a pension surplus is only recognised if the Group considers that it has an unconditional right to a refund of the surplus from the plan. The amount of surplus recognised will be limited by tax and expenses. Our judgement is that, in the UK, an authorised surplus tax charge is not an income tax. Consequently, the surplus is recognised net of this tax charge rather than the tax charge being included within deferred taxation.

For the principal defined benefit plan (UK Standard Life Group plan), the Group considers that it has an unconditional right to a refund of a surplus, assuming the gradual settlement of the plan liabilities over time until all members have left the plan. The plan trustees can purchase annuities to insure member benefits and can, for the majority of benefits, transfer these annuities to members. The trustees cannot unconditionally wind up the plan or use the surplus to enhance member benefits without employer consent. Our judgement is that these trustee rights do not prevent us from recognising an unconditional right to a refund and therefore a surplus.

Net interest income (if a plan is in surplus) or interest expense (if a plan is in deficit) is calculated using yields on high quality corporate bonds and recognised in the consolidated income statement. A current service cost is also recognised which represents the expected present value of the defined benefit pension entitlement earned by members in the period. A past service cost is also recognised which represents the change in the present value of the defined benefit obligation for service in prior periods, resulting from an amendment or curtailment to a plan.

Remeasurements, which include gains and losses as a result of changes in actuarial assumptions, the effect of the limit on the plan surplus and returns on plan assets (other than amounts included in net interest) are recognised in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

For defined contribution plans, the Group pays contributions to separately administered pension plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in current service cost in the consolidated income statement as staff costs and other employee-related costs when they are due.

Defined contribution plans
The defined contribution plans comprise a mixture of arrangements depending on the employing entity and other factors. Some of these plans are located within the same legal vehicles as defined benefit plans. The Group contributes a percentage of pensionable salary to each employee's plan. The contribution levels vary by employing entity and other factors.

Defined benefit plans

UK plans

These plans are governed by trustee boards, which comprise employer and employee nominated trustees and an independent trustee. The plans are subject to the statutory funding objective requirements of the Pensions Act 2004, which require that plans be funded to at least the level of their technical provisions (an actuarial estimate of the assets needed to provide for benefits already built-up under the plan). The trustees perform regular valuations to check that the plans meet the statutory funding objective.

While the IAS 19 valuation reflects a best estimate of the financial position of the plan, the funding valuation reflects a prudent estimate. There is no material difference in how assets are measured. The funding measure of liabilities (technical provisions) and the IAS 19 measure are materially different. The key differences are the discount rate and inflation assumptions. While IAS 19 requires that the discount rate reflect corporate bond yields, the funding measure discount rate reflects a prudent estimate of future investment returns based on the actual investment strategy. The funding valuation adopts a market consistent measure of inflation without any adjustment. The IAS 19 assumption incorporates an adjustment to remove the inflation risk premium believed to exist within market prices.

The trustees set the plan investment strategy to protect the ratio of plan assets to the trustees' measure of technical provisions. This investment strategy does not aim to protect the IAS 19 surplus or the ratio of plan assets to the IAS 19 measure of liabilities.

After consulting the relevant employers, the trustees prepare statements of funding and investment principles and set a schedule of contributions. If necessary, this schedule includes a recovery plan that aims to restore the funding level to the level of the technical provisions.

UK Standard Life Group plan (principal plan)	This is the Group's principal defined benefit plan. The plan closed to new membership in 2004 and changed from a final salary basis to a revalued career average salary basis in 2008. Accrual ceased in April 2016. The transfer of employees to Phoenix, in connection with the sale of our UK and European insurance business, caused a curtailment in this plan that reduced plan liabilities by £42m. However, a plan amendment was agreed that reduced this fall in liabilities to £18m. These movements were recognised within past service cost in 2018, together with the associated movement in the asset ceiling. Following a High Court ruling against a third party's pension scheme, that required that scheme to address the inequalities in the statutory benefits paid to men and women, an allowance for assumed equalisation was introduced for our principal defined benefit plan at 31 December 2018. The estimated impact was recognised as a past service cost in 2018, though was not material. Changes to death-in-service benefits for UK employees, as part of a wider harmonisation of terms and conditions, has resulted in a plan amendment and associated (negative) past service cost in 2019 of £14m. The funding of the plan depends on the statutory valuation performed by the trustees, and the relevant employers, with the assistance of the scheme actuary – i.e. not the IAS 19 valuation. The funding valuation was last completed as at 31 December 2016, and measured plan assets and liabilities to be £4.9bn and £4.2bn respectively. This corresponds to a surplus of £0.7bn and funding level of 117%. As there is currently no deficit, no recovery plan is required. The funding valuation as at 31 December 2019 is currently being completed.
Other UK plans	The Group also operates two UK defined benefit plans as a result of the acquisition of AAM PLC in 2017. These plans are final salary based, with benefits depending on members' length of service and salary prior to retirement. At the last statutory valuation date, these plans were in deficit and the Group agreed funding plans which aimed to eliminate the deficits, with the plans' trustees. At 31 December 2019, one of the two schemes is now in surplus on an IAS 19 basis. The valuations as at 30 June 2019 are currently being finalised.
Other plans	
Ireland Standard Life plan	In December 2009 this plan closed to new membership and changed from a final salary basis to a career average revalued earnings (CARE) basis. Following the sale of the UK and European insurance business, there remains fewer than 10 employees who continue to accrue benefits under this plan. The transfer of employees to Phoenix, in connection with the sale of our UK and European insurance business, caused a curtailment in this plan that reduced plan liabilities by £4m. This movement was recognised in past service cost in 2018. At the last funding valuation, effective 1 January 2019, the plan was 72% funded on an ongoing basis.
Other	The Group operates smaller funded and unfunded defined benefit plans in other countries.

Plan regulations

The plans are administered according to local laws and regulations in each country. Responsibility for the governance of the plans rests with the relevant trustee boards (or equivalent).

(a) Analysis of amounts recognised in the consolidated income statement

The amounts recognised in the consolidated income statement for defined contribution and defined benefit plans are as follows:

	2019 £m	2018 £m
Current service cost	**60**	67
Past service cost	**(13)**	(15)
Net interest income	**(31)**	(27)
Administrative expenses	**2**	2
Expense from continuing operations recognised in the consolidated income statement	**18**	27

Contributions made to defined contribution plans are included within current service cost, with the balance attributed to the Group's defined benefit plans.

Contributions to defined benefit plans in the year ended 31 December 2019 comprised £15m (2018: £37m) to the Other UK plans and the Ireland Standard Life plan. Contributions are expected to remain at this level over 2020 and are not expected to change materially over the subsequent three years. These contributions include a mixture of deficit funding and funding to achieve a targeted level of overall financial strength.

(b) Analysis of amounts recognised in the consolidated statement of financial position

	2019			2018		
	Principal plan £m	Other £m	Total £m	Principal plan £m	Other £m	Total £m
Present value of funded obligation	**(2,852)**	**(339)**	**(3,191)**	(2,542)	(311)	(2,853)
Present value of unfunded obligation	**–**	**(3)**	**(3)**	–	(3)	(3)
Fair value of plan assets	**4,609**	**308**	**4,917**	4,251	276	4,527
Effect of limit on plan surplus	**(615)**	**–**	**(615)**	(598)	–	(598)
Net asset/(liability)	**1,142**	**(34)**	**1,108**	1,111	(38)	1,073

The principal plan surplus is considered to be recoverable as a right to a refund exists. The surplus has been reduced to reflect an authorised surplus payments charge that would arise on a refund. Other includes a defined benefit plan with a surplus of £21m at 31 December 2019 (2018: £nil).

(c) Movement in the net defined benefit asset

2019	Present value of obligation £m	Fair value of plan assets £m	Total £m	Effect of limit on plan surpluses £m	Total £m
At 1 January	**(2,856)**	**4,527**	**1,671**	**(598)**	**1,073**
Total expense					
Current service cost	(2)	–	(2)	–	**(2)**
Past service cost	13	–	13	–	**13**
Interest (expense)/income	(79)	127	48	(17)	**31**
Administrative expenses	(2)	–	(2)	–	**(2)**
Total (expense)/income recognised in consolidated income statement	**(70)**	**127**	**57**	**(17)**	**40**
Remeasurements					
Return on plan assets, excluding amounts included in interest income	–	385	385	–	**385**
Gain from change in demographic assumptions	16	–	16	–	**16**
Loss from change in financial assumptions	(459)	–	(459)	–	**(459)**
Release of death in service obligation	7	–	7	–	**7**
Experience gains	28	–	28	–	**28**
Change in effect of limit on plan surplus	–	–	–	–	**–**
Remeasurement (losses)/gains recognised in other comprehensive income	**(408)**	**385**	**(23)**	**–**	**(23)**
Exchange differences	7	(5)	2	–	**2**
Employer contributions	–	15	15	–	**15**
Benefit payments	133	(132)	1	–	**1**
At 31 December	**(3,194)**	**4,917**	**1,723**	**(615)**	**1,108**

2018	Present value of obligation £m	Fair value of plan assets £m	Total £m	Effect of limit on plan surpluses £m	Total £m
At 1 January	**(3,193)**	**4,806**	**1,613**	**(592)**	**1,021**
Reclassified as held for sale during the year	8	–	8	–	**8**
Total expense					
Current service cost	(5)	–	(5)	1	**(4)**
Past service cost	21	–	21	(6)	**15**
Interest (expense)/income	(80)	122	42	(15)	**27**
Administrative expenses	(3)	–	(3)	1	**(2)**
Total (expense)/income recognised in consolidated income statement	**(67)**	**122**	**55**	**(19)**	**36**
Remeasurements					
Return on plan assets, excluding amounts included in interest income	–	(253)	(253)	–	**(253)**
Gain from change in financial assumptions	224	–	224	–	**224**
Experience losses	(13)	–	(13)	–	**(13)**
Change in effect of limit on plan surplus	–	–	–	13	**13**
Remeasurement gains/(losses) recognised in other comprehensive income	**211**	**(253)**	**(42)**	**13**	**(29)**
Exchange differences	(1)	1	–	–	**–**
Employer contributions	–	37	37	–	**37**
Benefit payments	186	(186)	–	–	**–**
At 31 December	**(2,856)**	**4,527**	**1,671**	**(598)**	**1,073**

(d) Defined benefit plan assets

Investment strategy is directed by the trustee boards (where relevant) who pursue different strategies according to the characteristics and maturity profile of each plan's liabilities. Assets and liabilities are managed holistically to create a portfolio with the dual objectives of return generation and liability management. In the principal plan this is achieved through a diversified multi-asset absolute return strategy seeking consistent positive returns, and hedging techniques which protect liabilities against movements arising from changes in interest rates and inflation expectations. Derivative financial instruments support both of these objectives and may lead to increased or decreased exposures to the physical asset categories disclosed below.

To provide more information on the approach used to determine and measure the fair value of the plan assets, the fair value hierarchy has been used as defined in Note 40. Those assets which cannot be classified as level 1 have been presented together as level 2 or 3.

The distribution of the fair value of the assets of the Group's funded defined benefit plans is as follows:

	Principal plan		Other		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Assets measured at fair value based on level 1 inputs						
Derivatives	**3**	9	**–**	1	**3**	10
Equity securities	**171**	81	**–**	–	**171**	81
Interests in pooled investment funds						
Debt	**330**	308	**12**	–	**342**	308
Equity	**–**	–	**34**	26	**34**	26
Property	**117**	115	**6**	9	**123**	124
Absolute return	**68**	60	**116**	109	**184**	169
Cash	**275**	297	**22**	36	**297**	333
Debt securities	**3,098**	2,494	**4**	31	**3,102**	2,525
Total assets measured at fair value based on level 1 inputs	**4,062**	3,364	**194**	212	**4,256**	3,576
Assets measured at fair value based on level 2 or 3 inputs						
Derivatives	**262**	289	**(4)**	(6)	**258**	283
Equity securities	**102**	102	**–**	–	**102**	102
Interests in pooled investment funds						
Debt	**104**	100	**–**	–	**104**	100
Multi-asset private markets	**157**	149	**–**	–	**157**	149
Property	**–**	–	**10**	–	**10**	–
Debt securities	**121**	163	**34**	–	**155**	163
Qualifying insurance policies	**6**	5	**71**	64	**77**	69
Total assets measured at fair value based on level 2 or 3 inputs	**752**	808	**111**	58	**863**	866
Cash and cash equivalents	**222**	381	**3**	6	**225**	387
Liability in respect of collateral held	**(426)**	(300)	**–**	–	**(426)**	(300)
Other	**(1)**	(2)	**–**	–	**(1)**	(2)
Total	**4,609**	4,251	**308**	276	**4,917**	4,527

Further information on risks is provided in Section (g) of this note. The £3,257m (2018: £2,688m) of debt securities includes £3,205m (2018: £2,622m) government bonds (including conventional and index-linked). Of the remaining £52m (2018: £66m) debt securities, £22m (2018: £42m) are investment grade corporate bonds or certificates of deposit.

Included in the qualifying insurance policy asset of £77m (2018: £69m) is an insurance policy purchased by the trustees of one of the Other UK defined benefit plans to protect the plan against future investment and actuarial risks. It has been valued at £64m (2018: £56m) with reference to the estimated benefits that will be paid by the insurer using the same assumptions and approach used to value the present value of the funded obligation covered by the policy.

One Other UK plan has a contract in place to hedge longevity risk for pensioners. The fair value of this derivative is £nil at 31 December 2019 (2018: £nil).

(e) Estimates and assumptions

Determination of the valuation of principal plan liabilities is a key estimate as a result of the assumptions made relating to both economic and non-economic factors.

The key economic assumptions for the principal plan, which are based in part on current market conditions, are shown below:

	2019 %	2018 %
Discount rate	**2.05**	2.85
Rates of inflation		
Consumer Price Index (CPI)	**2.00**	2.20
Retail Price Index (RPI)	**2.90**	3.20

The changes in economic assumptions over the period reflect changes in both corporate bond prices and market implied inflation.

The most significant non-economic assumption for the principal plan is post-retirement longevity which is inherently uncertain. The assumptions (along with sample expectations of life) are illustrated below:

				Expectation of life from NRA			
				Male age today		Female age today	
2019	Table	Improvements	Normal Retirement Age (NRA)	NRA	40	NRA	40
	Plan specific basis (calibrated by Club Vita) reflecting membership demographics	Advanced parameterisation of CMI 2013 mortality improvements model – adjusted to assume that improvements continue to increase in the short term before declining toward an ultimate long-term rate of 1.375%	60	30	32	32	34

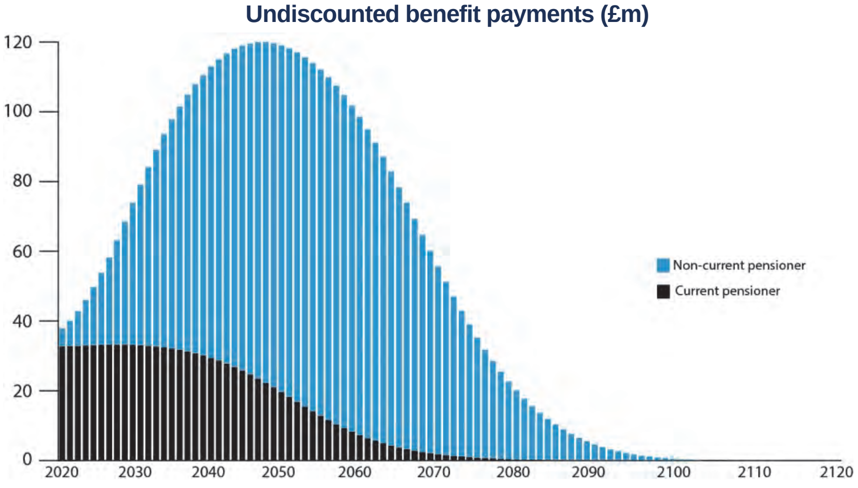
				Expectation of life from NRA			
				Male age today		Female age today	
2018	Table	Improvements	Normal Retirement Age (NRA)	NRA	40	NRA	40
	Plan specific basis (calibrated by Club Vita) reflecting membership demographics	Advanced parameterisation of CMI 2013 mortality improvements model – adjusted to assume that improvements continue to increase in the short term before declining toward an ultimate long-term rate of 1.375%	60	30	32	32	34

These assumptions reflect a cautious allowance for the recently observed slowdown in longevity improvements.

(f) Duration of defined benefit obligation

The graph below provides an illustration of the undiscounted expected benefit payments included in the valuation of the principal plan obligations.

Undiscounted benefit payments (£m)



Weighted average duration	2019 years	2018 years
Current pensioner	**15**	14
Non-current pensioner	**28**	28

(g) Risk

(g)(i) Risks and mitigating actions

The Group's consolidated statement of financial position is exposed to movements in the defined benefit plans' net asset. In particular, the consolidated statement of financial position could be materially sensitive to reasonably likely movements in the principal assumptions for the principal plan. By offering post-retirement defined benefit pension plans the Group is exposed to a number of risks. An explanation of the key risks and mitigating actions in place for the principal plan is given below.

Asset volatility

Investment strategy risks include underperformance of the absolute return strategy and underperformance of the liability hedging strategy. As the trustees set investment strategy to protect their own view of plan strength (not the IAS 19 position), changes in the IAS 19 liabilities (e.g. due to movements in corporate bond prices) may not always result in a similar movement in plan assets.

Failure of the asset strategy to keep pace with changes in plan liabilities would expose the plan to the risk of a deficit developing, which could increase funding requirements for the Group.

Yields/discount rate

Falls in yields would in isolation be expected to increase the defined benefit plan liabilities.

The principal plan uses both bonds and derivatives to hedge out yield risks on the plan's funding basis, rather than the IAS 19 basis, which is expected to minimise the plan's need to rely on support from the Group.

Inflation

Increases in inflation expectations would in isolation be expected to increase the defined benefit plan liabilities.

The principal plan uses both bonds and derivatives to hedge out inflation risks on the plan's funding basis, rather than the IAS 19 basis, which is expected to minimise the plan's need to rely on support from the Group.

In the principal plan pensions in payment are generally linked to CPI, however inflationary risks are hedged using RPI instruments due to lack of availability of CPI linked instruments. Therefore, the plan is exposed to movements in the actual and expected long-term gap between RPI and CPI.

A House of Lords report in 2019 raised the potential for changes to the RPI measure of inflation, which was followed by recommendations from the UK Statistics Authority. While uncertainty remains, there is a risk that future cash flows from, and thus the value of, the plan's RPI-linked assets will fall without any corresponding reduction in the plan's CPI-linked liabilities. While not directly observable from market data, the plan's RPI-linked asset values may already reflect an element of the expected changes and risk of such changes. We continue to monitor developments closely.

Life expectancy

Increases in life expectancy beyond those currently assumed will lead to an increase in plan liabilities. Regular reviews of longevity assumptions are performed to ensure assumptions remain appropriate.

(g)(ii) Sensitivity to key assumptions

The sensitivity of the principal plan's obligation and assets to the key assumptions is disclosed below.

		2019		2018	
	Change in assumption	**(Increase)/decrease in present value of obligation £m**	**Increase/(decrease) in fair value of plan assets £m**	(Increase)/decrease in present value of obligation £m	Increase/(decrease) in fair value of plan assets £m
Yield/discount rate	Decrease by 1% (e.g. from 2.05% to 1.05%)	**(846)**	**1,522**	(729)	1,534
	Increase by 1%	**593**	**(1,092)**	524	(1,080)
Rates of inflation	Decrease by 1%	**587**	**(889)**	479	(942)
	Increase by 1%	**(756)**	**1,243**	(683)	1,323
Life expectancy	Decrease by 1 year	**82**	**–**	73	–
	Increase by 1 year	**(96)**	**–**	(68)	–

35. Deferred income

Where the Group receives fees in advance (front-end fees) for services it is providing, including investment management services, these fees are initially recognised as a deferred income liability and released to the consolidated income statement over the period services are provided.

	2019 £m	2018 £m
At 1 January	**75**	157
Reclassified as held for sale during the year	**–**	(157)
Additions during the year	**–**	78
Released to the consolidated income statement as revenue from contracts with customers	**(8)**	(3)
At 31 December	**67**	75

The deferred income at 31 December 2019 and 31 December 2018 relates to future services to be provided to Phoenix in relation to certain client propositions. The amount of deferred income expected to be settled after more than 12 months is £60m (2018: £67m).

36. Other financial liabilities

	Notes	2019 £m	2018[1] £m
Outstanding purchases of investment securities		**–**	2
Accruals		**469**	492
Creation of units awaiting settlement		**110**	167
Lease liabilities	18	**268**	–
Cash collateral held in respect of derivative contracts	38	**21**	21
Bank overdrafts	24	**338**	216
Contingent consideration liabilities	40	**14**	29
Other		**95**	234
Other financial liabilities		**1,315**	1,161

1 Comparatives for 2018 have been represented to exclude unit linked liabilities. Refer Note 25.

The amount of other financial liabilities expected to be settled after more than 12 months is £239m (2018: £15m).

Accruals includes £3m (2018: £5m) relating to contracts with customers (refer Note 4(b)).

37. Provisions and other liabilities

Provisions are obligations of the Group which are of uncertain timing or amount. They are recognised when the Group has a present obligation as a result of a past event, it is probable that a loss will be incurred in settling the obligation and a reliable estimate of the amount can be made.

(a) Provisions

The movement in provisions during the year is as follows:

2019	Separation costs £m	Other provisions £m	Total provisions £m
Opening balance carried forward	**80**	**25**	**105**
Effect of change in accounting policy to IFRS 16[1]	–	(12)	**(12)**
At 1 January	**80**	**13**	**93**
Charged/(credited) to the consolidated income statement			
Additional provisions	–	19	**19**
Release of unused provision	–	(7)	**(7)**
Used during the year	(3)	–	**(3)**
At 31 December	**77**	**25**	**102**

1 The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated and the cumulative effect of initially applying this standard is recognised in retained earnings at the date of initial application. Refer Basis of preparation.

2018	Provision for annuity sales practices £m	Separation costs £m	Other provisions £m	Total provisions £m
At 1 January	248	–	68	**316**
Reclassified as held for sale during the year	(248)	–	(33)	**(281)**
Charged/(credited) to the consolidated income statement				
Additional provisions	–	80	7	**87**
Release of unused provision	–	–	(9)	**(9)**
Used during the year	–	–	(8)	**(8)**
At 31 December	**–**	**80**	**25**	**105**

The provision for separation costs of £77m (2018: £80m) is for costs expected to be incurred following the sale of the UK and European insurance business to Phoenix. Refer Note 1 for further details. We announced in the Sale Circular on 30 May 2018 that we expected to incur one-off costs relating to the separation of the business sold of approximately £250m. As our work has progressed we have encountered additional complexity resulting from the separation of the technology infrastructure and as a result we now expect these one-off separation costs to be £310m. Our judgement is that a provision should be recognised for costs for which the Group will not derive ongoing benefits such as those relating to the de-coupling and decommissioning of systems and data but that a provision should not be recognised for costs related to the development of replacement systems and services as these will give future benefits. No additional provision has been recognised in the year ended 31 December 2019 for the additional £60m of estimated costs as it is judged to relate to expenditure from which the Group will derive future benefits. The costs covered by the provision are expected to be incurred in the next two years.

Other provisions primarily relate to restructuring and are expected to be settled within 12 months.

The amount of provisions expected to be settled after more than 12 months is £34m (2018: £72m).

The provision for annuity sales practices related to the UK and European insurance business sold during 2018. Refer Note 40 for disclosures relating to the valuation of the related contingent consideration.

(b) Other liabilities

As at 31 December 2019, other liabilities totalled £5m (2018: £9m). The amount of other liabilities expected to be settled after more than 12 months is £2m (2018: £2m).

38. Financial instruments risk management

(a) Overview

The principal risks and uncertainties that affect the Group's business model and the Group's approach to risk management are set out in the Risk management section of the Strategic report.

The Group's exposure to financial instrument risk is derived from the financial instruments that it holds directly, the assets and liabilities of the unit linked funds of the life operations of the Group and the Group's defined benefit pension plans. In addition due to the nature of the business, the Group's secondary exposure extends to the impact on investment management and other fees that are determined on the basis of a percentage of AUM and are therefore impacted by financial risks borne by third party investors. In this note exposures and sensitivities provided relate to the financial instrument assets and liabilities, in scope of IFRS 7, to which the shareholder is directly exposed.

For the purposes of this note:

- Shareholder business refers to the assets and liabilities to which the shareholder is directly exposed. The shareholder refers to the equity holders of the Company and the preference shareholders.
- Unit linked funds refers to the assets and liabilities of the unit linked funds of the life operations of the Group. It does not include the cash flows (such as asset management charges or investment expenses) arising from the unit linked fund contracts. These cash flows are included in shareholder business.
- Third party interest in consolidated funds and non-controlling interests refers to the assets and liabilities recorded on the Group's consolidated statement of financial position which belong to third parties. The Group controls the entities which own the assets and liabilities but the Group does not own 100% of the equity or units of the relevant entities.

Unit linked funds are excluded from the analysis in this note. Details regarding the financial risks of instruments relating to the Group's unit linked funds can be found in Note 25 and the risks relating to the Group's principal defined benefit pension plan are explained in Note 34.

Third party interests in consolidated funds do not expose the shareholder to market, credit or liquidity risk since the financial risks from the assets and obligations are borne by third parties. As a result equity risk, interest rate risk and credit risk quantitative disclosures in this note exclude these assets.

Under IFRS 7 the following financial instruments are excluded from scope:

- Interests in subsidiaries, associates and joint ventures
- Rights and obligations arising from employee benefit plans
- Insurance contracts as defined by IFRS 4
- Share-based payment transactions

For the purposes of managing risks to the Group's financial instrument assets and liabilities, the Group considers the following categories:

Risk	Definition and exposure
Market	The risk of financial loss as a result of adverse financial market movements. The shareholder is directly exposed to the impact of movements in equity prices, interest rates and foreign exchange rates on the value of assets held by the shareholder business.
Credit	The risk of financial loss as a result of the failure of a counterparty, issuer or borrower to meet their obligations or perform them in a timely manner. The shareholder is directly exposed to credit risk from holding cash, debt securities, loans and derivative financial instruments.
Liquidity	The risk of financial loss as a result of being unable to settle financial obligations when they fall due, as a result of having insufficient liquid resources or being unable to realise investments and other assets other than at excessive costs. The shareholder is directly exposed to the liquidity risk from the shareholder business if it is unable to realise investments and other assets in order to settle its financial obligations when they fall due, or can do so only at excessive cost.

(b) Market risk

Market risk exposures in the Asset management, platforms and wealth segment primarily arise as a result of holdings in newly established investment vehicles which the Group has seeded and co-investments in property and infrastructure funds. Seed capital is classified as held for sale when it is the intention to dispose of the vehicle in a single transaction and within one year. Co-investments are typically held for a longer term and align the Group's economic interests with those of property, private equity and infrastructure fund co-investors. The consolidated statement of financial position includes the following amounts in respect of seed capital and co-investments.

	Notes	2019 £m	2018 £m
Equity securities and interests in pooled investment funds at FVTPL		**195**	76
Debt securities		**78**	22
Assets held for sale	23	**2**	81
Total seed capital		**275**	179
Equity securities and interests in pooled investment funds at FVTPL		**84**	37
Total co-investments		**84**	**37**

The Group sets limits for investing in seed capital and co-investment activity and regularly monitors exposures arising from these investments. The Group will consider hedging its exposure to market and currency risk in respect of seed capital investments where it is appropriate and efficient to do so. The Group will also consider hedging its exposure to currency risk in respect of co-investments where it is appropriate and efficient to do so. Other market risks associated with co-investments are not hedged given the need for the Group's economic interests to be aligned with those of the co-investors.

Market risk exposure also arises to the extent that the market value of assets held to back debt issued does not move in line with the market value of the liabilities being backed. This risk is controlled through having robust processes in place to limit the use of proceeds from debt issuance and includes the use of investment constraints and portfolio limits.

(b)(i) Elements of market risk

The main elements of market risk to which the Group is exposed are equity risk, interest rate risk and foreign currency risk, which are discussed on the following pages.

Information on the methods used to determine fair values for each major category of financial instrument measured at fair value is presented in Note 40.

(b)(i)(i) Exposure to equity risk

The Group is exposed to the risk of adverse equity market movements which could result in losses. This applies to daily changes in the market values and returns on the holdings in its equity securities portfolio.

At 31 December 2019 the shareholder exposure to equity markets was £199m (2018: £37m) in relation to equity securities. In addition the shareholder has interests in pooled investment funds of £458m (2018: £464m). Equity securities and interests in pooled funds in the consolidated statement of financial position of £725m includes £68m of third party interests in consolidated funds.

The shareholder exposure to equity securities of £199m (2018: £37m) primarily relates to seed capital of £118m (2018: £19m) and £48m (2018: £nil) held by the Standard Life Foundation.

The shareholder exposure of £458m (2018: £464m) to interests in pooled investment funds primarily relates to:

- Corporate funds held in absolute return funds which are not consolidated of £210m (2018: £197m)
- Co-investment holdings in property and infrastructure funds of £84m (2018: £37m)
- Seed capital in funds which are not consolidated of £77m (2018: £57m)
- Investments in certain managed funds to hedge against liabilities from variable pay awards that are deferred and settled in cash by reference to the share price of those funds of £44m (2018: £53m)
- Holdings in cash funds which are not consolidated of £5m (2018: £5m)
- Interest in pooled funds held by the Standard Life Foundation of £35m (2018: £81m)

Exposures to equity securities are primarily controlled through the limits imposed on the amount of seed capital and co-investment activity that may be undertaken.

The sensitivity of profit after tax to changes in equity security prices for the shareholder business is included in the profit after tax sensitivity to market risk table, shown in Section (b)(ii).

(b)(i)(ii) Exposure to interest rate risk

Interest rate risk is the risk that arises from exposures to changes in the shape and level of yield curves which could result in losses due to the value of financial assets and liabilities, or the cash flows relating to these, fluctuating by different amounts.

The main financial assets held by the Group which give rise to interest rate risk are debt securities and cash and cash equivalents. The main financial liabilities giving rise to interest rate risk principally comprise subordinated liabilities. Derivative financial instruments held by the Group also give rise to interest rate risk.

Interest rate exposures are managed in line with the Group's risk appetite. Group companies typically use a combination of cash flow and duration matching techniques to manage their interest rate risk at an entity level.

The sensitivity of profit after tax to changes in interest rates for the shareholder business is included in the profit after tax sensitivity to market risk table, shown in Section (b)(ii).

(b)(i)(iii) Exposure to foreign currency risk

The Group's financial assets are generally held in the local currency of its operational geographic locations. Foreign currency risk arises where adverse movements in currency exchange rates impact the value of revenues received from, and the value of assets and liabilities held in, currencies other than UK Sterling. Foreign currency risk for shareholders also arises from the Group's investments in overseas subsidiaries, and in associates and joint ventures accounted for using the equity method.

The Group generally does not hedge the currency exposure relating to revenue and expenditure, nor does it hedge translation of overseas profits in the income statement. Where appropriate, the Group may use derivative contracts to reduce or eliminate currency risk arising from individual transactions or seed capital and co-investment activity.

The table below summarises the financial instrument exposure to foreign currency risks in UK Sterling. The table excludes inter-segment assets and liabilities.

		UK Sterling		Euro		Canadian Dollar		Hong Kong Dollar		US Dollar		Singapore Dollar		Other currencies		Total	
		2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	Notes	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Financial assets	19	**3,387**	3,158	**256**	190	**13**	10	**6**	10	**356**	244	**80**	117	**192**	193	**4,290**	3,922
Financial liabilities	32	**(1,246)**	(1,533)	**(57)**	(20)	**(1)**	–	**(4)**	(1)	**(718)**	(668)	**(19)**	(18)	**(47)**	(32)	**(2,092)**	(2,272)
Net investment hedges		**–**	6	**–**	–	**–**	–	**–**	(6)	**–**	–	**–**	–	**–**	–	**–**	–
Cash flow hedges		**(566)**	(589)	**–**	–	**–**	–	**–**	–	**566**	589	**–**	–	**–**	–	**–**	–
Non- designated derivatives		**266**	108	**(62)**	(26)	**–**	–	**(1)**	–	**(131)**	(68)	**–**	–	**(72)**	(14)	**–**	–
		1,841	1,150	**137**	144	**12**	10	**1**	3	**73**	97	**61**	99	**73**	147	**2,198**	1,650

Other currencies include assets of £12m (2018: £13m) and liabilities of £nil (2018: £3m) in relation to the fair value of derivatives used to manage currency risk.

In addition to financial instruments analysed above, the principal source of foreign currency risk for shareholders arises from the Group's investments in overseas subsidiaries and associates and joint ventures accounted for using the equity method.

The Group has holdings in Indian and Chinese associates and joint ventures. The carrying value and, where listed, market value is disclosed in Note 16. The Group does not hedge foreign currency risk in relation to these investments.

On 18 October 2017, the Group issued US dollar subordinated notes with a principal amount of US$750m. The related cash flows expose the Group to foreign currency risk on the principal and coupons payable. The Group manages the foreign exchange risk with a cross-currency swap which is designated as a cash flow hedge.

Non-designated derivatives relate to foreign exchange forward contracts that are not designated as cash flow hedges or net investment hedges.

(b)(ii) Sensitivity of financial instruments to market risk analysis

The Group's profit after tax and equity are sensitive to variations in respect of the Group's market risk exposures and a sensitivity analysis is presented below. The analysis has been performed by calculating the sensitivity of profit after tax and equity to changes in equity security prices (price risk), changes in interest rates (interest rate risk) and changes in foreign exchange rate (foreign currency risk) as at the reporting date applied to assets and liabilities other than those classified as held for sale. These sensitivities concern only the direct impact on financial instruments and exclude indirect impacts on fee income and certain costs that may be affected by changes in the variable. The changes used in the sensitivity analysis are considered reasonable assumptions and are consistent with market peers.

Limitations

The sensitivity of the Group's profit after tax and equity may be non-linear and larger or smaller impacts should not be derived from these results.

The sensitivity analysis represents the impact on profit at year end that the changes in market conditions can have. The sensitivity will vary with time, both due to changes in market conditions and changes in the actual asset mix, and this mix is being actively managed. The results of the sensitivity analysis may also have been different from those illustrated had the sensitivity factors been applied at a date other than the reporting date.

For each sensitivity 'test', the impact of a reasonably possible change in a single sensitivity factor is presented, while the other sensitivity factors remain unchanged. Correlations between the different risks and/or other factors may mean that experience would differ from that expected if more than one risk event occurred simultaneously.

These sensitivities concern only the impact on financial instruments and exclude indirect impacts of the variable on fee income and certain costs which may be affected by the changes in market conditions.

Profit after tax and equity sensitivity to price risk

The impact of the following price risk assumptions on profit and equity, net of tax, are as follows:

	Impact on profit after tax[1] and on equity	
	2019 £m	2018 £m
Change in equity security prices		
+10%	**40**	16
-10%	**(40)**	(16)
+20%	**81**	32
-20%	**(81)**	(32)

1 A positive number for impact on profit after tax represents a credit to the consolidated income statement.

The sensitivity of the Group's total equity to variations in equity securities prices is the same as the sensitivity of the Group's profit after tax.

Profit after tax and equity sensitivity to interest rate risk.

The impact of the following interest rate assumptions on profit and equity, net of tax, are as follows:

	Impact on profit after tax[1]		Impact on equity	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Change in interest rates				
+1%[2]	**(2)**	7	**(2)**	(4)
-1%[2]	**2**	(7)	**2**	4

1 A positive number for impact on profit after tax represents a credit to the consolidated income statement.

2 The interest rate sensitivity is a parallel shift subject to a floor of -30bps.

The impact of interest rate changes on profit after tax primarily relates to cash and cash equivalents.

In 2018, the Group's financial instruments include certain debt securities classified as available-for-sale. These debt securities were measured at fair value. Interest was calculated using the effective interest method and recognised in the consolidated income statement. Other changes in fair value and the related tax were recognised in other comprehensive income. As a result, in 2018 the sensitivity of the Group's equity to variations in interest rate risk exposures differed from the sensitivity of the Group's profit after tax to variations in interest rate risk exposures.

Profit after tax and equity sensitivity to foreign exchange risk

The impact of the following foreign exchange rate assumptions on profit and equity, net of tax, are as follows:

	Impact on profit after tax[1] and on equity					
	2019			2018		
	USD £m	**EUR £m**	**SGD £m**	USD £m	EUR £m	SGD £m
Change in foreign exchange rates						
+10%[2]	**11**	**15**	**5**	19	16	9
-10%[2]	**(11)**	**(15)**	**(5)**	(19)	(16)	(9)

1 A positive number for impact on profit after tax represents a credit to the consolidated income statement.

2 The foreign exchange sensitivity is the impact of a 10% movement in each currency against UK Sterling.

(c) Credit risk

Exposures to credit risk and concentrations of credit risk are managed by setting exposure limits for different types of financial instruments and counterparties. The limits are established using the following controls:

Financial instrument with credit risk exposure	Control
Cash and cash equivalents	Maximum counterparty exposure limits are set with reference to internal credit assessments.
Derivative financial instruments	Maximum counterparty exposure limits, net of collateral, are set with reference to internal credit assessments. The forms of collateral that may be accepted are also specified and minimum transfer amounts in respect of collateral transfers are documented.
Debt securities	The Group's policy is to set exposure limits by name of issuer, sector and credit rating.
Other financial instruments	Appropriate limits are set for other financial instruments to which the Group may have exposure at certain times.

Group Treasury perform central monitoring of exposures against limits and are responsible for the escalation of any limit breaches to the Chief Risk Officer.

The Group adopted IFRS 9 *Financial Instruments* on 1 January 2019. Prior to adoption of IFRS 9, under IAS 39 impairment was only recognised when a default occurred. See Basis of preparation for further information.

Under IFRS 9, expected credit losses (ECL) are calculated on financial assets which are measured at amortised cost.

Financial assets attract an ECL allowance equal to either:

12 month ECL (losses resulting from possible default within the next 12 months)	– No significant increase in credit risk since initial recognition. – Trade receivables or contract assets with significant financing component, or lease receivables if lifetime ECL measurement has not been elected
Lifetime ECL (losses resulting from possible defaults over the remaining life of the financial asset)	– Significant increase in credit risk since initial recognition, – Trade receivables or contract assets with no significant financing component – Trade receivables or contract assets with significant financing component, or lease receivables for which lifetime ECL measurement has been elected
Changes in Lifetime ECL	– Credit-impaired at initial recognition

In determining if a significant increase in the risk of default occurring has arisen since initial recognition the Group considers a range of factors including whether a default has taken place, deterioration in credit quality of a counterparty and knowledge of specific events which could influence a counterparty's ability to pay.

The Group assumes that a significant increase in credit risk has arisen when contractual payments are more than 30 days past due. The Group assumes that credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Financial instruments with an external rating of 'investment grade' are determined to have low credit risk. Investment grade financial instruments are financial assets with credit ratings assigned by external rating agencies with classification within the range of AAA to BBB. If a financial asset is not rated by an external agency it is classified as 'not rated'.

The Group applies the simplified approach, as permitted under IFRS 9, to calculate the ECL allowance for trade receivables, contract assets and lease receivables. Under the simplified approach, the ECL allowance is calculated over the remaining life of the asset, using a provision matrix approach based on historic observed default rates adjusted for knowledge of specific events which could influence loss rates.

(c)(i) Credit exposure

The following table presents an analysis of the credit quality of shareholder financial assets and the maximum exposure to credit risk without taking into account any collateral held:

2019	Fair value through profit or loss £m	Cash flow hedge £m	Amortised cost: 12 month ECL £m	Amortised cost: Lifetime ECL – not credit impaired £m	Total £m
AAA	–	–	100	–	**100**
AA+ to AA-	178	–	843	–	**1,021**
A+ to A-	485	3	1,146	–	**1,634**
BBB	54	–	120	–	**174**
BB	–	–	2	–	**2**
Not rated	25	–	187	372	**584**
Gross carrying amount	742	3	2,398	372	**3,515**
Loss allowance	–	–	–	–	**–**
Carrying amount	**742**	**3**	**2,398**	**372**	**3,515**
Derivative financial assets	16	3	–	–	**19**
Debt securities	725	–	602	–	**1,327**
Receivables and other financial assets	1	–	187	372	**560**
Cash and cash equivalents	–	–	1,609	–	**1,609**
Carrying amount	**742**	**3**	**2,398**	**372**	**3,515**

2018	Designated at fair value through profit or loss £m	Held for trading £m	Cash flow hedge £m	Available-for-sale £m	Loans and receivables £m	Total £m
Neither past due nor impaired:						
AAA	–	–	–	36	162	**198**
AA+ to AA-	170	–	–	92	567	**829**
A+ to A-	515	–	13	605	350	**1,483**
BBB	–	–	–	113	20	**133**
Below BBB	–	–	–	16	3	**19**
Not rated	31	5	–	–	669	**705**
Past due	–	–	–	–	26	**26**
Impaired	–	–	–	–	–	**–**
Carrying amount	**716**	**5**	**13**	**862**	**1,797**	**3,393**
Derivative financial assets	–	5	13	–	–	**18**
Debt securities	708	–	–	862	–	**1,570**
Receivables and other financial assets	8	–	–	–	687	**695**
Cash and cash equivalents	–	–	–	–	1,110	**1,110**
Carrying amount	**716**	**5**	**13**	**862**	**1,797**	**3,393**

In the table above debt securities exclude debt securities relating to third party interests in consolidated funds of £44m (2018: £17m). Cash and cash equivalents exclude cash and cash equivalents relating to third party interests in consolidated funds of £6m (2018: £nil). Derivative financial assets exclude derivative financial assets relating to third party interests in consolidated funds of £nil (2018: £1m). Receivables and other financial assets exclude receivables and other financial assets relating to third party interests in consolidated funds of £nil (2018: £2m). The shareholder is not exposed to the credit risk in respect of third party interests in consolidated funds since the financial risk of the assets are borne by third parties.

An analysis of debt securities by country based on the ultimate parent country of risk is provided below:

	Government, provincial and municipal[1]		Banks		Other financial institutions		Other corporate		Other[2]		Total[3]	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
UK	**49**	13	**262**	13	**9**	35	**86**	93	**41**	14	**447**	168
Australia	**–**	–	**9**	10	**5**	–	**–**	–	**–**	–	**14**	10
Canada	**–**	–	**–**	25	**–**	–	**–**	–	**–**	–	**–**	25
China	**–**	–	**50**	65	**–**	–	**–**	–	**–**	–	**50**	65
Denmark	**–**	–	**30**	45	**–**	–	**–**	–	**–**	–	**30**	45
Finland	**–**	–	**60**	–	**–**	–	**–**	–	**–**	–	**60**	–
France	**–**	–	**277**	459	**–**	–	**16**	17	**–**	–	**293**	476
Germany	**–**	–	**45**	115	**–**	–	**25**	19	**–**	–	**70**	134
Japan	**–**	–	**30**	50	**–**	–	**–**	–	**–**	–	**30**	50
Mexico	**–**	–	**–**	–	**–**	–	**6**	6	**–**	–	**6**	6
Netherlands	**–**	–	**45**	337	**–**	–	**–**	–	**–**	–	**45**	337
Spain	**–**	–	**–**	25	**–**	–	**2**	2	**–**	–	**2**	27
Sweden	**–**	–	**53**	63	**–**	–	**–**	–	**–**	–	**53**	63
Switzerland	**–**	–	**60**	–	**–**	–	**–**	–	**–**	–	**60**	–
United Arab Emirates	**–**	–	**80**	50	**–**	–	**–**	–	**–**	–	**80**	50
US	**–**	–	**–**	50	**15**	15	**10**	10	**13**	–	**38**	75
Other	**2**	–	**–**	–	**–**	–	**–**	8	**47**	31	**49**	39
Total	**51**	13	**1,001**	1,307	**29**	50	**145**	155	**101**	45	**1,327**	1,570

1 Government, provincial and municipal includes debt securities which are issued by or explicitly guaranteed by the national government.

2 This balance includes debt securities issued by supranationals.

3 Total geographical exposures exclude debt securities relating to third party interests in consolidated funds of £44m (2018: £17m).

(c)(ii) Collateral accepted and pledged in respect of financial instruments

Collateral in respect of bilateral over-the-counter (OTC) derivative financial instruments and bilateral repurchase agreements is accepted from and provided to certain market counterparties to mitigate counterparty risk in the event of default. The use of collateral in respect of these instruments is governed by formal bilateral agreements between the parties. For OTC derivatives the amount of collateral required by either party is determined by the daily bilateral OTC exposure calculations in accordance with these agreements and collateral is moved on a daily basis to ensure there is full collateralisation. Under the terms of these agreements, collateral is posted with the ownership captured under title transfer of the contract. With regard to either collateral pledged or accepted, the Group may request the return of, or be required to return, collateral to the extent it differs from that required under the daily bilateral OTC exposure calculations.

Where there is an event of default under the terms of the agreements, any collateral balances will be included in the close-out calculation of net counterparty exposure. At 31 December 2019, the Group had pledged £18m (2018: £8m) of cash and £nil (2018: £nil) of securities as collateral for derivative financial liabilities. At 31 December 2019, the Group had accepted £21m (2018: £21m) of cash and £25m (2018: £50m) of securities as collateral for derivatives financial assets and reverse repurchase agreements. None of the securities were sold or repledged at the year end.

(c)(iii) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported on the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Other than cash and cash equivalents disclosed in Note 24, the Group does not offset financial assets and liabilities on the consolidated statement of financial position, as there are no unconditional rights to set off. Consequently, the gross amount of other financial instruments presented on the consolidated statement of financial position is the net amount. The Group's bilateral OTC derivatives are all subject to an International Swaps and Derivative Association (ISDA) master agreement. ISDA master agreements and reverse repurchase agreements entered into by the Group are considered master netting agreements as they provide a right of set off that is enforceable only in the event of default, insolvency, or bankruptcy.

The Group does not hold any other financial instruments which are subject to master netting agreements or similar arrangements.

The following table presents the effect of master netting agreements and similar arrangements.

As at 31 December 2019	Gross amounts of financial instruments as presented on the consolidated statement of financial position £m	Related amounts not offset on the consolidated statement of financial position		Net position £m
		Financial instruments £m	Financial collateral pledged/(received) £m	
Financial assets				
Derivatives[2]	13	(2)	(9)	2
Reverse repurchase agreements	25	–	(25)	–
Total financial assets	**38**	**(2)**	**(34)**	**2**
Financial liabilities				
Derivatives[2]	(2)	2	–	–
Total financial liabilities	**(2)**	**2**	**–**	**–**

As at 31 December 2018[1]	Gross amounts of financial instruments as presented on the consolidated statement of financial position £m	Related amounts not offset on the consolidated statement of financial position		Net position £m
		Financial instruments £m	Financial collateral pledged/(received) £m	
Financial assets				
Derivatives[2]	18	–	(14)	4
Reverse repurchase agreements	50	–	(50)	–
Total financial assets	**68**	**–**	**(64)**	**4**
Financial liabilities				
Derivatives[2]	(3)	–	3	–
Total financial liabilities	**(3)**	**–**	**3**	**–**

1 Comparatives for 2018 have been represented to exclude unit linked liabilities. Refer Note 25.

2 Only OTC derivatives subject to master netting agreements have been included above.

(d) Liquidity risk

The shareholder is exposed to liquidity risk if the Group is unable to realise investments and other assets in order to settle its financial obligations when they fall due, or can do so only at excessive cost. The following quantitative liquidity risk disclosures are provided in respect of these financial liabilities.

The Group has a liquidity risk policy and processes in place for monitoring, assessing, and controlling liquidity risk.

During the year, the Group refined its processes for managing liquidity risk through the operation of its liquidity risk framework. This framework ensures that liquidity risks are identified and also identifies which entities in the Group have this exposure. Stress testing of these risks is performed to understand the quantum of risk under stress conditions. This then informs the level of liquid resources that need to be maintained. Where appropriate, this is enhanced with external credit facilities and the Group has a syndicated revolving credit facility of £400m which was undrawn at 31 December 2019.

The level of liquid resources in the Group is also projected under a number of adverse scenarios. These are described more fully in the Viability Statement.

Contingency funding plans are also maintained to ensure that if liquidity risk did materialise, processes and procedures are already in place to assist with resolving the issue. Regular monitoring of liquid assets is performed and projections undertaken (under both base and stressed conditions) to understand the outlook.

As a result of the policies and processes established to manage risk, the Group expects to be able to manage liquidity risk on an ongoing basis. We recognise there are a number of scenarios that can impact the liquid resources of a business as discussed in the Risk management section of the Strategic report.

(d)(i) Maturity analysis

The analysis that follows presents the undiscounted cash flows payable by remaining contractual maturity at the reporting date for all financial liabilities, other than those related to unit linked funds which are discussed in Note 25.

	Within 1 year		1-5 years		5-10 years		10-15 years		15-20 years		Greater than 20 years		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Subordinated liabilities	**29**	53	**116**	210	**676**	845	**25**	144	**25**	144	**107**	615	**978**	2,011
Other financial liabilities	**1,124**	1,141	**107**	2	**102**	–	**57**	–	**14**	–	**–**	–	**1,404**	1,143
Total	**1,153**	1,194	**223**	212	**778**	845	**82**	144	**39**	144	**107**	615	**2,382**	3,154

Refer Note 20 for the maturity profile of undiscounted cash flows of derivative financial instruments.

The Group also had unrecognised commitments in respect of financial instruments as at 31 December 2019 with a contractual maturity of within one year and between one and five years of £2m and £39m respectively (2018: £9m and £28m).

FINANCIAL INFORMATION

39. Structured entities

A structured entity is an entity that is structured in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity. The Group has interests in structured entities through investments in a range of investment vehicles including:

- Pooled investment funds managed internally and externally, including OEICs, SICAVs, unit trusts and limited partnerships
- Debt securitisation vehicles which issue asset-backed securities

The Group consolidates structured entities which it controls. Where the Group has an investment in, but not control over these types of entities, the investment is classified as an investment in associate when the Group has significant influence. Investments in associates at FVTPL are included in equity securities and pooled investment funds in the analysis of financial investments.

The Group also has interests in structured entities through asset management fees and other fees received from these entities.

(a) Consolidated structured entities

As at 31 December 2019 and 31 December 2018, the Group has not provided any non-contractual financial or other support to any consolidated structured entity and there are no current intentions to do so.

(b) Unconsolidated structured entities

As at 31 December 2019 and 31 December 2018, the Group has not provided any non-contractual financial or other support to any unconsolidated structured entities and there are no current intentions to do so.

The following table shows the carrying value of the Group's interests in unconsolidated structured entities by line item in the consolidated statement of financial position.

	2019 £m	2018 £m
Financial investments		
Equity securities and interests in pooled investment funds	**917**	675
Debt securities	**12**	13
Total financial investments	**929**	688
Receivables and other financial assets	**221**	280
Other financial liabilities	**129**	177

(b)(i) Investments in unconsolidated structured entities

Equity securities and interests in pooled investment funds includes £650m (2018: £610m) of unconsolidated structured entities which are managed by the Group and in which the Group has a direct investment. At 31 December 2019 the asset value of these unconsolidated structured entities is £22,795m (2018: £21,020m). The total fees recognised in respect of these assets under management during the year to 31 December 2019 were £137m (2018: £44m).

The total issuance balance relating to unconsolidated structured debt securitisation vehicles in which the Group has an investment is £1,000m (2018: £1,000m).

The Group's maximum exposure to loss in respect of its investments in unconsolidated structured entities is the carrying value of the Group's investment and, where the structured entity is managed by the Group, loss of future fees. As noted in Note 38, the shareholder is not exposed to market or credit risk in respect of investments held in the unit linked funds, and third party interest in consolidated funds and non-controlling interests risk segments.

Additional information on how the Group manages its exposure to risk can be found in Note 38.

(b)(ii) Other interests in unconsolidated structured entities

For those structured entities which the Group receives asset management or other fees from but has no direct investment, the maximum exposure to loss is loss of future fees.

Total assets under management of structured entities in which the Group has no direct investments but has other interests in are £102,558m at 31 December 2019 (2018: £136,047m). The fees recognised in respect of these assets under management during the year to 31 December 2019 were £581m (2018: £813m).

40. Fair value of assets and liabilities

The Group uses fair value to measure many of its assets and liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

(a) Determination of fair value hierarchy

To provide further information on the approach used to determine and measure the fair value of certain assets and liabilities, the following fair value hierarchy categorisation has been used:

- **Level 1:** Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market exists where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- **Level 2:** Fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** Fair values measured using inputs that are not based on observable market data (unobservable inputs)

(b) Financial assets and financial liabilities

An analysis of the Group's financial assets and financial liabilities in accordance with the categories of financial instrument set out in IFRS 9 *Financial Instruments* is presented in Notes 19, 25 and 32 and includes those financial assets and liabilities held at fair value.

(c) Methods and assumptions used to determine fair value of assets and liabilities including those held for sale

Information on the methods and assumptions used to determine fair values for each major category of instrument measured at fair value is given below. These methods and assumptions include those used to fair value assets and liabilities held for sale, including the individual assets and liabilities of operations held for sale.

Investments in associates at FVTPL, equity securities and interests in pooled investment funds and amounts seeded into funds classified as held for sale

Investments in associates at FVTPL are valued in the same manner as the Group's equity securities and interests in pooled investment funds.

Equity instruments listed on a recognised exchange are valued using prices sourced from the primary exchange on which they are listed. These instruments are generally considered to be quoted in an active market and are therefore categorised as level 1 instruments within the fair value hierarchy.

The Group's exposure to unlisted equity securities primarily relates to interests in real estate, infrastructure and private equity funds. These are valued in accordance with independent professional valuations or International Private Equity and Venture Capital Valuation Guidelines where relevant. The fair value of unlisted investments in infrastructure funds is based on the phase of individual projects forming the overall investment and discounted cash flow techniques based on project earnings. The valuation of these securities is largely based on inputs that are not based on observable market data, and accordingly these instruments are categorised as level 3 instruments within the fair value hierarchy. Where appropriate, reference is made to observable market data.

The valuations received from investment managers of the underlying funds are reviewed and where appropriate adjustments are made to reflect the impact of changes in market conditions between the date of the valuation and the end of the reporting period. The valuation of these securities is largely based on inputs that are not based on observable market data, and accordingly these instruments are categorised as level 3 instruments within the fair value hierarchy. Where appropriate, reference is made to observable market data.

Where pooled investment funds have been seeded and the investment in the funds have been classified as held for sale, the costs to sell are assumed to be negligible. The fair value of pooled investment funds held for sale is calculated as equal to the observable unit price.

Derivative financial assets and derivative financial liabilities

The majority of the Group's derivatives are over-the-counter derivatives which are measured at fair value using a range of valuation models including discounting future cash flows and option valuation techniques. The inputs are observable market data and over-the-counter derivatives are therefore categorised as level 2 in the fair value hierarchy.

Exchange traded derivatives are valued using prices sourced from the relevant exchange. They are considered to be instruments quoted in an active market and are therefore categorised as level 1 instruments within the fair value hierarchy.

Non-performance risk arising from the credit risk of each counterparty has been considered on a net exposure basis in line with the Group's risk management policies. At 31 December 2019 and 31 December 2018, the residual credit risk is considered immaterial and no credit risk adjustment has been made.

Debt securities

For debt securities, the Group has determined a hierarchy of pricing sources. The hierarchy consists of reputable external pricing providers who generally use observable market data. If prices are not available from these providers or are considered to be stale, the Group has established procedures to arrive at an internal assessment of the fair value. These procedures are based largely on inputs that are not based on observable market data. A further analysis by category of debt security is as follows:

- **Government, including provincial and municipal, and supranational institution bonds**
  These instruments are valued using prices received from external pricing providers who generally base the price on quotes received from a number of market participants. They are categorised as level 1 or level 2 instruments within the fair value hierarchy depending upon the nature of the underlying pricing information used for valuation purposes.
- **Corporate bonds listed or quoted in an established over-the-counter market including asset-backed securities**
  These instruments are generally valued using prices received from external pricing providers who generally consolidate quotes received from a panel of banks into a composite price. As the market becomes less active the quotes provided by some banks may be based on modelled prices rather than on actual transactions. These sources are based largely on observable market data, and therefore these instruments are categorised as level 2 instruments within the fair value hierarchy. When prices received from external pricing providers are based on a single broker indicative quote, the instruments are categorised as level 3 instruments.

  For instruments for which prices are either not available from external pricing providers or the prices provided are considered to be stale, the Group performs its own assessment of the fair value of these instruments. This assessment is largely based on inputs that are not based on observable market data, principally single broker indicative quotes, and accordingly these instruments are categorised as level 3 instruments within the fair value hierarchy.
- **Other corporate bonds including unquoted bonds, commercial paper and certificates of deposit**
  These instruments are valued using models. For unquoted bonds the model uses inputs from comparable bonds and includes credit spreads which are obtained from brokers or estimated internally. Commercial paper and certificates of deposit are valued using standard valuation formulas. The categorisation of these instruments within the fair value hierarchy will be either level 2 or 3 depending upon the nature of the underlying pricing information used for valuation purposes.

Contingent consideration assets and contingent consideration liabilities

Contingent consideration assets and liabilities have been recognised in respect of acquisitions and disposals. Generally valuations are based on unobservable assumptions regarding the probability weighted cash flows and, where relevant, discount rate and therefore the assets and liabilities are classified as level 3 in the fair value hierarchy. Significant contingent consideration arises under the terms of the sale of SLAL to Phoenix in August 2018. The terms include a number of indemnities that give rise to contingent consideration. The indemnities that have the most significant impact on the fair value of this contingent consideration are as follows:

- **Annuity sales practices**
  The annuity sales practices indemnity primarily relates to enhanced annuities. At the request of the FCA, SLAL has been conducting a review of non-advised annuity sales (with a purchase price above a minimum threshold) to customers eligible to receive an enhanced annuity from 1 July 2008 until 31 May 2016. The purpose of this review is to identify whether these customers received sufficient information about enhanced annuities to make the right decisions about their purchase, and, where appropriate, provide redress to customers who have suffered loss as a result of not having received sufficient information. SLAL has been working with the FCA regarding the process for conducting this past business review. The review is now substantially complete.

  Under the indemnity if SLAL suffers a loss in excess of the provision it recognised at 31 December 2017 of £248m in relation to annuity sales practices, the Group will pay the excess to Phoenix subject to a £120m cap. If that provision is not fully utilised Phoenix will pay the Group the unutilised amount. In addition the Group paid to Phoenix an amount equivalent to the financial penalty of £31m levied by the FCA on SLAL in July 2019.

  The technique used to value this element of the contingent consideration is to assess the likelihood of an over or under utilisation of the 31 December 2017 provision.
- **Persistency**
  If SLAL suffers adverse lapse experience relating to certain UK unit linked products (but excluding unit linked products written in a with profits fund) prior to 31 December 2019, the Group shall make a payment to Phoenix, based on the difference between expected and actual lapse experience, subject to a £75m cap.

  The technique used to value this element of the contingent consideration is based on a statistical model used for the Group's Solvency II reporting at 31 December 2017, with each possible outcome weighted by the likelihood of that outcome.

In addition, the Group is currently engaged in ongoing discussions with Phoenix in respect of disagreements over the operation of certain aspects of the agreements that were entered into at the time of the sale of SLAL to Phoenix and which impact the value of the indemnities and other payments under the transaction terms. Whilst the Group and Phoenix are currently seeking a commercial resolution in respect of such disagreements, it is possible that all or some of these matters (and any other disagreements which may arise from time to time in respect of these agreements) could be escalated to a dispute resolution process provided for in the relevant agreements, which could result, if the Group and Phoenix fail to reach agreement, in either party commencing legal proceedings. Management's estimate of the impact of these discussions on the value of the arrangements entered into with Phoenix at the time of the sale of SLAL to Phoenix has been taken into account in the fair value of the contingent consideration.

Non-participating investment contract liabilities

The fair value of the non-participating investment contract liabilities is calculated equal to the fair value of the underlying assets and liabilities in the funds. Thus, the value of these liabilities is dependent on the methods and assumptions set out above in relation to the underlying assets and liabilities in which these funds are invested. The underlying assets and liabilities are predominately categorised as level 1 or 2 and as such, the inputs into the valuation of the liabilities are observable. Therefore, the liabilities are categorised within level 2 of the fair value hierarchy.

Liabilities in respect of third party interest in consolidated funds

The fair value of liabilities in respect of third party interest in consolidated funds is calculated equal to the fair value of the underlying assets and liabilities in the funds. Thus, the value of these liabilities is dependent on the methods and assumptions set out above in relation to the underlying assets in which these funds are invested. When the underlying assets and liabilities are valued using readily available market information the liabilities in respect of third party interest in consolidated funds are treated as level 2. Where the underlying assets and liabilities are not valued using readily available market information the liabilities in respect of third party interest in consolidated funds are treated as level 3.

(c)(i) Fair value hierarchy for assets measured at fair value in the statement of financial position

The table below presents the Group's non-unit linked assets measured at fair value by level of the fair value hierarchy (refer Note 25 for fair value analysis in relation to assets backing unit linked liabilities).

	As recognised in the consolidated statement of financial position line item		Classified as held for sale		Total		Fair value hierarchy Level 1		Level 2		Level 3	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Owner occupied property	**2**	2	**–**	–	**2**	2	**–**	–	**–**	–	**2**	2
Derivative financial assets	**19**	19	**–**	–	**19**	19	**–**	1	**19**	18	**–**	–
Equity securities and interests in pooled investment vehicles	**725**	509	**2**	95	**727**	604	**609**	523	**36**	22	**82**	59
Debt securities	**769**	1,587	**14**	13	**783**	1,600	**57**	50	**725**	1,549	**1**	1
Contingent consideration asset	**1**	8	**–**	–	**1**	8	**–**	–	**–**	–	**1**	8
Total assets at fair value	**1,516**	2,125	**16**	108	**1,532**	2,233	**666**	574	**780**	1,589	**86**	70

Transfers from level 1 to level 2 and from level 2 to level 1 during the year ended 31 December 2019 were £7m (2018: £nil) and £6m (2018: £nil) respectively. These transfers relate to assets where changes in the frequency of observable market transactions resulted in a change in whether the market was considered active. Transfers are deemed to have occurred at the end of the calendar quarter in which they arose. Refer Note 40(c)(iii) for details of movements in level 3.

(c)(ii) Fair value hierarchy for liabilities measured at fair value in the statement of financial position

The table below presents the Group's non-unit linked liabilities measured at fair value by level of the fair value hierarchy.

	As recognised in the consolidated statement of financial position line item		Classified as held for sale		Total		Fair value hierarchy Level 1		Level 2		Level 3	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Liabilities in respect of third party interest in consolidated funds	**119**	26	**–**	14	**119**	40	**–**	–	**119**	40	**–**	–
Derivative financial liabilities	**3**	4	**–**	–	**3**	4	**1**	–	**2**	4	**–**	–
Contingent consideration liabilities	**14**	29	**–**	–	**14**	29	**–**	–	**–**	–	**14**	29
Total liabilities at fair value	**136**	59	**–**	14	**136**	73	**1**	–	**121**	44	**14**	29

There were no significant transfers between levels 1 and 2 during the year (2018: none). Refer Note 40(c)(iii) for details of movements in level 3.

(c)(iii) Reconciliation of movements in level 3 instruments

The movements during the year of level 3 assets and liabilities held at fair value, excluding unit linked assets and liabilities and assets and liabilities held for sale, are analysed below.

	Investment property		Owner occupied property		Equity securities and interests in pooled investment funds		Debt securities		Liabilities in respect of third party interest in consolidated funds	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
At 1 January	**–**	9,749	**2**	81	**59**	994	**1**	1,444	**–**	(1,298)
Reclassified to held for sale during the year	**–**	(9,749)	**–**	(79)	**–**	(921)	**–**	(1,443)	**–**	1,298
Total gains/(losses) recognised in the consolidated income statement	**–**	–	**–**	–	**2**	5	**–**	–	**–**	–
Purchases	**–**	–	**–**	–	**23**	18	**–**	–	**–**	–
Sales	**–**	–	**–**	–	**(8)**	(37)	**–**	–	**–**	–
Transfers in to level 3[1]	**–**	–	**–**	–	**6**	–	**–**	–	**–**	–
At 31 December	**–**	–	**2**	2	**82**	59	**1**	1	**–**	–

[1] Transfers are deemed to have occurred at the end of the calendar quarter in which they arose.

	Contingent consideration asset		Contingent consideration liabilities	
	2019 £m	2018 £m	**2019 £m**	2018 £m
At start of period	**8**	6	**(29)**	(25)
Total amounts recognised in the income statement	**56**	(6)	**5**	9
Additions	**–**	8	**(8)**	(19)
Settlements	**(63)**	–	**18**	6
At end of period	**1**	8	**(14)**	(29)

For the year ended 31 December 2019, gains of £nil from continuing operations (2018: gains of £6m) were recognised in the IFRS consolidated income statement in respect of assets and liabilities held at fair value classified as level 3 at the period end, excluding assets and liabilities held for sale. Of this amount £1m of losses (2018: gains of £7m) were recognised in other income with the remainder recognised in investment return.

Transfers of equity securities and interests in pooled investment funds and debt securities into level 3 generally arise when external pricing providers stop providing a price or where the price provided is considered stale. Transfers of equity securities and interests in pooled investment funds and debt securities out of level 3 arise when acceptable prices become available from external pricing providers.

(c)(iv) Significant unobservable inputs in level 3 instrument valuations

The table below identifies the significant unobservable inputs used in determining the fair value of level 3 instruments at 31 December 2019:

2019	Fair value £m	Unobservable input	Input used
Equity securities and interests in pooled investment funds	82	This comprises holdings in approximately 100 separate funds, predominantly by value being interests in real estate, infrastructure and private equity funds. Given the numerous unobservable inputs pertaining to the valuation of the underlying assets in the funds no individual unobservable inputs are considered significant.	N/A
Contingent consideration assets and liabilities	(13)	Unobservable inputs relate to probability weighted cash flows; and where relevant, discount rates. The most significant unobservable inputs relate to assumptions used to value the contingent consideration related to the sale of SLAL to Phoenix, in particular those related to:	
		– SLAL's annuity sales practices provision	Expected amount required to cover the redress due to customers compared to SLAL's provision at 31 December 2017
		– Future lapse rates on relevant UK unit linked products of SLAL	Statistical distribution used in the Group's Solvency II internal model at 31 December 2017
		– Management's assessment of the outcome of ongoing discussions with Phoenix in respect of disagreements over the operation of certain aspects of the governing contracts that were entered into at the time of the sale of SLAL to Phoenix	Our assessment of the expected resolution taking into account our legal advice

2018	Fair value £m	Unobservable input	Input used
Equity securities and interests in pooled investment funds	59	This comprises holdings in approximately 80 separate funds, predominantly by value being interests in real estate, infrastructure and private equity funds. Given the numerous unobservable inputs pertaining to the valuation of the underlying assets in the funds no individual unobservable inputs are considered significant.	N/A
Contingent consideration assets and liabilities	(21)	Unobservable inputs relate to probability weighted cash flows and, where relevant, discount rates. The most significant unobservable inputs relate to assumptions used to value the contingent consideration related to the sale of SLAL to Phoenix, in particular those related to:	
		– SLAL's annuity sales practices provision (including the likelihood and value of annuity sales practices insurance recoveries and any FCA-levied penalty)	See below
		– Future lapse rates on relevant UK unit linked products of SLAL	Statistical distribution used in the Group's Solvency II internal model at 31 December 2017

Estimates and assumptions at 31 December 2019

At 31 December 2019 the contingent consideration relating to the indemnity covering future lapse rates on relevant UK unit linked products of SLAL is considered a source of estimation uncertainty with a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. Other elements of contingent consideration are not considered to be a critical accounting estimate at 31 December 2019.

The technique used to value the indemnity covering future lapses on relevant UK unit linked products of SLAL is based on a statistical model used for the Group's Solvency II reporting at 31 December 2017 (prior to the sale of the SLAL business to Phoenix), with each possible outcome weighted by the likelihood of the outcome. Unobservable inputs are the statistical distribution of potential lapses over the indemnity period based on past experience. The most likely amount payable is £nil and the range of possible impacts on the contingent consideration asset valuation from reasonably possible alternative assumptions is -£50m to +£25m.

The contingent consideration related to the annuity sales practices indemnity was considered a critical estimate in 2018 but is not considered a critical estimate in 2019 as the review of non-advised annuity sales is now substantially complete. The valuation of the contingent consideration in relation to the annuity sales practices indemnity takes into account our view of the need for any changes in the provision held by SLAL. During 2019 SLAL has released £79m of the provision that it recognised at 31 December 2017. This reflected the view that the overall level of the provision at 31 December 2017 was in excess of the amount required to cover the redress due to customers. The fair value of this component of the contingent consideration is based on an estimate of the amount expected to be paid by Phoenix to the Group under this indemnity.

Estimates and assumptions at 31 December 2018

The contingent consideration related to the annuity sales practices indemnity was considered to be an item for which assumptions and other sources of estimation uncertainty within the valuation technique at the end of the reporting period had a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The valuation of the contingent consideration in relation to this indemnity takes into account our view of the need for any changes in the provision held by SLAL. At 31 December 2018 SLAL has not increased or released any element of the provision that it recognised at 31 December 2017. This reflected the view that the overall level of the provision at 31 December 2017 remained appropriate and therefore that the fair value of this component of the contingent consideration, before considering insurance recoveries and potential FCA-levied penalties, was not material. The valuation technique and underpinning assumptions were as follows:

The key assumptions underlying the provision for annuity sales practices relating to enhanced annuities were:

- The number of customers entitled to redress
- The amount of redress payable per customer
- The costs of conducting the review

The number of customers entitled to redress has been estimated based on:

- The number of customers in the review population
- The estimated percentage of these customers eligible for an enhanced annuity
- The estimated percentage of these eligible customers that did not receive sufficient information from SLAL about enhanced annuities

The FCA thematic review noted that between 39% and 48% of customers who bought a standard annuity may potentially have been eligible for an enhanced annuity. The provision assumed 40% of customers were eligible for an enhanced annuity based on observed experience from SLAL's review.

The FCA thematic review noted, for the industry as a whole, a plausible range of lost income for customers who were entitled to enhanced annuities but purchased standard annuities to be between £120 and £240 per annum for an average annuity purchase price of £25,000.

The lost income for customers who were entitled to enhanced annuities, for an average purchase price of £25,000, is assumed to be £300 per annum. This assumption was based on expected experience from SLAL's review utilising the redress calculator provided by the FCA in early 2018. This assumption was unchanged from that used at end 2017.

Assumptions relating to future annuity payments were consistent with SLAL's other annuity reserving assumptions.

The costs of conducting the review relate to administrative expenses per case and wider project costs. The costs were based on SLAL's project planning.

Sensitivities are provided in the table below.

Assumption	Change in assumption	Consequential change in contingent consideration valuation
Percentage of customers eligible for an enhanced annuity	Percentage changed by +/-5 (e.g. 40% increased to 45%)	+/- £18m
Percentage of eligible customers that did not receive sufficient information from SLAL about enhanced annuities	Percentage changed by +/-5	+/- £9m
Lost income per annum for an average annuity purchase of £25,000	+/- £50	+/- £28m
Costs per case of conducting the review	+/- 20% of the cost per case	+/- £5m

In addition, the fair value of the contingent consideration took into account that substantially all of the £100m being sought by SLAL under insurance policies to mitigate the financial impact was received by the Group in January 2019 and was based on an assessment of the likelihood of a financial penalty and the FCA's methodology for calculating such penalties.

(c)(v) Sensitivity of the fair value of level 3 instruments to changes in key assumptions

At 31 December 2019 the shareholder is directly exposed to movements in the value of all level 3 instruments since none are held in the Group's unit linked funds or in consolidated structured entities. Estimates, assumptions and range of outcomes relating to contingent consideration assets and liabilities which are considered critical accounting estimates are discussed in Section (c)(iv). Changing unobservable inputs in the measurement of the fair value of other level 3 financial assets and financial liabilities to reasonably possible alternative assumptions would not have a significant impact on profit attributable to equity holders or on total assets.

(d) Assets and liabilities not carried at fair value

The table below presents estimated fair values by level of the fair value hierarchy of non-unit linked financial assets and liabilities whose carrying value does not approximate fair value. Fair values of assets and liabilities are based on observable market inputs where available, or are estimated using other valuation techniques.

		As recognised in the consolidated statement of financial position line item		Fair value		Level 1		Level 2		Level 3	
	Notes	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Assets											
Debt securities[1]		**602**	–	**614**	–	**23**	–	**591**	–	**–**	–
Liabilities											
Subordinated notes	33	**655**	1,081	**688**	1,088	**–**	–	**688**	1,088	**–**	–

1 Debt securities are held under IFRS 9 at amortised cost. They were previously held at fair value as available-for-sale under IAS 39.

The estimated fair values for subordinated liabilities are based on the quoted market offer price.

The carrying value of all other financial assets and liabilities measured at amortised cost approximates their fair value.

41. Statement of cash flows

The Group classifies cash flows in the consolidated statement of cash flows as arising from operating, investing or financing activities.

Cash flows are classified based on the nature of the activity to which they relate and with consideration to generally accepted presentation adopted by peers. For activities related to asset management business, cash flows arising from the sale and purchase of debt securities and equity securities and interests in pooled investment funds, with the exception of those related to unit linked funds, are classified as cash flows arising from investing activities. For activities related to insurance business, including those related to unit linked funds, cash flows arising from the sale and purchase of debt securities and equity securities and interests in pooled investment funds are classified as cash flows arising from operating activities.

From 1 January 2019 the Group has changed the classification of capital flows arising to/from, and distributions paid to, third party interest in consolidated funds from cash flows arising from financing activities to cash flows arising from operating activities. Comparatives have been restated. Refer basis of preparation.

Purchases and sales of financial investments are presented on a gross basis except for purchases and sales of short-term instruments held in consolidated liquidity funds which are presented on a net basis.

Dividends received from associates and joint ventures are presented as cash flows arising from operating activities.

The tables below provide further analysis of the balances in the statement of cash flows.

(a) Change in operating assets

	2019 £m	2018 £m
Investment property	–	(303)
Equity securities and interests in pooled investment funds	**135**	1,369
Debt securities	**(55)**	3,142
Derivative financial instruments	**(12)**	269
Reinsurance assets	–	328
Receivables and other financial assets and other assets	**227**	(1,796)
Deferred acquisition costs	–	(13)
Loans	–	27
Assets held for sale	**(137)**	250
Change in operating assets	**158**	3,273

(b) Change in operating liabilities

	2019 £m	2018 £m
Other financial liabilities, provisions and other liabilities	**(230)**	1,260
Deposits received from reinsurers	–	(397)
Pension and other post-retirement benefit provisions	**(60)**	(7)
Deferred income	**(8)**	57
Insurance contract liabilities	–	(586)
Investment contract liabilities	**(316)**	(2,756)
Change in liability for third party interest in consolidated funds	**197**	(622)
Liabilities held for sale	**126**	(76)
Change in operating liabilities	**(291)**	(3,127)

(c) Other non-cash and non-operating items

	2019 £m	2018 £m
Gain on sale of subsidiaries	–	(1,780)
Profit on disposal of associates	**(1,542)**	(185)
Loss on disposal of property, plant and equipment	–	1
Depreciation of property, plant and equipment	**47**	20
Amortisation of intangible assets	**184**	224
Impairment losses on intangible assets	**1,571**	926
(Reversal of)/loss on impairment of associates	**(243)**	228
Impairment losses recognised on property, plant and equipment	**16**	–
Impairment losses on disposal group held for sale	–	2
Movement in contingent consideration asset/liability	**(61)**	–
Equity settled share-based payments	**43**	36
Other interest cost	–	2
Finance costs	**36**	80
Share of profit from associates and joint ventures accounted for using the equity method	**(79)**	(135)
Other non-cash and non-operating items	**(28)**	(581)

(d) Disposal of subsidiaries

	Notes	2018 £m
Deferred acquisition costs		622
Investment property		10,068
Reinsurance assets		4,474
Derivative financial assets		2,969
Equity securities and interests in pooled investment funds		96,351
Debt securities		56,712
Receivables and other financial assets		1,162
Other assets of operations disposed of excluding cash and cash equivalents		8,086
Non-participating insurance contract liabilities		(22,207)
Non-participating investment contract liabilities		(102,216)
Participating contract liabilities		(30,244)
Deposits received from reinsurers		(4,236)
Derivative financial liabilities		(957)
Third party interest in consolidated funds		(15,581)
Other financial liabilities		(2,861)
Other liabilities of operations disposed of		(790)
Non-controlling interests – ordinary shares		(282)
Net assets disposed of		**1,070**
Items transferred to profit or loss on disposal of subsidiaries	1	(43)
Gain on sale	1	1,780
Transaction and separation costs	1	117
Deferred income recognised		78
Non-cash consideration – Phoenix shares		(1,023)
Contingent consideration asset recognised		(8)
Total cash consideration		**1,971**
Cash and cash equivalents disposed of		(7,472)
Cash outflow from disposal of subsidiary	1	**(5,501)**

There were no operations disposed of in the year ended 31 December 2019.

(e) Movement in subordinated liabilities

The following table reconciles the movement in subordinated liabilities in the year, split between cash and non-cash items.

	2019 £m	2018 £m
Opening balance carried forward	**1,081**	2,253
Effect of change in accounting policy to IFRS 9[1]	**5**	–
Opening balance at 1 January	**1,086**	2,253
Cash flows from financing activities		
Repayment of subordinated liabilities	**(455)**	(363)
Proceeds of issue of subordinated liabilities	**–**	(4)
Interest paid	**(39)**	(117)
Cash flows from financing activities	**(494)**	(484)
Non-cash items		
Amounts reclassified to equity	**–**	(803)
Interest expense	**35**	91
Transfer to profit or loss on redemption of subordinated liabilities	**47**	–
Amortisation	**–**	1
Foreign exchange adjustment	**(19)**	23
At 31 December	**655**	1,081

1 The Group has initially applied IFRS 9 at 1 January 2019. Under the transition method chosen, comparative information is not restated. Refer Basis of preparation.

In addition to the repayment of subordinated liabilities of £363m during the year ended 31 December 2018, an additional £1,014m was redeemed from equity in the same period.

(f) Movement in lease liabilities

The following table reconciles the movement in lease liabilities in the year, split between cash and non-cash items.

	2019 £m
Opening balance carried forward	**–**
Effect of change in accounting policy to IFRS 16[1]	227
Opening balance at 1 January	227
Cash flows from financing activities	
Payment of lease liabilities	(32)
Cash flows from financing activities	**(32)**
Non-cash items	
Additions	74
Disposals	(5)
Interest capitalised	7
Foreign exchange adjustment	(3)
At 31 December	**268**

[1] The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated. Refer Basis of preparation.

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42. Contingent liabilities and contingent assets

Contingent liabilities are possible obligations of the Group of which timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised on the consolidated statement of financial position but are disclosed, unless they are considered remote. If such an obligation becomes probable and the amount can be measured reliably it is no longer considered contingent and is recognised as a liability.

Conversely, contingent assets are possible benefits to the Group. Contingent assets are only disclosed if it is probable that the Group will receive the benefit. If such a benefit becomes virtually certain it is no longer considered contingent and is recognised as an asset.

Legal proceedings, complaints and regulations

The Group is subject to regulation in all of the territories in which it operates insurance and investment businesses. In the UK, where the Group primarily operates, the FCA has broad powers, including powers to investigate marketing and sales practices.

The Group, like other financial organisations, is subject to legal proceedings, complaints and regulatory discussions, reviews and challenges in the normal course of its business. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. Where it is concluded that it is more likely than not that a material outflow will be made a provision is established based on management's best estimate of the amount that will be payable. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed to properly investigate, and no provisions are held for such matters. It is not possible to predict with certainty the extent and timing of the financial impact of legal proceedings, complaints and related regulatory matters.

Refer Note 40 relating to ongoing discussions with Phoenix in respect of disagreements over the operation of certain aspects of the agreements that were entered into at the time of the sale of the UK and European insurance business to Phoenix and which impact the value of indemnities and other related payments under the transaction terms.

43. Commitments

The Group has contractual commitments in respect of expenditure on investment property, funding arrangements and leases which will be payable in future periods. These commitments are not recognised on the Group's statement of financial position at the year end but are disclosed to give an indication of the Group's future committed cash flows.

(a) Unrecognised financial instruments

As at 31 December 2019, the Group has committed to investing an additional £46m (2018: £37m) into funds in which it holds a co-investment interest.

(b) Capital commitments

As at 31 December 2019, the Group has no capital commitments other than in relation to financial instruments (2018: none).

The Group's investment property was sold in the year ended 31 December 2018 so there are no capital commitments in respect of investment property as at 31 December 2019 and 31 December 2018.

44. Employee share-based payments and deferred fund awards

The Group operates share incentive plans for its employees. These generally take the form of an award of options or shares in Standard Life Aberdeen plc (equity-settled share-based payments) but can also take the form of a cash award based on the share price of Standard Life Aberdeen plc (cash-settled share-based payments). The Group also incentivises certain employees through the award of units in Group managed funds (deferred fund awards) which are cash-settled. All the Group's incentive plans have conditions attached before the employee becomes entitled to the award. These can be performance and/or service conditions (vesting conditions) or the requirement of employees to save in the save-as-you-earn scheme (non-vesting condition). The period over which all vesting conditions are satisfied is the vesting period and the awards vest at the end of this period.

For all share-based payments services received for the incentive granted are measured at fair value.

For cash-settled share-based payment and deferred fund awards transactions, services received are measured at the fair value of the liability. The fair value of the liability is remeasured at each reporting date and any changes in fair value are recognised in the consolidated income statement.

For equity-settled share-based payment transactions, the fair value of services received is measured by reference to the fair value of the equity instruments at the grant date. The fair value of the number of instruments expected to vest is charged to the income statement over the vesting period with a corresponding credit to the equity compensation reserve in equity.

At each period end the Group reassesses the number of equity instruments expected to vest and recognises any difference between the revised and original estimate in the consolidated income statement with a corresponding adjustment to the equity compensation reserve.

Replacement share-based payment awards granted in a business combination are included in determining the consideration transferred. The amount included is calculated by reference to the pre-combination service and the market-measure of the replaced awards.

At the time the equity instruments vest, the amount recognised in the equity compensation reserve in respect of those equity instruments is transferred to retained earnings.

During the year ended 31 December 2019, the Group made the majority of its awards under the new Standard Life Aberdeen plc Deferred Share and Standard Life Aberdeen plc Discretionary Share Plans both of which were established in 2018. The awards made under these plans in the year ended 31 December 2019 were either share options, conditional share awards or deferred fund awards.

With the exception of Sharesave and the share incentive plan, no new awards were made under the previous plans during the year ended 31 December 2019.

Share options

The following plans issued share options during the year ended 31 December 2019.

(i) Deferred and discretionary share plans

The Group operates the following deferred and discretionary plans.

Plan	Recipients	Conditions which must be met prior to vesting
Standard Life Aberdeen plc Deferred Share Plan	Executives and senior management	Service, or service and performance conditions. These can be tailored to the individual award
Standard Life Aberdeen plc Discretionary Share Plan	Executives and senior management	Service, or service and performance conditions. These can be tailored to the individual award

All of the awards made under these plans are equity-settled except for a small number of cash-settled awards.

The awards made under these plans include awards for deferred bonuses of the prior year. With the exception of the Executive Incentive Plan (EIP) awards, these awards have service conditions of one, two and three years after the date of the award and no outstanding performance conditions. The awards for deferred bonus for executive directors are made under the conditions of the EIP including a performance underpin. Further details of the EIP are set out in the Directors' remuneration report.

(ii) Sharesave (Save-as-you-earn)

The Group operates Save-as-you-earn (SAYE) plans, which allow eligible employees in the UK and Ireland the opportunity to save a monthly amount from their salaries, over either a three or five year period, which can be used to purchase shares in the Company. The shares can be purchased at the end of the savings period at a predetermined price. Employees are granted a predetermined number of options based on the monthly savings amount and duration of their contract. The conditions attached to the options are that the employee remains in employment for three years after the grant date of the options and that the employee satisfies the monthly savings requirement. Settlement is made in the form of shares.

In addition to the above, the following plans issued no share options during the year ended 31 December 2019 but have outstanding options.

(iii) Long-term incentive plans

The Group operates the following long-term incentive plans which awarded share options prior to the introduction of the Standard Life Aberdeen plc Deferred Share and Discretionary Share Plans.

Plan	Recipients	Conditions which must be met prior to vesting
Standard Life Long-Term Incentive Plan (Standard Life LTIP)	Executives and senior management	Service and performance conditions as set out in the Directors' remuneration report
Standard Life Investments Long-Term Incentive Plan (Standard Life Investments LTIP)	Executives and senior management	Service and performance conditions as set out in the Directors' remuneration report
Standard Life Restricted stock plan (Standard Life RSP)	Executives (other than executive Directors) and senior management	Service, or service and performance conditions. These are tailored to the individual award

All of the awards are equity-settled other than awards made under the Standard Life Investments LTIP in respect of employees in the US, France and Asia which are cash-settled.

(iv) Annual bonus deferred share options

The Group operates the following deferred bonus plans which awarded share options prior to the introduction of the Standard Life Aberdeen plc Deferred Share and Discretionary Share Plans.

Plan	Recipients	Conditions which must be met prior to vesting
Short-term incentive plan (Standard Life Group STIP)	Executives and senior management	Service and performance conditions as set out in the Directors' remuneration report. There are no outstanding performance conditions.
Aberdeen Asset Management Deferred Share Plan 2009 (Aberdeen Asset Management DSP 2009)	Executives and senior management	Service conditions of one, two and three years after the date of the award (one to five years for executive management). There are no outstanding performance conditions.

Other share awards

The following plans issued other share awards during the year ended 31 December 2019.

(i) Deferred and discretionary share plans

In addition to the share options above, conditional share awards are also made under the Standard Life Aberdeen plc Deferred Share Plan and Standard Life Aberdeen plc Discretionary Share Plan. The awards are similar in nature to the share options under these plans except that unlike share options which have an exercise period, conditional shares awarded have no exercise period and the employee receives the shares at the end of the award's vesting period. Conditional share awards are made to employees in a number of overseas locations including the US, Denmark and the Netherlands.

(ii) Share incentive plan

The Group operates a share incentive plan, allowing employees the opportunity to buy shares from their salary each month. The maximum purchase that an employee can make in any year is £1,800. The Group offers to match the number of shares bought up to a value of £50 each month. The matching shares awarded under the share incentive plan are granted at the end of each month. The matching shares are generally subject to a three year service period.

In addition to the above, the following plan issued no share awards during the year ended 31 December 2019 but has outstanding awards.

(iii) Annual bonus deferred share awards

The Group operates the following deferred bonus plan which awarded conditional shares prior to the introduction of the Standard Life Aberdeen plc Deferred Share and Discretionary Share Plans.

Plan	Recipients	Conditions which must be met prior to vesting
Aberdeen Asset Management USA Deferred Share Award Plan (Aberdeen Asset Management USA DSAP)	US based executives and senior management	Service conditions of one, two and three years after the date of the award (one to five years for executive management). There are no outstanding performance conditions.

Unlike share options under the Aberdeen Asset Management DSP 2009 which have an exercise period, conditional shares awarded under the Aberdeen Asset Management USA DSAP have no exercise period and the employee receives the shares at the end of the award's vesting period.

Employees may forfeit some or all of share options or awards made under any of the above share-based payment schemes if they leave the Group prior to the end of the awards' vesting periods.

(a) Options granted

The number, weighted average exercise price and weighted average remaining contractual life for options outstanding during the year are as follows:

2019	Deferred and discretionary share plans	Long-term incentive plans (excluding RSP)	RSP	Annual bonus deferred share options	Sharesave	Weighted average exercise price for Sharesave
Outstanding at 1 January	**–**	**55,702,777**	**6,562,186**	**26,220,720**	**9,260,389**	**292p**
Granted	23,636,874	–	–	–	5,473,382	199p
Forfeited	(257,360)	(18,310,221)	(1,693,033)	(651,976)	–	–
Exercised	(423,356)	(952,703)	(2,855,702)	(10,099,285)	(353,534)	282p
Expired	–	(28,050)	(15,555)	–	–	–
Cancelled	–	–	–	–	(6,510,173)	294p
Outstanding at 31 December	**22,956,158**	**36,411,803**	**1,997,896**	**15,469,459**	**7,870,064**	**227p**
Exercisable at 31 December	**35,295**	**–**	**89,798**	**10,357,995**	**426,840**	**285p**
Remaining contractual life of options outstanding (years)[1]	**9.29**	**1.22**	**1.17**	**5.99**	**3.29**	

2018	Long-term incentive plans (excluding RSP)	RSP	Annual bonus deferred share options	Sharesave	Weighted average exercise price for Sharesave
Outstanding at 1 January	**52,005,776**	**7,104,089**	**28,216,634**	**9,004,370**	**316p**
Granted	20,476,434	1,460,199	3,434,492	3,712,915	257p
Forfeited	(10,979,340)	(437,714)	(312,312)	(807,186)	309p
Exercised	(5,800,093)	(1,564,388)	(5,118,094)	(680,119)	287p
Cancelled	–	–	–	(1,969,591)	328p
Outstanding at 31 December	**55,702,777**	**6,562,186**	**26,220,720**	**9,260,389**	**292p**
Exercisable at 31 December	**–**	**20,152**	**9,816,708**	**2,292,876**	**313p**
Remaining contractual life of options outstanding (years)[1]	**1.96**	**1.38**	**7.10**	**2.65**	

1 Weighted average.

The exercise price for options granted under the deferred and discretionary share plans, the long-term incentive plans (including RSP) and the annual bonus deferred share option schemes is nil. The fair value of options granted under the Group's incentive schemes is determined using a relevant valuation technique, such as the Black Scholes option pricing model.

The following table shows the weighted average assumptions that were considered in determining the fair value of options granted during the year.

	Deferred and discretionary share plans	Sharesave
Options granted during the year		
Grant date	Throughout, main grant date 15 April 2019	16 October 2019
Share price at grant date[1]	272p	285p
Fair value at grant date[1]	272p	54p
Exercise price	Nil	192p-199p
Dividends	The plans include the entitlement to the receipt of dividends in respect of awards that ultimately vest between the date of grant and the vesting date	No dividend entitlement
Option term (years)[1]	2.77	3.53

1 Weighted average.

No departures from share option schemes are expected at grant date, with any leavers being accounted for on departure. In determining the fair value of options granted under the Sharesave scheme the historic volatility of the share price over a period of up to five years and a risk free rate determined by reference to swap rates was also considered.

The following table shows the share price at exercise of options exercised during the year.

	Deferred and discretionary share plans	Long-term incentive plans (excluding RSP)	RSP	Annual bonus deferred share options	Sharesave
Options exercised during the year					
Share price at time of exercise[1]	275p	268p	252p	271p	305p

1 Weighted average.

The following table shows the range of exercise prices of options outstanding at 31 December 2019. Options under the Standard Life Aberdeen plc Deferred Share and Standard Life Aberdeen plc Discretionary Share Plans and the Aberdeen Asset Management DSP 2009 are exercisable up to 10 years after the grant date. All other options are exercisable for a period of six months after the vesting date.

	2019 Number of options outstanding	2018 Number of options outstanding
Deferred and discretionary share plans		
£nil	**22,956,158**	–
Long-term incentive plans		
£nil	**38,409,699**	62,264,963
Annual bonus deferred share options		
£nil	**15,469,459**	26,220,720
Sharesave		
192p-199p	**5,442,217**	–
200p-327p	**1,711,180**	6,102,619
328p-402p	**716,667**	3,157,770
Outstanding at 31 December	**84,705,380**	97,746,072

(b) Other share plans

	2019		2018	
	Deferred and discretionary share plans	Share incentive plan	Annual bonus deferred share awards[1]	Share incentive plan[2]
Number of share awards granted	**4,283,186**	**348,461**	285,500	562,261
Share price at date of grant[3]	**272p**	**277p**	364p	336p
Fair value per granted instrument at grant date[3]	**272p**	**277p**	364p	336p

1 Conditional share awards made under the Aberdeen Asset Management USA DSAP.

2 The share incentive plan awards in the year ended 31 December 2018 included 5,898 rights to shares granted to eligible employees in Germany and Austria.

3 Weighted average.

No conditional share awards were made under the Aberdeen Asset Management USA DSAP in the year ended 31 December 2019.

At the grant date all awards are expected to vest. No departures are expected at the grant date, with leavers being accounted for on departure. The plans include the entitlement to the receipt of dividends in respect of awards that ultimately vest between the date of grant and the vesting date.

(c) Employee share-based payment expense and deferred fund awards

The amounts recognised as an expense for equity-settled share-based payment transactions and deferred fund awards with employees are as follows:

	2019 £m	2018 £m
Share options and share awards granted under deferred and discretionary share plans[1]	**36**	33
Share options granted under long-term incentive plans	**4**	–
Share options granted under Sharesave	**2**	2
Matching shares granted under share incentive plans	**1**	1
Equity-settled share-based payments	**43**	36
Cash-settled deferred fund awards	**10**	9
Total expense	**53**	45

1 Includes expense for annual bonus deferred share awards.

Included in the expense above is £19m (2018: £31m) of share-based payment expenses which are included in restructuring and corporate transaction expenses in the consolidated income statement.

The liability for cash-settled share-based payments outstanding at 31 December 2019 is £nil (2018: £2m).

Deferred fund awards

At 31 December 2019, the liability recognised for cash-settled deferred fund awards was £46m (2018: £48m).

45. Related party transactions

(a) Transactions and balances with related parties

In the normal course of business, the Group enters into transactions with related parties that relate to insurance and asset management business.

During the year, the Group recognised management fees from Group managed non-consolidated investment vehicles. These fees are disclosed in Note 39. It also recognised management fees of £4m (2018: £4m) from the Group's defined benefit pension plans.

In the year ended 31 December 2019, for associates accounted for using the equity method, the Group recognised sales primarily in relation to management fees of £145m (2018: £89m) and purchases in relation to services received of £49m (2018: £28m).

In the year ended 31 December 2019 there were sales to joint ventures of £1m (2018: £nil) and purchases from joint ventures of £1m (2018: £nil).

In addition to these transactions between the Group and related parties during the year, in the normal course of business the Group made a number of investments into/divestments from investment vehicles managed by the Group including investment vehicles which are classified as investments in associates measured at FVTPL. Group entities paid amounts for the issue of shares or units and received amounts for the cancellation of shares or units.

The Group had balances due from associates accounted for using the equity method of £55m (2018: £63m), balances due to associates accounted for using the equity method of £22m (2018: £19m) and no balances due to or from joint ventures as at 31 December 2019 (2018: none). The Group's defined benefit pension plans have assets of £1,154m (2018: £1,132m) invested in investment vehicles managed by the Group.

Details of a proposed sale of a subsidiary to a joint venture are included in Note 23.

(b) Compensation of key management personnel

On 24 May 2019 the executive committee was replaced by the executive leadership team. For 2019 key management personnel therefore includes Directors of Standard Life Aberdeen plc (since appointment) and the executive committee (since appointment) for the period from 1 January 2019 until 23 May 2019 and from 24 May 2019 includes Directors of Standard Life Aberdeen plc (since appointment) and the members of the executive leadership team (since appointment).

In 2018 key management personnel included Directors of Standard Life Aberdeen plc (since appointment) and the Chief Executive Officer Pensions and Savings for the period from 1 January 2018 until 31 August 2018 and from 1 September 2018 included Directors of Standard Life Aberdeen plc and the members of the executive committee (since appointment).

The summary of compensation of key management personnel is as follows:

	2019 £m	2018 £m
Salaries and other short-term employee benefits	**8**	6
Post-employment benefits	**–**	–
Share-based payments and deferred fund awards	**7**	6
Termination benefits	**1**	–
Total compensation of key management personnel	**16**	12

(c) Transactions with key management personnel and their close family members

Certain members of key management personnel hold investments in investments products which are managed by the Group. None of the amounts concerned are material in the context of funds managed by the Group. All transactions between key management and their close family members and the Group during the year are on terms which are equivalent to those available to all employees of the Group.

46. Capital management

(a) Capital and risk management policies and objectives

Managing capital is the ongoing process of determining and maintaining the quantity and quality of capital appropriate for the Group and ensuring capital is deployed in a manner consistent with the expectations of our stakeholders. For these purposes, the Board considers our key stakeholders to be our clients, the providers of capital (our equity holders and holders of our subordinated liabilities) and the Financial Conduct Authority (FCA) as the lead prudential supervisor for the Group.

There are two primary objectives of capital management within the Group. The first objective is to ensure that capital is, and will continue to be, adequate to maintain the required level of financial stability of the Group and hence to provide an appropriate degree of security to our stakeholders. The second objective is to create equity holder value by driving profit attributable to equity holders.

The liquidity and capital management policy forms one element of the Group's overall management framework. Most notably, it operates alongside and complements the strategic investment policy and the Group risk policies. Integrating policies in this way enables the Group to have a capital management framework that robustly links the process of capital allocation, value creation and risk management.

Capital requirements are forecast on a periodic basis and assessed against the forecast available capital resources. In addition, internal rates of return achieved on capital invested are assessed against hurdle rates, which are intended to represent the minimum acceptable return given the risks associated with each investment. The capital planning process is the responsibility of the Chief Financial Officer. Capital plans are ultimately subject to approval by the Board.

The formal procedures for identifying and assessing risks that could affect the capital position of the Group are described in the Risk management section of the Strategic report on page 44. Information on financial instruments risk is also provided in Note 38.

(b) Regulatory capital

(b)(i) Regulatory capital framework

From 31 August 2018, following the sale of the UK and European insurance business to Phoenix, the Group is supervised under the CRD IV regulatory regime for group prudential supervisory purposes and therefore measures and monitors its capital on that basis. Previously, the Group was subject to the Solvency II (SII) regulatory regime. The Group's regulatory capital position under CRD IV is determined by consolidating the eligible capital and reserves of the Group (subject to a number of deductions) to derive regulatory capital resources, and comparing this to the Group's regulatory capital requirements.

Stress testing is completed to determine the appropriate level of regulatory capital and liquidity that the Group must hold, with results shared with the FCA at least annually. In addition, the Group monitors a range of capital and liquidity statistics on a daily, monthly or less frequent basis as required. Surplus capital levels are forecast, taking account of projected dividends and investment requirements, to ensure that appropriate levels of capital resources are maintained.

The Group is required to hold capital resources to cover both Pillar 1 and Pillar 2 capital requirements, described below.

Pillar 1 – minimum requirement for capital

Pillar 1 focuses on fixed overhead requirements and the Group's exposure to credit and market risks in respect of risk-weighted assets, and sets a minimum requirement for capital based on these measures. At 31 December 2019, the Group's draft Pillar 1 minimum requirement for capital was £0.4bn (2018: £0.3bn).

Pillar 2 – ICAAP and supervisory review and evaluation process

Pillar 2 supplements the Pillar 1 minimum requirement via the ICAAP, which is the means by which the Group assesses the level of capital that adequately supports all of the relevant current and future risks in its business. The ICAAP focuses on the principal risks to the consolidated financial position and examines each risk category to identify exposures that could put the Group's capital at risk. The results of the Group's ICAAP process will be subject to periodic review by the FCA under the Supervisory Review and Evaluation Process (SREP).

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(b)(ii) Regulatory capital position (unaudited)

	2019[1] £bn	2018[1] £bn
IFRS equity attributable to equity holders of Standard Life Aberdeen plc	**6.6**	7.4
Deductions for intangibles and defined benefit pension assets, net of related deferred tax liabilities	**(2.9)**	(4.5)
Deductions for significant investments in financial sector entities	**(1.1)**	(1.3)
Other deductions and adjustments, including provision for foreseeable dividend	**(0.4)**	(0.5)
Common Equity Tier 1 capital resources	**2.2**	1.1
Tier 2 capital resources	**0.6**	0.6
Total regulatory capital resources	**2.8**	1.7
Total regulatory capital requirements	**(1.1)**	(1.1)
Surplus regulatory capital	**1.7**	0.6

1 2019 draft position on 10 March 2020 following finalisation of the Annual report and accounts, 2018 based on Pillar 3 reporting.

The Group has complied with all externally imposed capital requirements during the year. The Group's Pillar 3 disclosures will be published on the Group's website at **www.standardlifeaberdeen.com/annualreport**.

47. Events after the reporting date

On 7 February 2020, the Company announced a share buyback of up to £400m through on-market purchases commencing on 10 February 2020 and ending no later than 30 September 2020. As at 6 March 2020, the Company had repurchased 20,214,403 shares for a consideration of £60m.

In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across China and to a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Group or to provide a quantitative estimate of this impact.

Our assessment of the recoverable amount of asset management goodwill and consideration of indicators of impairment relating to other intangibles was based on economic conditions, including equity market levels, at 31 December 2019. At the year end the carrying amount of asset management goodwill is the recoverable amount so any downside sensitivity will lead to a future further impairment loss. COVID-19 could lead to continued lower equity market levels and reduced gross inflows and therefore reduced future revenues and future cash flows. Note 15 provides sensitivities which include the impact of reductions in forecast cash flows on the recoverable amount of asset management goodwill.

48. Related undertakings

The Companies Act 2006 requires disclosure of certain information about the Group's related undertakings which is set out in this note. Related undertakings are subsidiaries, joint ventures, associates and other significant holdings. In this context significant means either a shareholding greater than or equal to 20% of the nominal value of any class of shares, or a book value greater than 20% of the Group's assets.

The particulars of the Company's related undertakings at 31 December 2019 are listed below. For details of the Group's consolidation policy refer to (b) Basis of consolidation in the Presentation of consolidated financial statements section. Under that policy limited partnerships in which the Group has no interest but whose general partner is controlled by the Group are not consolidated. However such limited partnerships are considered to be related undertakings under Companies Act 2006 and therefore are listed below. Where the Group has no interest in a limited partnership that is considered a related entity, the interest held is disclosed as 0%.

The ability of subsidiaries to transfer cash or other assets within the Group for example through payment of cash dividends is generally restricted only by local laws and regulations, and solvency requirements. Included in equity attributable to equity holders of Standard Life Aberdeen plc at 31 December 2019 is £88m (2018: £81m) related to the Standard Life Foundation, a subsidiary undertaking of the Group. The assets of the Standard Life Foundation are restricted to be used for charitable purposes. Additionally dividends payable on Aberdeen's preference shares rank ahead of any dividends paid on Aberdeen's ordinary shares.

The registered head office of all related undertakings is 1 George Street, Edinburgh, EH2 2LL unless otherwise stated.

(a) Direct subsidiaries

Name of related undertaking	Share class[1]	% interest held[2]
1825 Financial Planning Limited[3]	Ordinary shares	100%
30 STMA 1 Limited[5]	Ordinary shares	100%
30 STMA 2 Limited[5]	Ordinary shares	100%
30 STMA 3 Limited[5]	Ordinary shares	100%
30 STMA 4 Limited[5]	Ordinary shares	100%
30 STMA 5 Limited[5]	Ordinary shares	100%
Aberdeen Asset Management PLC[4]	Ordinary shares	100%
Focus Solutions Group Limited[6]	Ordinary shares	100%
Standard Life Aberdeen Trustee Company Limited	Ordinary shares	100%
Standard Life (Asia Pacific Holdings) Private Limited[8]	Ordinary shares	100%
Standard Life Charity Fund	N/A	100%
Standard Life Client Management Limited	Ordinary shares	100%
Standard Life Employee Services Limited	Ordinary shares	100%
Standard Life Finance Limited	Ordinary shares	100%
Standard Life Foundation	N/A	100%
Standard Life Investments (Holdings) Limited	Ordinary shares	100%
Standard Life (London) Limited[5]	Ordinary shares	100%
Standard Life (Mauritius Holdings) 2006 Limited[9]	Ordinary shares	100%
Standard Life Oversea Holdings Limited	Ordinary shares	100%
Standard Life Savings Limited	Ordinary shares	100%
The Standard Life Assurance Company 2006	N/A	100%
Threesixty Services LLP[10]	Limited liability partnership	100%
Threesixty Support LLP[10]	Limited liability partnership	100%

(b) Other subsidiaries, joint ventures, associates and other significant holdings

Name of related undertaking	Share class[1]	% interest held[2]
1825 Financial Planning and Advice Limited[3]	Ordinary A shares Ordinary B shares	100%
21 Aberdeen Standard Investments Limited[5]	Ordinary shares	50%
21ASI Long Term Fund I SCSp[11]	Limited partnership	0%
6 SAS 1 Limited	Ordinary shares	100%
6 SAS 2 Limited	Ordinary shares	100%
Aberdeen ACM Team LP[4]	Limited partnership	0%
Aberdeen ACP LLP[4]	Limited liability partnership	100%
Aberdeen Alternatives (Holdings) Limited[4]	Ordinary shares	100%
Aberdeen Asia IV (General Partner) S.a.r.l.[12]	Ordinary shares	100%
Aberdeen Asia Pacific Fund (Offshore), L.P.[13]	Limited partnership	0%
Aberdeen Asia Pacific Fund II (Offshore), L.P.[13]	Limited partnership	0%
Aberdeen Asia Pacific Fund II, L.P.[13]	Limited partnership	0%
Aberdeen Asia Pacific Fund, L.P.[13]	Limited partnership	0%
Aberdeen Asia Pacific III Ex-Co-Investment (Offshore), L.P.[13]	Limited partnership	0%

Name of related undertaking	Share class[1]	% interest held[2]
Aberdeen Asia Pacific III Ex-Co-Investment, L.P.[13]	Limited partnership	0%
Aberdeen Asia Pacific III, L.P.[13]	Limited partnership	0%
Aberdeen ASIF Carry LP[4]	Limited partnership	25%
Aberdeen Asset Investment Group Limited[5]	Ordinary shares	100%
Aberdeen Asset Investments Limited[5]	Ordinary shares	100%
Aberdeen Asset Management Cayman Limited[13]	Ordinary shares	100%
Aberdeen Asset Management Denmark A/S[14]	Ordinary shares	100%
Aberdeen Asset Management Finland Oy[15]	Ordinary shares	100%
Aberdeen Asset Management Sweden AB[16]	Ordinary shares	100%
Aberdeen Asset Management US GP Control LLC[17]	Limited liability company	100%
Aberdeen Asset Managers (Luxembourg) S.a.r.l. [18]	Ordinary shares	100%
Aberdeen Asset Managers Limited[4]	Ordinary shares	100%
Aberdeen Asset Middle East Limited[19]	Ordinary shares	100%
Aberdeen Capital Management LLC[20]	Limited liability company	100%
Aberdeen Capital Managers GP LLC[21]	Limited liability company	100%
Aberdeen Claims Administration, Inc. [22]	Ordinary shares	100%
Aberdeen Co-Investment Mandate LP[4]	Limited partnership	0%
Aberdeen Direct Property (Holding) Limited[5]	Ordinary shares	100%
Aberdeen do Brasil Gestao de Recursos Ltda[23]	Limited liability company	100%
Aberdeen Emerging Asia Fund, L.P.[13]	Limited partnership	0%
Aberdeen Emerging Asia Pacific II (Offshore), L.P.[13]	Limited partnership	0%
Aberdeen Emerging Asia Pacific III Ex-Co-Investments, L.P.[13]	Limited partnership	0%
Aberdeen Emerging Capital Limited[24]	Ordinary shares	100%
Aberdeen Energy & Resource Company IV, LLC[25]	Limited liability company	73%
Aberdeen Energy & Resources Partners IV, L.P. [25]	Limited partnership	1%
Aberdeen European Infrastructure Carry GP Limited[4]	Ordinary shares	100%
Aberdeen European Infrastructure Carry Limited[4]	Ordinary shares	100%
Aberdeen European Infrastructure Co-Invest II LP[5]	Limited partnership	0%
Aberdeen European Infrastructure GP II Limited[5]	Ordinary shares	100%
Aberdeen European Infrastructure GP III Limited[5]	Ordinary shares	100%
Aberdeen European Infrastructure GP Limited[5]	Ordinary shares	100%
Aberdeen European Infrastructure Partners Carry II LP[4]	Limited partnership	25%
Aberdeen European Infrastructure Partners Carry LP[4]	Limited partnership	25%
Aberdeen European Infrastructure Partners II LP[11]	Limited partnership	3%
Aberdeen European Infrastructure Partners III LP	Limited partnership	1%
Aberdeen European Infrastructure Partners LP[4]	Limited partnership	3%
Aberdeen European Residential Opportunities Fund SCSp[26]	Limited partnership	1%
Aberdeen France S.A.[27]	Ordinary shares	100%
Aberdeen Fund Distributors LLC[22]	Limited liability company	100%
Aberdeen Fund Management II Oy[15]	Ordinary shares	100%
Aberdeen Fund Management Ireland Limited[28]	Ordinary shares	100%
Aberdeen Fund Management Oy[15]	Ordinary shares	100%
Aberdeen General Partner 1 Limited[4]	Ordinary shares	100%
Aberdeen General Partner 2 Limited[4]	Ordinary shares	100%
Aberdeen General Partner CAPELP Limited[13]	Ordinary shares	100%
Aberdeen General Partner CGPLP Limited[13]	Ordinary shares	100%
Aberdeen General Partner CMENAPELP Limited[13]	Ordinary shares	100%
Aberdeen General Partner CPELP II Limited[13]	Ordinary shares	100%
Aberdeen General Partner CPELP Limited[13]	Ordinary shares	100%
Aberdeen Global Absolute Return Strategies Fund[5]	Ordinary shares	100%
Aberdeen Global ex-Japan FoF's LP[13]	Limited partnership	6%
Aberdeen Global ex-Japan GP Limited[13]	Ordinary shares	100%
Aberdeen Global Infrastructure Carry GP Limited[4]	Ordinary shares	100%
Aberdeen Global Infrastructure GP II Limited[29]	Ordinary shares	100%
Aberdeen Global Infrastructure GP Limited[29]	Ordinary shares	100%
Aberdeen Global Infrastructure Partners Carry LP[4]	Limited partnership	25%
Aberdeen Global Infrastructure Partners II Carry LP[4]	Limited partnership	25%
Aberdeen Global Infrastructure Partners II LP[4]	Limited partnership	0%

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Name of related undertaking	Share class[1]	% interest held[2]
Aberdeen Global Infrastructure Partners LP[5]	Limited partnership	1%
Aberdeen GP 1 LLP[4]	Limited liability partnership	100%
Aberdeen GP 2 LLP[4]	Limited liability partnership	100%
Aberdeen GP 3 LLP[4]	Limited liability partnership	100%
Aberdeen Infrastructure Feeder GP Limited[4]	Ordinary shares	100%
Aberdeen Infrastructure Finance GP Limited[29]	Ordinary shares	100%
Aberdeen Infrastructure GP II Limited[5]	Ordinary shares	100%
Aberdeen Infrastructure Partners Carry LP[4]	Limited partnership	25%
Aberdeen Infrastructure Partners II Carry LP[4]	Limited partnership	25%
Aberdeen Infrastructure Partners II LP[4]	Limited partnership	0%
Aberdeen Infrastructure Partners LP Inc[30]	Limited partnership	0%
Aberdeen Institutional Commingled Funds LLC – Long Duration Corporate Bond Fund[25]	Unit trust	100%
Aberdeen Investment Company Limited[4]	Ordinary shares	100%
Aberdeen Investment Solutions Limited[4]	Ordinary shares	100%
Aberdeen Investments Euro Limited[5]	Ordinary shares	100%
Aberdeen Investments Jersey Limited[31]	Ordinary shares	100%
Aberdeen Investments Limited[5]	Ordinary shares	100%
Aberdeen Investments USD Limited[5]	Ordinary shares	100%
Aberdeen Keva Asia IV Property Partners SCSP[12]	Limited partnership	0%
Aberdeen Liquidity Fund (Lux)		
Seabury Sterling Liquidity 1 Fund[26]	SICAV	100%
Aberdeen Pension Trustees Limited[4]	Ordinary shares	100%
Aberdeen Pooling II GP AB[16]	Ordinary shares	100%
Aberdeen Property Fund Finland I Feeder Ky[15]	Limited partnership	0%
Aberdeen Property Fund Finland LP (APFF)[15]	Limited partnership	0%
Aberdeen Property Fund Limited Partner Oy[15]	Ordinary shares	100%
Aberdeen Property Fund Management (Jersey) Limited[32]	Ordinary shares	100%
Aberdeen Property Fund Management Estonia Ou[33]	Ordinary shares	100%
Aberdeen Property Investors (General Partner) S.a.r.l.[34]	Ordinary shares	100%
Aberdeen Property Investors Estonia Ou[33]	Ordinary shares	100%
Aberdeen Property Investors France SAS[27]	Ordinary shares	100%
Aberdeen Property Investors Limited Partner Oy[15]	Ordinary shares	100%
Aberdeen Property Investors The Netherlands BV[35]	Ordinary shares	100%
Aberdeen Property Secondaries Partners II[26]	Limited partnership	1%
Aberdeen Property UK Retail Parks Partnership[5]	Limited partnership	0%
Aberdeen Real Estate Fund Finland LP (AREFF)[36]	Limited partnership	5%
Aberdeen Real Estate Investors Operations (UK) Limited[24]	Ordinary shares	100%
Aberdeen Real Estate Operations Limited[4]	Ordinary shares	100%
Aberdeen Residential JV Feeder Limited Partner Oy[15]	Ordinary shares	100%
Aberdeen Secondaries II GP S.a.r.l.[26]	Ordinary shares	100%
Aberdeen Sidecar LP Inc[30]	Limited partnership	0%
Aberdeen SP 2013 A/S[14]	Ordinary shares	100%
Aberdeen Standard 2019 European PE A Carry LP	Limited partnership	100%
Aberdeen Standard 2019 European PE B Carry LP	Limited partnership	100%
Aberdeen Standard Asset Management (Shanghai) Co., Ltd.[37]	Ordinary shares	100%
Aberdeen Standard Asset Management (Thailand) Limited[38]	Ordinary shares	100%
Aberdeen Standard Asset Management Limited	Ordinary shares	100%
Aberdeen Standard Bloomberg WTI Crude Oil Strategy K-1 Free ETF[25]	ETF	67%
Aberdeen Standard Capital (CI) Limited[39]	Ordinary shares	100%
Aberdeen Standard Capital International Limited[39]	Ordinary shares	100%
Aberdeen Standard Capital Limited	Ordinary shares	100%
Aberdeen Standard Carlsbad GP Limited[29]	Ordinary shares	100%
Aberdeen Standard Carlsbad LP[4]	Limited partnership	0%
Aberdeen Standard Diversified Fixed Income Fund[40]	OEIC	22%
Aberdeen Standard ECF II Carry Limited Partnership	Limited partnership	100%
Aberdeen Standard Emerging Market Local Currency Debt Fund[40]	OEIC	41%
Aberdeen Standard European Co-Investment II SCSp[26]	Limited partnership	0%
Aberdeen Standard Fund Managers Limited[5]	Ordinary shares	100%

Name of related undertaking	Share class[1]	% interest held[2]
Aberdeen Standard Global Infrastructure GP III Ltd.[29]	Ordinary shares	100%
Aberdeen Standard Greater China Value Fund[41]	Investment trust	94%
Aberdeen Standard Group Limited	Ordinary shares	100%
Aberdeen Standard Indonesia Balanced Growth Fund[42]	Unit trust	86%
Aberdeen Standard Indonesia Bond Fund[42]	Unit trust	63%
Aberdeen Standard Indonesia Equity Fund[42]	Unit trust	80%
Aberdeen Standard Indonesia Money Market Fund[42]	Unit trust	33%
Aberdeen Standard Investment Management Limited	Ordinary shares	100%
Aberdeen Standard Investments (Asia) Limited[43]	Ordinary shares	100%
Aberdeen Standard Investments Australia Limited[40]	Ordinary shares	100%
Aberdeen Standard Investments Beteiligungs GmbH[44]	Limited liability company	94%
Aberdeen Standard Investments (Canada) Limited[45]	Ordinary shares	100%
Aberdeen Standard Investments Charitable Foundation[4]	N/A	100%
Aberdeen Standard Investments Churchill Square General Partner Limited	Ordinary shares	100%
Aberdeen Standard Investments Colombia SAS[46]	Ordinary shares	100%
Aberdeen Standard Investments Deutschland AG[44]	Ordinary shares	94%
Aberdeen Standard Investments ETFs (US) LLC[47]	Limited liability company	100%
Aberdeen Standard Investments ETFs Advisors LLC[47]	Limited liability company	100%
Aberdeen Standard Investments ETFs Sponsor LLC[47]	Limited liability company	100%
Aberdeen Standard Investments Fund Management A/S[48]	Ordinary shares	100%
Aberdeen Standard Investments (Holdings) Limited	Ordinary shares	100%
Aberdeen Standard Investments (Hong Kong) Limited[49]	Ordinary shares	100%
Aberdeen Standard Investments Inc. [22]	Ordinary shares	100%
Aberdeen Standard Investments Ireland Limited[50]	Ordinary shares	100%
Aberdeen Standard Investments (Japan) Limited[51]	Ordinary shares	100%
Aberdeen Standard Investments Korea Co. Ltd.[52]	Ordinary shares	100%
Aberdeen Standard Investments Life and Pensions Limited[5]	Ordinary shares	100%
Aberdeen Standard Investments Limited	Ordinary shares	100%
Aberdeen Standard Investments Luxembourg S.A.[26]	Ordinary shares	100%
Aberdeen Standard Investments (Malaysia) Sdn. Bhd[53]	Ordinary shares, Irredeemable non-convertible preference shares	100%
Aberdeen Standard Investments Nominees Services (HK) Limited[49]	Ordinary shares	100%
Aberdeen Standard Investments Norway AS[48]	Ordinary shares	100%
Aberdeen Standard Investments Norway Holding AS[48]	Ordinary shares	100%
Aberdeen Standard Investments Operations AS[48]	Ordinary shares	100%
Aberdeen Standard Investments (Switzerland) AG[54]	Ordinary shares	100%
Aberdeen Standard Investments Taiwan Limited[41]	Ordinary shares	100%
Aberdeen Standard Islamic Asia Pacific Ex Japan Equity Fund[55]	Unit trust	49%
Aberdeen Standard Islamic Investments (Malaysia) Sdn. Bhd.[53]	Ordinary shares	100%
Aberdeen Standard Life Asset Management Limited	Ordinary shares	100%
Aberdeen Standard Life Group Limited	Ordinary shares	100%
Aberdeen Standard Life Investments Limited	Ordinary shares	100%
Aberdeen Standard Life Limited	Ordinary shares	100%
Aberdeen Standard Limited	Ordinary shares	100%
Aberdeen Standard Multi-Sector Private Credit Fund SCSp[26]	Limited partnership	0%
Aberdeen Standard OEIC I		
ASI China A Share Equity Fund[5]	OEIC	98%
ASI Japanese Equity Fund[5]	OEIC	80%
ASI Sterling Long Dated Government Bond Fund[5]	OEIC	32%
Aberdeen Standard OEIC III		
ASI MyFolio Index I Fund[5]	OEIC	84%
ASI MyFolio Index II Fund[5]	OEIC	21%
ASI MyFolio Index V Fund[5]	OEIC	39%
Aberdeen Standard OEIC IV		
ASI American Equity Tracker Fund[5]	OEIC	43%
ASI Asia Pacific ex Japan Equity Tracker Fund[5]	OEIC	100%
ASI Emerging Markets Equity Tracker Fund[5]	OEIC	76%

Name of related undertaking	Share class[1]	% interest held[2]
ASI European Equity Tracker Fund[5]	OEIC	69%
ASI Global Inflation-Linked Bond Tracker Fund[5]	OEIC	43%
ASI Japan Equity Tracker Fund[5]	OEIC	74%
ASI Short Dated Global Corporate Bond Tracker Fund[5]	OEIC	88%
ASI Short Dated Sterling Corporate Bond Tracker Fund[5]	OEIC	73%
Aberdeen Standard OEIC V		
ASI UK Impact – Employment Opportunities Equity Fund [5]	OEIC	86%
Aberdeen Standard Opportunistic Core China Bond No. 1 Investment Private Fund[56]	Private commingled fund	100%
Aberdeen Standard Overseas Investment Fund Management (Shanghai) Co., Ltd.[37]	Ordinary shares	100%
Aberdeen Standard Pan European Residential Property Fund SICAV-RAIF[26]	Limited partnership	1%
Aberdeen Standard Private Real Assets Co-investment Fund I GP, LP[25]	Limited partnership	79%
Aberdeen Standard Private Real Assets Co-Investment Fund I, L.P.[25]	Limited partnership	1%
Aberdeen Standard SICAV I		
Aberdeen Standard SICAV I – Asian Credit Bond Fund[26]	SICAV	51%
Aberdeen Standard SICAV I – Emerging Markets Local Currency Corporate Bond Fund[26]	SICAV	84%
Aberdeen Standard SICAV I – European Equity (ex-UK) Fund[26]	SICAV	29%
Aberdeen Standard SICAV I – German Equity Fund[26]	SICAV	53%
Aberdeen Standard SOF Evergreen GP LP	Limited partnership	100%
Aberdeen Standard SOF Evergreen LP	Limited partnership	0%
Aberdeen Standard SOF IV Feeder LP	Limited partnership	0%
Aberdeen Standard SOF IV GP LP	Limited partnership	100%
Aberdeen Standard SOF IV LP	Limited partnership	0%
Aberdeen Standard Syariah Asia Pacific Equity USD Fund[42]	Unit trust	29%
Aberdeen Standard Unit Trust 1		
ASI Diversified Growth Fund[5]	Unit trust	46%
ASI Diversified-Core Adventurous Fund[5]	Unit trust	50%
ASI Diversified-Core Cautious Fund[5]	Unit trust	63%
ASI Diversified-Core Conservative Fund[5]	Unit trust	68%
Aberdeen Trust Limited[4]	Ordinary shares	100%
Aberdeen U.S. Mid Cap Equity Fund[57]	OEIC	69%
Aberdeen UK Infrastructure Carry GP Limited[4]	Ordinary shares	100%
Aberdeen UK Infrastructure Carry Limited[4]	Ordinary shares	100%
Aberdeen UK Infrastructure GP Limited[5]	Ordinary shares	100%
Aberdeen UK Infrastructure Partners Carry LP[5]	Limited partnership	25%
Aberdeen UK Infrastructure Partners LP[58]	Limited partnership	0%
Aberdeen Unit Trust Managers Limited[4]	Ordinary shares	100%
Aberdeen U.S. Private Equity Company VII, LLC[25]	Limited liability company	61%
Aberdeen U.S. Private Equity VII, L.P.[25]	Limited partnership	1%
Aberdeen Venture Company X, LLC[25]	Limited liability company	67%
Aberdeen Venture Partners X, L.P.[25]	Limited partnership	0%
Aberdeen Venture Partners X SPV-A, L.P.[25]	Limited partnership	0%
ACM Carry LP[4]	Limited partnership	40%
AEROF (Luxembourg) GP S.a.r.l.[26]	Ordinary shares	100%
AIPP Folksam Europe II Kommanditbolag[59]	Limited partnership	0%
AIPP Pooling I SA[26]	Ordinary shares	100%
Airport Industrial GP Limited[5]	Ordinary shares	100%
Airport Industrial Limited Partnership[5]	Limited partnership	0%
Aldwych Capital Partners, L.P.	Limited partnership	0%
Amberia General Partner Oy[15]	Ordinary shares	100%
Andean Social Infrastructure Fund I LP[4]	Limited partnership	0%
Andean Social Infrastructure GP Limited[13]	Ordinary shares	100%
Arden Asset Management (UK) Limited[24]	Ordinary shares	100%
Arden Asset Management LLC[21]	Limited liability company	100%
Arden Garden State NJ Fund, L.P.[25]	Limited partnership	0%
Arden Institutional Advisers, L.P.[25]	Limited partnership	0%
Arden Institutional Advisers, L.P. – AIA Series T Holdings LLC[25]	Limited partnership	0%
Arden Institutional Fund LP[25]	Limited partnership	0%
Arthur House (No.6) Limited[5]	Ordinary shares	100%

Name of related undertaking	Share class[1]	% interest held[2]
Artio Global Investors Inc.[22]	Ordinary shares	100%
ASI Core Private Equity Fund L.P.[25]	Limited partnership	0%
ASI (General Partner 2019 European PE B) Limited	Ordinary shares	100%
ASI (General Partner 2019 European PE A Carry) Limited	Ordinary shares	100%
ASI (General Partner 2019 European PE A) S.a.r.l.[26]	Ordinary shares	100%
ASI (General Partner ECF II) Limited	Ordinary shares	100%
ASI (General Partner PE2) Limited	Ordinary shares	100%
ASI (General Partner PFF 2018) S.a.r.l.[34]	Ordinary shares	100%
ASI (General Partner SOF IV) Limited	Ordinary shares	100%
ASI (SOF E GP) Limited	Ordinary shares	100%
ASI Direct RE GP LLP	Limited liability partnership	100%
ASI European Long Income RE Fund SCSp[26]	Limited partnership	0%
ASI European Private Equity 2019 B LP	Limited partnership	0%
ASI Han Co-Investment LP	Limited partnership	0%
ASI Hark Capital I GP, LLC[17]	Limited liability company	100%
ASI Hark Capital II GP, LLC[17]	Limited liability company	100%
ASI Korea GP 2 Pte. Ltd.[61]	Ordinary shares	100%
ASI Korea Separate Account 2 LP[61]	Limited partnership	1%
ASI Little Mill Carry LP[4]	Limited partnership	100%
ASI Little Mill LP[4]	Limited partnership	0%
ASI Mid Market Fund 1 LP[26]	Limited partnership	0%
ASI Mid-Market 1 LP[4]	Limited partnership	0%
ASI MM Executive Co Investment LP[4]	Limited partnership	0%
ASI PE 1 Carry LP[4]	Limited partnership	40%
ASI Phoenix Fund Financing SCSp[26]	Limited partnership	0%
ASI Private Equity 1 LP[4]	Limited partnership	0%
ASI Private Equity 2 GP LP	Limited partnership	100%
ASI Private Equity 2 LP	Limited partnership	0%
ASI REMM GP LLP[4]	Limited liability partnership	100%
ASI Shin Co-Investment LP[4]	Limited partnership	0%
ASI Shin Global Investment GP Limited[13]	Ordinary shares	100%
ASPER (Luxembourg) GP S.a.r.l.[26]	Ordinary shares	100%
Baigrie Davies & Company Limited[3]	Ordinary shares	100%
Baigrie Davies Holdings Limited[3]	Ordinary shares	100%
BoS Mezzanine Partners Fund L.P.[62]	Limited partnership	0%
BOSEMP Feeder LP[4]	Limited partnership	0%
Bosera-Standard Life Investment Opportunities Market Debt Fund[63]	Unit trust	44%
Castlepoint General Partner Limited[64]	Ordinary shares	100%
Castlepoint LP[64]	Limited partnership	0%
Castlepoint Nominee Limited[64]	Ordinary shares	100%
C.C. U.S. Private Equity Fund GP, LLC[25]	Limited liability company	81%
C.C. U.S. Private Equity Fund, L.P.[25]	Limited partnership	0%
Coutts Asian Private Equity Limited Partnership[13]	Limited partnership	0%
Coutts Global Property Limited Partnership[13]	Limited partnership	0%
Coutts Middle East and North Africa Private Equity Limited Partnership[13]	Limited partnership	0%
Coutts Private Equity Limited Partnership[13]	Limited partnership	0%
Coutts Private Equity Limited Partnership II[13]	Limited partnership	0%
CPP General Partner Limited Partnership	Limited partnership	20%
Cumberland Place Financial Management Limited[3]	Ordinary shares	100%
Edinburgh Fund Managers Group Limited[4]	Ordinary shares	100%
Edinburgh Fund Managers Plc	Ordinary shares	100%
Edinburgh Unit Trust Managers Limited[4]	Ordinary shares Deferred shares	100%
Elevate Portfolio Services Limited[3]	Ordinary shares	100%
ESF I Executive Co Investment Limited Partnership[64]	Limited partnership	0%
ESP 2004 Co Investment Limited Partnership[64]	Limited partnership	0%
ESP 2004 Conduit LP	Limited partnership	0%
ESP 2004 General Partner Limited Partnership	Limited partnership	0%

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Name of related undertaking	Share class[1]	% interest held[2]
ESP 2006 Co Investment Limited Partnership[64]	Limited partnership	0%
ESP 2006 Conduit LP	Limited partnership	0%
ESP 2006 General Partner Limited Partnership	Limited partnership	5%
ESP 2008 Coinvestment Fund L.P.	Limited partnership	0%
ESP 2008 Coinvestment General Partner Limited partnership	Limited partnership	0%
ESP 2008 Conduit LP	Limited partnership	0%
ESP 2008 Executive Co Investment Limited Partnership[64]	Limited partnership	0%
ESP 2008 General partner Limited Partnership	Limited partnership	0%
ESP Co Investment Limited Partnership[64]	Limited partnership	0%
ESP CPPIB European Mid Market Fund	Limited partnership	0%
ESP General Partner Limited Partnership	Limited partnership	0%
ESP Golden Bear Europe Fund	Limited partnership	2%
ESP Golden Bear General Partner Limited Partnership	Limited partnership	0%
ESP II Co Investment Limited Partnership[64]	Limited partnership	0%
ESP II Conduit LP	Limited partnership	0%
ESP II General Partner Limited Partnership	Limited partnership	0%
ESP Tidal Reach General Partner Limited Partnership	Limited partnership	20%
ESP Tidal Reach LP	Limited partnership	1%
European Strategic Partners	Limited partnership	0%
European Strategic Partners 2004 'A'	Limited partnership	0%
European Strategic Partners 2004 'B'	Limited partnership	0%
European Strategic Partners 2006 'A'	Limited partnership	0%
European Strategic Partners 2006 'B'	Limited partnership	0%
European Strategic Partners 2008 'A'	Limited partnership	0%
European Strategic Partners 2008 'B'	Limited partnership	0%
European Strategic Partners II 'A'	Limited partnership	0%
European Strategic Partners II 'B'	Limited partnership	0%
European Strategic Partners II 'C'	Limited partnership	0%
European Strategic Partners II 'D'	Limited partnership	0%
European Strategic Partners II 'E'	Limited partnership	0%
European Strategic Partners – I LP	Limited partnership	0%
European Strategic Partners Scottish 'B'	Limited partnership	0%
European Strategic Partners Scottish 'C'	Limited partnership	0%
FLAG Squadron Asia Pacific III GP LP[13]	Limited partnership	100%
Focus Business Solutions Limited[6]	Ordinary shares	100%
Focus Holdings Limited[6]	Ordinary shares	100%
Focus Software Limited[6]	Ordinary shares	100%
Focus Solutions EBT Trustee Limited[6]	Ordinary shares	100%
Fraser Heath Financial Management Limited[3]	Ordinary shares	100%
Griffin Nominees Limited[5]	Ordinary shares	100%
GTAAN – SL LP	Limited partnership	1%
HDFC Asset Management Company Limited[65]	Ordinary shares Redeemable preference shares	27%
HDFC Life Insurance Company Limited[66]	Ordinary shares	15%
Healthcare Private Equity Limited Partnership[5]	Limited partnership	0%
Healthcare Private Equity LP[58]	Limited partnership	0%
Heng An Standard Life Insurance Company Limited[67]	Ordinary shares	50%
Ignis Asset Management Limited	Ordinary shares	100%
Ignis Cayman GP2 Limited[13]	Ordinary shares	100%
Ignis Cayman GP3 Limited[13]	Ordinary shares	100%
Ignis Fund Managers Limited	Ordinary shares	100%
Ignis Investment Services Limited	Ordinary shares	100%
Jones Sheridan Financial Consulting Limited[3]	Ordinary shares	100%
Jones Sheridan Holdings Limited[3]	Ordinary shares	100%
Lothian Thirty L.P.	Limited partnership	0%
Murray Johnstone Holdings Limited[4]	Ordinary shares	100%
Murray Johnstone Limited[4]	Ordinary shares	100%
NASP 2006 General Partner Limited Partnership	Limited partnership	5%

Name of related undertaking	Share class[1]	% interest held[2]
NASP 2006 Special Limited Partnership	Limited partnership	0%
NASP 2008 General Partner Limited Partnership	Limited partnership	0%
NASP 2008 Special Limited Partnership	Limited partnership	0%
North American Strategic Partners 2006 LP[13]	Limited partnership	0%
North American Strategic Partners 2008 LP[13]	Limited partnership	0%
North American Strategic Partners (Feeder) 2006	Limited partnership	0%
North American Strategic Partners (Feeder) 2008 Limited Partnership	Limited partnership	0%
North American Strategic Partners Companion Fund LP[68]	Limited partnership	0%
North American Strategic Partners, LP[68]	Limited partnership	4%
North East Trustees Limited[69]	Ordinary A shares Ordinary B shares	100%
Origo Services Limited[70]	Ordinary shares	19%
Orion Partners Holdings Limited[71]	Ordinary shares	100%
Orion Partners Korea Inc.[52]	Ordinary shares	100%
Orion Partners Mgmt (Singapore) Pte. Ltd.[60]	Ordinary shares	100%
Orion Partners Services Inc.[72]	Ordinary shares	100%
Ostara China RE Fund LP	Limited partnership	0%
Ostara China Real Estate Fund L.P.[72]	Limited partnership	0%
Ostara Japan Fund 3 LP[72]	Limited partnership	0%
Ostara Korea GP 2 Pte. Ltd.[60]	Ordinary shares	100%
Ostara Korea Separate Account LP[60]	Limited partnership	0%
Ostara Partners CLP Inc.[72]	Ordinary shares	100%
Ostara Partners Inc. China[72]	Ordinary shares	100%
Ostara Partners Inc. Japan 3[72]	Ordinary shares	100%
P25 Limited Partnership Incorporated[73]	Limited partnership	0%
Pace Financial Solutions Limited[3]	Ordinary A shares Ordinary B shares Ordinary C shares	100%
Pace Mortgage Solutions Limited[3]	Ordinary A shares Ordinary B shares	100%
Parmenion Capital Ltd[74]	Ordinary shares	100%
Parmenion Capital Partners LLP[74]	Limited liability partnership	100%
Parmenion Nominees Limited[74]	Ordinary shares	100%
Parnell Fisher Child & Co. Limited[3]	Ordinary shares	100%
Parnell Fisher Child Holdings Limited[3]	Ordinary A shares Ordinary B shares	100%
PE1 LP[4]	Limited partnership	0%
PE1A LP[4]	Limited partnership	0%
PE1B LP[4]	Limited partnership	0%
PE2 LP[4]	Limited partnership	0%
Pearl Private Equity LP	Limited partnership	0%
Pearl Strategic Credit LP	Limited partnership	0%
Pearson Jones & Company (Trustees) Limited[75]	Ordinary shares	100%
Pearson Jones Nominees Limited[75]	Ordinary shares	100%
PGB European Buy-out Fund I SCSp[4]	Limited partnership	0%
Phoenix Group Holdings plc[7]	Ordinary shares	20%
PT Aberdeen Standard Investments Indonesia[42]	Limited liability company	99%
PURetail Luxembourg Management Company S.a.r.l.[18]	Class A shares	50%
Regent Property Partners (Retail Parks) Limited[5]	Ordinary shares	100%
Self Directed Holdings Ltd.[74]	Ordinary A shares Ordinary B shares Ordinary C shares Preference shares	100%
Self Directed Investments Ltd.[74]	Ordinary shares	100%
Serin Wealth Limited[3]	Ordinary shares	100%
Shin Global Investment Partners LP[13]	Limited partnership	95%
SL Capital 2016 Co-Investment GP LP	Limited partnership	5%
SL Capital 2016 Co-Investment LP	Limited partnership	0%

FINANCIAL INFORMATION

Name of related undertaking	Share class[1]	% interest held[2]
SL Capital ECF GP LP	Limited partnership	4%
SL Capital ESF I GP LP	Limited partnership	0%
SL Capital ESF I LP	Limited partnership	1%
SL Capital European Co-Investment B LP	Limited partnership	0%
SL Capital European Co-Investment LP	Limited partnership	0%
SL Capital Ignis Private Equity Founder LP	Limited partnership	65%
SL Capital Ignis Strategic Credit Founder LP	Limited partnership	0%
SL Capital Infrastructure I GP LP	Limited partnership	100%
SL Capital Infrastructure I LP	Limited partnership	0%
SL Capital Infrastructure II LTP LP	Limited partnership	100%
SL Capital Infrastructure II SCSp[34]	Limited partnership	0%
SL Capital Infrastructure Secondary I GP LP	Limited partnership	100%
SL Capital Infrastructure Secondary I LP	Limited partnership	0%
SL Capital NASF I LP	Limited partnership	0%
SL Capital NASF I A LP	Limited partnership	2%
SL Capital NASF I Carry LP	Limited partnership	0%
SL Capital NASF I GP LP	Limited partnership	0%
SL Capital Partners (US) Limited	Ordinary shares	100%
SL Capital Partners LLP	Limited liability partnership	100%
SL Capital Pearl Private Equity GP LP	Limited partnership	0%
SL Capital Pearl Strategic Credit GP LP	Limited partnership	1%
SL Capital SOF I Feeder LP	Limited partnership	0%
SL Capital SOF I GP LP	Limited partnership	0%
SL Capital SOF I LP	Limited partnership	0%
SL Capital SOF II Feeder LP	Limited partnership	0%
SL Capital SOF II GP LP	Limited partnership	0%
SL Capital SOF II LP	Limited partnership	0%
SL Capital SOF III Feeder LP	Limited partnership	0%
SL Capital SOF III GP LP	Limited partnership	0%
SL Capital SOF III LP	Limited partnership	0%
SLC EC Executive Co Investment Limited Partnership	Limited partnership	0%
SLCI (Infrastructure 2018 A) Co-Invest LP	Limited partnership	0%
SLCI I Executive Co Investment Limited Partnership	Limited partnership	0%
SLCI Rail Co-Invest LP	Limited partnership	0%
SLCP (Founder Partner Ignis Private Equity) Limited	Ordinary shares	100%
SLCP (Founder Partner Ignis Strategic Credit) Limited	Ordinary shares	100%
SLCP (General Partner 2016 Co-investment) Limited	Ordinary shares	100%
SLCP (General Partner CPP) Limited	Ordinary shares	100%
SLCP (General Partner EC) Limited	Ordinary shares	100%
SLCP (General Partner Edcastle) Limited	Ordinary shares	100%
SLCP (General Partner ESF I) Limited	Ordinary shares	100%
SLCP (General Partner ESF II) Limited	Ordinary shares	100%
SLCP (General Partner ESP 2004) Limited	Ordinary shares	100%
SLCP (General Partner ESP 2006) Limited	Ordinary shares	100%
SLCP (General Partner ESP 2008 Coinvestment) Limited	Ordinary shares	100%
SLCP (General Partner ESP 2008) Limited	Ordinary shares	100%
SLCP (General Partner ESP CAL) Limited	Ordinary shares	100%
SLCP (General Partner Europe VI) Limited	Ordinary shares	100%
SLCP (General Partner II) Limited	Ordinary shares	100%
SLCP (General Partner Infrastructure I) Limited	Ordinary shares	100%
SLCP (General Partner Infrastructure Secondary I) Limited	Ordinary shares	100%
SLCP (General Partner NASF I) Limited	Ordinary shares	100%
SLCP (General Partner NASP 2006) Limited	Ordinary shares	100%
SLCP (General Partner NASP 2008) Limited	Ordinary shares	100%
SLCP (General Partner Pearl Private Equity) Limited	Ordinary shares	100%
SLCP (General Partner Pearl Strategic Credit) Limited	Ordinary shares	100%
SLCP (General Partner SOF I) Limited	Ordinary shares	100%
SLCP (General Partner SOF II) Limited	Ordinary shares	100%

Name of related undertaking	Share class[1]	% interest held[2]
SLCP (General Partner SOF III) Limited	Ordinary shares	100%
SLCP (General Partner Tidal Reach) Limited	Ordinary shares	100%
SLCP (General Partner USA) Limited	Ordinary shares	100%
SLCP (General Partner) Limited	Ordinary shares	100%
SLCP (Holdings) Limited	Ordinary shares	100%
SLIF Property Investment LP	Limited partnership	0%
SLIPC (General Partner Infrastructure II LTP 2017) Limited	Ordinary shares	100%
SLIPC (General Partner Infrastructure II) S.a.r.l[34]	Ordinary shares	100%
SLIPC (General Partner PMD Co-Invest 2017) Limited	Ordinary shares	100%
SLIPC (General Partner SCF 1) Ltd	Ordinary shares	100%
SLIPC PMD Co-Invest 2017 LP	Limited partnership	0%
SLTM Limited	Ordinary shares	100%
SOF I Executive Co Investment Limited Partnership[64]	Limited partnership	0%
SOF II Executive Co Investment Limited Partnership[64]	Limited partnership	0%
SOF III Executive Co Investment Limited Partnership	Limited partnership	0%
Squadron Capital Asia Pacific GP, LP[13]	Limited partnership	100%
Squadron Capital Asia Pacific II GP LP[13]	Limited partnership	100%
Squadron Capital Management Limited[13]	Ordinary shares	100%
Squadron Capital Partners Limited[13]	Ordinary shares	100%
Standard Aberdeen Asset Management Limited	Ordinary shares	100%
Standard Aberdeen Group Limited	Ordinary shares	100%
Standard Aberdeen Investment Management Limited	Ordinary shares	100%
Standard Aberdeen Investments Limited	Ordinary shares	100%
Standard Aberdeen Limited	Ordinary shares	100%
Standard Life (Asia) Limited[76]	Ordinary shares	100%
Standard Life Aberdeen Asset Management Limited	Ordinary shares	100%
Standard Life Aberdeen Group Limited	Ordinary shares	100%
Standard Life Digital Solutions Limited	Ordinary shares	100%
Standard Life Investments Brent Cross General Partner Limited	Ordinary shares	100%
Standard Life investments Brent Cross LP	Limited partnership	0%
Standard Life Investments Commercial Real Estate Debt LP[5]	Limited partnership	0%
Standard Life Investments (Corporate Funds) Limited	Ordinary shares	100%
Standard Life Investments European Property Growth Fund L.P.[5]	Limited partnership	0%
Standard Life Investments European RE Club (Offshore Feeder) Ltd[13]	Ordinary shares	100%
Standard Life Investments European RE Club II (Offshore Feeder) Ltd[13]	Ordinary shares	100%
Standard Life Investments European Real Estate Club II LP[5]	Limited partnership	1%
Standard Life Investments European Real Estate Club II LP Feeder Fund[13]	Limited partnership	0%
Standard Life Investments European Real Estate Club III LP[5]	Limited partnership	2%
Standard Life investments European Real Estate Club LP[5]	Limited partnership	2%
Standard Life Investments European Real Estate Club LP Feeder Fund[13]	Limited partnership	0%
Standard Life Investments (France) SAS[77]	Ordinary shares	100%
Standard Life Investments (General Partner CRED) Limited[5]	Ordinary shares	100%
Standard Life Investments (General Partner ELIREF) S.a.r.l.[26]	Ordinary shares	100%
Standard Life Investments (General Partner EPGF) Limited	Ordinary shares	100%
Standard Life Investments (General Partner European Real Estate Club II) Limited[5]	Ordinary shares	100%
Standard Life Investments (General Partner European Real Estate Club III) Limited[5]	Ordinary shares	100%
Standard Life Investments (General Partner European Real Estate Club) Limited[5]	Ordinary shares	100%
Standard Life Investments (General Partner GARS) Limited	Ordinary shares	100%
Standard Life Investments (General Partner GFS) Limited	Ordinary shares	100%
Standard Life Investments (General Partner Global Tactical Asset Allocation) Limited	Ordinary shares	100%
Standard Life Investments (General Partner MAC) Limited	Ordinary shares	100%
Standard Life Investments (General Partner PDFI) Limited	Ordinary shares	100%
Standard Life Investments (General Partner UK PDF) Limited	Ordinary shares	100%
Standard Life Investments (General Partner UK Shopping Centre Feeder Fund LP) Limited[5]	Ordinary shares	100%
Standard Life Investments Global Absolute Return Strategies Master Fund Limited[13]	Ordinary shares	100%
Standard Life Investments Global Absolute Return Strategies Offshore Feeder Fund Limited[13]	Ordinary shares	100%

Name of related undertaking	Share class[1]	% interest held[2]
Standard Life Investments Global Absolute Return Strategies Onshore Feeder Fund, L.P.	Limited partnership	0%
Standard Life Investments Global Focused Strategies Master Fund Limited[13]	Ordinary shares	100%
Standard Life Investments Global Focused Strategies Offshore Feeder Fund Limited[13]	Ordinary shares	100%
Standard Life Investments Global SICAV		
Standard Life Investments Global SICAV Global Equities Unconstrained Fund[78]	SICAV	64%
Standard Life Investments Global SICAV II		
Standard Life Investments Global SICAV II Emerging Market Debt Sustainable & Responsible Investment Fund[78]	SICAV	100%
Standard Life Investments Global SICAV II Global Equity Impact Fund[78]	SICAV	39%
Standard Life Investments Global SICAV II MyFolio Multi-Manager I Fund[78]	SICAV	34%
Standard Life Investments Global SICAV II MyFolio Multi-Manager II Fund[78]	SICAV	22%
Standard Life Investments Global SICAV II MyFolio Multi-Manager III Fund[78]	SICAV	27%
Standard Life Investments Global SICAV II MyFolio Multi-Manager IV Fund[78]	SICAV	32%
Standard Life Investments Global SICAV II MyFolio Multi-Manager V Fund[78]	SICAV	43%
Standard Life Investments Global SICAV Macro Systematic Dimensions Fund[78]	SICAV	45%
Standard Life Investments GTAA Company[13]	Ordinary shares	100%
Standard Life Investments (Hong Kong) Limited[79]	Ordinary shares	100%
Standard Life Investments (Jersey) Limited[80]	Ordinary shares	100%
Standard Life Investments Limited	Ordinary shares	100%
Standard Life Investments (Mutual Funds) Limited	Ordinary shares	100%
Standard Life Investments (PDF No. 1) Limited[80]	Ordinary shares	50%
Standard Life Investments (Private Capital) Limited	Ordinary shares	100%
Standard Life Investments Secure Credit LP	Limited partnership	0%
Standard Life Investments Securities LLC[22]	Limited liability company	100%
Standard Life Investments (Singapore) Pte. Ltd[81]	Ordinary shares	100%
Standard Life Investments (SLIPIT) Limited Partnership[5]	Limited partnership	0%
Standard Life Investments UK Shopping Centre Feeder Fund Company Limited[5]	Ordinary shares	100%
Standard Life Investments UK shopping Centre Feeder Fund Limited Partnership[5]	Limited partnership	0%
Standard Life Investments (USA) Limited	Ordinary shares	100%
Standard Life Portfolio Investments Limited	Ordinary shares	100%
Standard Life Portfolio Investments US Inc.[25]	Ordinary shares	100%
Standard Life Premises Services Limited	Ordinary shares	100%
Standard Life Savings Nominees Limited	Ordinary shares	100%
Tenet Group Limited[82]	Ordinary B shares	25%
Tenon Nominees Limited[4]	Ordinary shares	100%
The Coaching Platform Limited[6]	Ordinary shares	100%
The Munro Partnership Ltd.[83]	Ordinary shares	100%
Threesixty Partnerships Limited[10]	Ordinary shares	100%
Touchstone Insurance Company Limited[84]	Ordinary shares	100%
Two Rivers Limited Partnership[5]	Limited partnership	0%
Two Rivers One Limited[32]	Ordinary shares	100%
Two Rivers Two Limited[32]	Ordinary shares	100%
UK PRS Opportunities General Partner Limited[5]	Ordinary shares	100%
UK PRS Opportunities LP[5]	Limited partnership	0%
Virgin Money Unit Trust Managers Limited[85]	Ordinary shares	50%
VZWL Private Equity GmbH & Co geschlossene Investment KG[44]	Limited partnership	0%
Waverley Healthcare Private Equity Limited[4]	Ordinary shares	100%
Wealth Horizon Ltd[74]	Ordinary shares	100%
Wise Trustee Limited[74]	Ordinary shares	100%

1 OEIC = Open-ended investment company

SICAV = Société d'investissement à capital variable

ETF = Exchange traded fund

2 Limited partnerships in which the Group has no interest but whose general partner is controlled by the Group are considered related undertakings under Companies Act 2006. Where the Group has no interest in a limited partnership that is considered a related undertaking, the interest held is disclosed as 0%.

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Registered offices

[3] 14th Floor, 30 St Mary Axe, London, EC3A 8BF

[4] 10 Queen's Terrace, Aberdeen, AB10 1XL

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[7] Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU

[8] 9 Raffles Place, #27-00 Republic Plaza, 048619, Singapore

[9] C/O IQ EQ Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, 11324, Mauritius

[10] 2nd Floor, The Royals, Altrincham Road, Sharston, Manchester, M22 4BJ

[11] 6, rue Gabriel Lippmann L – 5365 Munsbach, Luxembourg, Luxembourg

[12] 2-8 avenue Charles De Gaulle, L-1653 Luxembourg, Luxembourg

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[14] Tuborg Havnevej 15, 2nd Floor, DK-2900 Hellerup, Denmark

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[16] Box 3039, Stockholm, 103 63, Sweden

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[28] 40 Upper Mount Street, Dublin 2, Republic of Ireland

[29] First Floor Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 6HJ

[30] Western Suite, Ground Floor Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ

[31] First Floor, Sir Walter Raleigh House, 48-50 Esplanade, St Helier, Jersey, JE2 3QB

[32] Lime Grove House, Green Street, St Helier, Jersey, JE1 2ST

[33] Ahtri 6a, Tallinn, 10151, Estonia

[34] 2 Boulevard de la Foire, L-1528 Luxembourg, Luxembourg

[35] WTC, H-Tower, 20th Floor, Zuiplein 166, 1077 XV Amsterdam, The Netherlands

[36] Mikonkatu 9 Fin 00100, Helsinki, Finland

[37] West Area, 2F, No.707 Zhangyang Road, China (Shanghai) Pilot Free Trade Zone

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[47] 712 5th Ave, New York, NY 10019, USA

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[51] Otemachi Financial City Grand Cube 9F, 1-9-2 Otemachi, Chiyoda-ku, 100-0004, Tokyo, Japan

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[59] Sveavägen 24, 111 57 Stockholm, Sweden

[60] 80 Robinson Road, #02-00, 068898, Singapore

[61] 7 Melville Crescent, Edinburgh, EH3 7JA

[62] Suite 4109, Jardine House, One Connaught Place, Central, Hong Kong

[63] 11th Floor, Two Snowhill, Birmingham, B4 6WR

[64] 16 Charlotte Square, Edinburgh, EH2 4DF

[65] HDFC House, 2nd floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai – 400 020, India

[66] Lodha Excelus, 13th Floor, Apollo Mills Compound, N.M. Joshi Marg, Mahalaxmi, Mumbai – 400 011, Maharashtra, India

[67] 18F, Tower II, The Exchange, 189 Nanjing Road, Heping District, Tianjin, People's Republic of China, 300051

[68] 1 Rodney Square 10th Fl, 10 & King St, Wilmington, DE 19801, USA

[69] Clayton Wood Close, West Park Ring Road, Leeds, LS16 6QE

[70] 7 Lochside View, Edinburgh, EH12 9DH

[71] 28th and 30th Floor, LHT Tower, 31 Queen's Road Central, Hong Kong

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[73] Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY

[74] Aurora (3rd Floor) Finzels Reach, Counterslip, Bristol, BS1 6BX

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[85] Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL

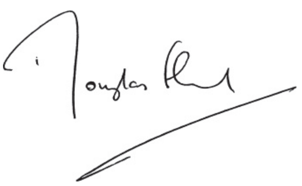
8. Company financial statements

Company statement of financial position

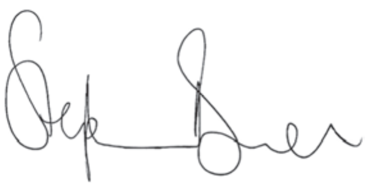
As at 31 December 2019

	Notes	2019 £m	2018 £m
Assets			
Investments in subsidiaries	A	**6,027**	6,467
Investments in associates and joint ventures	B	**1,229**	1,018
Deferred tax assets	N	**35**	22
Loans to subsidiaries	C	**–**	6
Derivative financial assets	C	**3**	13
Equity securities and interests in pooled investment funds	C	**218**	197
Debt securities	C	**603**	854
Receivables and other financial assets	C	**15**	57
Other assets	F	**14**	35
Cash and cash equivalents	C	**19**	17
Total assets		**8,163**	8,686
Equity			
Share capital	G	**327**	353
Shares held by trusts	H	**(119)**	(88)
Share premium reserve	G	**640**	640
Retained earnings	I		
Brought forward retained earnings		**2,035**	1,564
Profit for the year attributable to equity shareholders of Standard Life Aberdeen plc		**1,020**	461
Other movements in retained earnings		**(122)**	10
Total retained earnings		**2,933**	2,035
Other reserves	J	**3,621**	4,505
Total equity		**7,402**	7,445
Liabilities			
Subordinated liabilities	L	**655**	1,086
Other financial liabilities	L	**25**	69
Provisions	P	**77**	80
Other liabilities	P	**4**	6
Total liabilities		**761**	1,241
Total equity and liabilities		**8,163**	8,686

The financial statements on pages 232 to 242 were approved by the Board and signed on its behalf, by the following Directors:



Sir Douglas Flint
Chairman
10 March 2020



Stephanie Bruce
Chief Financial Officer
10 March 2020

The Notes on pages 235 to 242 are an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2019

2019	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity £m
1 January		**353**	**(88)**	**640**	**2,035**	**4,505**	**7,445**
Profit for the year		–	–	–	1,020	–	**1,020**
Other comprehensive income for the year		–	–	–	–	10	**10**
Total comprehensive income for the year		**–**	**–**	**–**	**1,020**	**10**	**1,030**
Dividends paid on ordinary shares		–	–	–	(518)	–	**(518)**
Shares bought back on-market and cancelled	G	(26)	–	–	(390)	(100)	**(516)**
Reserves credit for employee share-based payment	J	–	–	–	–	43	**43**
Transfer to retained earnings for vested employee share-based payment	J	–	–	–	57	(57)	**–**
Transfer between reserves on impairment of investment in subsidiaries	J	–	–	–	780	(780)	**–**
Shares acquired by employee trusts		–	(76)	–	–	–	**(76)**
Shares distributed by employee and other trusts and related dividend equivalents		–	45	–	(52)	–	**(7)**
Transfer from the Standard Life Unclaimed Asset Trust		–	–	–	1	–	**1**
31 December		**327**	**(119)**	**640**	**2,933**	**3,621**	**7,402**

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The Notes on pages 235 to 242 are an integral part of these financial statements.

2018	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity shareholders of Standard Life Aberdeen plc £m	Other equity £m	Total equity £m
31 December 2017		**364**	**(36)**	**639**	**1,564**	**6,390**	**8,921**	**–**	**8,921**
Effect of change in accounting policy to IFRS 9		–	–	–	–	(15)	**(15)**	–	**(15)**
1 January 2018		**364**	**(36)**	**639**	**1,564**	**6,375**	**8,906**	**–**	**8,906**
Profit for the year		–	–	–	461	–	**461**	28	**489**
Other comprehensive income for the year		–	–	–	–	11	**11**	–	**11**
Total comprehensive income for the year		**–**	**–**	**–**	**461**	**11**	**472**	**28**	**500**
Issue of share capital	G	–	–	1	–	–	**1**	–	**1**
Issue of 'B' shares	G	1,000	–	–	–	(1,000)	**–**	–	**–**
Reclassification of perpetual debt instruments to equity	K	–	–	–	–	–	**–**	1,005	**1,005**
Repurchase of perpetual debt instruments	K	–	–	–	–	–	**–**	(970)	**(970)**
Redemption of perpetual debt instruments	K	–	–	–	–	–	**–**	(44)	**(44)**
Dividends paid on ordinary shares		–	–	–	(634)	–	**(634)**	–	**(634)**
Coupons paid on perpetual debt instruments		–	–	–	–	–	**–**	(25)	**(25)**
Redemption of 'B' shares	G	(1,000)	9	–	(1,002)	1,000	**(993)**	–	**(993)**
Shares bought back on-market and cancelled	G	(11)	–	–	(238)	11	**(238)**	–	**(238)**
Reserves credit for employee share-based payment	J	–	–	–	–	36	**36**	–	**36**
Transfer to retained earnings for vested employee share-based payment	J	–	–	–	68	(68)	**–**	–	**–**
Transfer between reserves on disposal of investment in subsidiaries	J	–	–	–	1,290	(1,290)	**–**	–	**–**
Transfer between reserves on impairment of investment in subsidiaries	J	–	–	–	570	(570)	**–**	–	**–**
Shares acquired by employee trusts		–	(101)	–	–	–	**(101)**	–	**(101)**
Shares distributed by employee and other trusts and related dividend equivalents		–	40	–	(44)	–	**(4)**	–	**(4)**
Aggregate tax effect of items recognised directly in equity		–	–	–	–	–	**–**	6	**6**
31 December		**353**	**(88)**	**640**	**2,035**	**4,505**	**7,445**	**–**	**7,445**

The Notes on pages 235 to 242 are an integral part of these financial statements.

Company accounting policies

(a) Basis of preparation

These separate financial statements are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC). In the year ended 31 December 2018 the Company adopted Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) as issued by the FRC and transitioned from reporting under International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU) to FRS 101. The transition to FRS 101 had no impact on measurement or recognition in the financial statements. The financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss (FVTPL).

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions available under that standard:

- A cash flow statement and related notes
- Capital management
- Effect of IFRSs issued but not effective
- Related party transactions with wholly owned subsidiaries

As equivalent disclosures are given in the consolidated financial statements, we have also applied the disclosure exemptions for share based payments and financial instruments.

The principal accounting policies adopted are the same as those given in the consolidated financial statements, together with the Company specific policies set out below. Other than in relation to IFRS 16 *Leases*, which was adopted by the Group on 1 January 2019 and did not have a material impact on the Company, these accounting policies have been consistently applied to all financial reporting periods presented in these financial statements. The Company adopted IFRS 9 *Financial Instruments: Recognition and Measurement* on 1 January 2018.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own income statement in these financial statements. The auditors' remuneration for audit and other services is disclosed in Note 8 to the consolidated financial statements. The Company has no employees.

(a) Investment in subsidiaries, associates and joint ventures

The Company has certain subsidiaries which are investment vehicles such as open-ended investment companies, unit trusts and limited partnerships whose primary function is to generate capital or income growth through holding investments. This category of subsidiary is held at FVTPL since they are managed on a fair value basis.

Investments in subsidiaries (other than those measured at FVTPL), associates (other than those measured at FVTPL) and joint ventures are initially recognised at cost and subsequently held at cost less any impairment charge. An impairment charge is recognised when the carrying amount of the investment exceeds its recoverable amount. Any gain or loss on disposal of a subsidiary, associate or joint venture is recognised in profit for the year.

Distributions received of non-cash assets, including investments in subsidiaries, are recognised at fair value in the balance sheet and as dividends in specie in the income statement.

(b) Critical accounting estimates and judgement in applying accounting policies

The preparation of financial statements requires management to make estimates and assumptions and exercise judgements in applying the accounting policies that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses arising during the year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where judgements have the most significant effect on the amounts recognised in the financial statements are as follows:

Financial statement area	Critical accounting estimates and assumptions	Related notes
Investments in subsidiaries	Determining the cash-generating unit to be used in relation to the recoverable amount of investments in subsidiaries	Note A

The areas where assumptions and other sources of estimation uncertainty at the end of the reporting period have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

Financial statement area	Critical accounting estimates and assumptions	Related notes
Investments in subsidiaries, associates and joint ventures held at cost	Determination of the recoverable amount	Note A and B

Notes to the Company financial statements

A. Investments in subsidiaries

	Notes	2019 £m	2018 £m
Investments in subsidiaries measured at cost		**5,465**	6,249
Investments in subsidiaries measured at FVTPL	C	**562**	218
Investments in subsidiaries		**6,027**	6,467

	2019 £m	2018 £m
At 1 January	**6,467**	9,425
Reclassified as operations held for sale during the year	**–**	(2,312)
Investment into existing subsidiaries measured at cost	**150**	167
Acquisition of subsidiaries at cost	**–**	5
Acquisition of subsidiaries at cost via in specie dividend	**–**	374
Disposal of subsidiaries measured at cost	**(139)**	(2)
Repayment of loan to subsidiaries classified as equity investment	**–**	(486)
Impairment of subsidiaries measured at cost	**(795)**	(589)
Acquisition of subsidiaries at FVTPL	**344**	90
Reclassification of subsidiaries at FVTPL to interests in pooled investment funds	**–**	(198)
(Losses)/gains on subsidiaries at FVTPL	**–**	(7)
At 31 December	**6,027**	6,467

Details of the Company's subsidiaries are given in Note 48 of the Group financial statements.

(a) Acquisitions

During 2019, the Company made the following acquisitions of subsidiaries measured at cost:

- On 1 January 2019 the Company increased its investment in Aberdeen Asset Management PLC (AAM PLC) through the purchase of 100,000,000 ordinary shares for a non-cash consideration of £10m
- On 11 February 2019 the Company increased its investment in AAM PLC through the purchase of 3,128,485 ordinary shares for a cash consideration of £10m
- On 26 March 2019 the Company increased its investment in 1825 Financial Planning Limited through the purchase of 17,600,000 ordinary shares for a cash consideration of £17.6m
- On 17June 2019 the Company increased its investment in 1825 Financial Planning Limited through the purchase of 46,000,000 ordinary shares for a cash consideration of £46m
- On 30 July 2019 the Company increased its investment in AAM PLC through the purchase of 15,783,294 ordinary shares for a cash consideration of £50.5m
- On 11 September 2019 the Company increased its investment in Focus Solutions Group Limited through the purchase of 30,000,000 ordinary shares for a cash consideration of £3m
- On 19 November 2019 the Company increased its investment in AAM PLC through the purchase of 3,098,779 ordinary shares for a cash consideration of £9.9m
- On 12 December 2019 the Company increased its investment in Standard Life Employee Services Limited through the purchase of 3,389 ordinary shares for a cash consideration of £3.4m

During 2018, the Company made the following acquisitions of subsidiaries measured at cost:

- On 8 August 2018, Standard Life Savings Limited, 1825 Financial Planning Limited and Standard Life Client Management Limited were acquired via dividends in specie from Standard Life Assurance Limited (SLAL) and recognised at amounts of £320m, £50m and £4m respectively
- On 11 May 2018 the Company increased its investment in Focus Solutions Group Limited through the purchase of 200,000,000 ordinary shares for a cash consideration of £20m
- On 11 May 2018 the Company increased its investment in Standard Life Oversea Holdings Limited through the purchase of 1,750,000 ordinary shares for a cash consideration of £2m
- On 18 May 2018 the Company increased its investment in AAM PLC through the purchase of 31,547,174 ordinary shares for a cash consideration of £101m
- On 16 August 2018 the Company acquired control of The Standard Life Assurance Company 2006 for a cash consideration of £5m

- On 15 October 2018 the Company increased its investment in 1825 Financial Planning Limited through the purchase of 23,000,000 ordinary shares for a cash consideration of £11m and the capitalisation of a loan of £12m
- On 21 December 2018 the Company increased its investment in Standard Life Employee Services Limited through the purchase of 21,386 ordinary shares for the capitalisation of the intercompany receivable due from its subsidiary of £21m

See Section (e) below for details on investments in subsidiaries at FVTPL.

(b) Disposals

During 2019, the Company made the following disposals of subsidiaries measured at cost:

- On 20 March 2019, 13 May 2019, 21 August 2019 and 5 November 2019 the Company redeemed £40.6m, £16.3m, £34.2m and £47.9m of equity capital in Standard Life (Mauritius Holdings) 2006 Limited through the cancellation of 535,985.12, 211,759.58, 415,221.68 and 616,080.94 Participating shares respectively

During 2018, the Company made the following disposals of subsidiaries measured at cost:

- On 30 August 2018, SLAL repaid a loan from the Company with the principal amount of £500m. This bond had been classified as an equity investment in SLAL and its repayment reduced the Company's investment in SLAL by £486m.
- On 19 April 2018 the Company redeemed £2m of equity capital in Standard Life (Mauritius Holdings) 2006 Limited through the cancellation of 30,000 Participating shares

(c) Operations held for sale

On 23 February 2018, the Company's investments in SLAL, excluding the loan to SLAL classified as an equity investment, and Vebnet (Holdings) Limited (Vebnet) were classified as held for sale and measured at their carrying amount following the Group's announcement of the proposed sale of the UK and European insurance business to Phoenix Group Holdings (the Sale).

On 9 August 2018, the Company transferred its investment in Vebnet of £27m to SLAL, which increased the carrying value of SLAL by the same amount.

The Sale completed on 31 August 2018.

(d) Impairment

The Company holds investments in AAM PLC and Standard Life Investments (Holdings) Limited (SLIH). As AAM PLC and SLIH are managed and reported together within the Asset management, Platforms and Wealth segment (formerly Asset management and platforms), and the synergies from the merger of these entities are expected to benefit both entities, we judge that it is appropriate to consider the recoverable amount of these entities on a combined basis. The Company impaired its investments in AAM PLC and SLIH by £780m (2018: £570m). The recoverable amount was £4,808m which was its value in use and was determined using a pre-tax discount rate of 11.9% (2018:11.1%). The value in use includes the fair value of HDFC Asset Management which is an associate of SLIH. Other assumptions used in the value in use are the same as the assumptions used in the impairment review for asset management (Aberdeen Standard Investments) goodwill set out in Note 15 of the Group financial statements. The impairments are as a result of a decrease in projected future revenues of the entities. Following the impairment loss recognised in the period, the recoverable amount was equal to the carrying amount. Therefore any adverse movement in a key assumption would lead to further impairment. The sensitivity of the carrying value of the investments in AAM PLC and SLIH to changes in key assumptions is the same as the sensitivity of Aberdeen Standard Investments goodwill to changes in discount rate, growth and forecast cash flow assumptions provided in Note 15 of the Group financial statements. The carrying value of the investments in AAM PLC and SLIH is also sensitive to reductions in the fair value of HDFC Asset Management.

At 31 December 2019, the net assets of the Company of £7,402m (2018: £7,445m) are higher (2018: lower) than the net assets of the Group of £6,666m (2018: £7,539m). This primarily arises because, as set out above, the value in use of the Company's investments in AAM PLC and SLIH includes the fair value of HDFC Asset Management which was £1,937m (2018: £1,077m) at 31 December 2019. In the Group accounts the value in use of asset management goodwill excludes HDFC Asset Management, as HDFC Asset Management generates independent cash flows. HDFC Asset Management is carried in the Group accounts under equity accounting at £120m (2018: £110m).

The Company's investment in its subsidiary Focus Solutions Group Limited (Focus) was impaired during 2019 by £15m (2018: £19m). The recoverable amount of Focus is £nil (2018: £13m) which is its value in use and has been determined using a discount rate of 12% (2018: 12%). The impairment resulted from revenue projections being lower than those previously forecast as a result of lower projected new business.

(e) Investments in subsidiaries at FVTPL

Investments in subsidiaries at FVTPL, valued at £562m (2018: £218m), relate to a holding in money market funds over which the Company has control. During 2018, holdings in two further funds were reclassified to equity securities and interests in pooled investment funds, following the Sale.

B. Investments in associates and joint ventures

	2019 **£m**	2018 £m
Investment in associates measured at cost	**1,033**	822
Investment in joint venture measured at cost	**196**	196
Investments in associates and joint ventures	**1,229**	1,018

(a) Investment in associates

Following the completion of the Sale in August 2018, as part of the total consideration, the Company was issued with new Phoenix shares representing 19.98% of the issued share capital of Phoenix, a company incorporated in England and Wales (refer Note 1 and Note 16 of the Group financial statements). The cost of this investment was considered to be the fair value of the shares issued at 31 August 2018.

The Company's investments in associates are measured at cost less impairment. At 31 December 2018 an impairment of £211m was recognised in relation to the Company's associate investment in Phoenix. The impairment resulted from the fall in the Phoenix share price between 31 August 2018 and 31 December 2018. The recoverable amount was £812m which is the fair value of the Company's interest in Phoenix at 31 December 2018. At 31 December 2019 the fair value of the Company's interest in Phoenix was £1,079m, on this basis a reversal of the impairment recognised in 2018 of £211m has been recognised.

The Company has an interest of 25.3% (2018: 25.3%) in Tenet Group Limited, a company incorporated in England and Wales. The year end date for Tenet Group Limited is 30 September which is different from the Company's year end date of 31 December. For the purposes of the preparation of the Company's financial statements, financial information for the year ended 31 December is used.

(b) Investment in joint venture

The Company has a 50% (2018: 50%) interest in Heng An Standard Life Insurance Company Limited (HASL), a company incorporated in China. On 19 April 2018, the Company made a US$95m (£72m) capital contribution to HASL. Further details on this joint venture are provided in Note 16 of the Group financial statements.

C. Financial investments

2019	Notes	Fair value through profit or loss £m	Derivative financial instruments used for hedging £m	Amortised cost £m	Total £m
Investments in subsidiaries measured at FVTPL	A	562	–	–	**562**
Derivative financial assets	D	–	3	–	**3**
Equity securities and interests in pooled investment funds		218	–	–	**218**
Debt securities		–	–	603	**603**
Receivables and other financial assets	E	1	–	14	**15**
Cash and cash equivalents		–	–	19	**19**
Total		**781**	**3**	**636**	**1,420**

2018	Notes	Fair value through profit or loss £m	Derivative financial instruments used for hedging £m	Amortised cost £m	Total £m
Investments in subsidiaries measured at FVTPL	A	218	–	–	**218**
Loans to subsidiaries		–	–	6	**6**
Derivative financial assets	D	–	13	–	**13**
Equity securities and interests in pooled investment funds		197	–	–	**197**
Debt securities		–	–	854	**854**
Receivables and other financial assets	E	8	–	49	**57**
Cash and cash equivalents		–	–	17	**17**
Total		**423**	**13**	**926**	**1,362**

The amount of debt securities expected to be recovered or settled after more than 12 months is £266m (2018: £270m). The amount of loans to subsidiaries expected to be recovered or settled after more than 12 months is £nil (2018: £6m).

D. Derivative financial instruments

The Company uses derivative financial instruments in order to reduce the risk from potential movements in foreign exchange rates.

	2019			2018		
	Contract amount £m	**Fair value assets £m**	**Fair value liabilities £m**	Contract amount £m	Fair value assets £m	Fair value liabilities £m
Cash flow hedges	**566**	**3**	**–**	589	13	–
Foreign exchange forwards	**74**	**–**	**–**	6	–	–
Derivative financial instruments	**640**	**3**	**–**	595	13	–

The derivative asset of £3m (2018: derivative asset of £13m) is expected to be settled after more than 12 months.

On 18 October 2017, the Company issued subordinated notes with a principal amount of US $750m. In order to manage the foreign exchange risk relating to the principal and coupons payable on these notes the Company entered into a cross-currency swap which is designated as a hedge of future cash flows.

The maturity profile of the contractual undiscounted cash flows in relation to derivative financial instruments is as follows:

2019	Within 1 year £m	2-5 years £m	6-10 years £m	11-15 years £m	Total £m
Cash inflows					
Cash flow hedges	24	96	650	–	**770**
Foreign exchange forwards	57	–	–	–	**57**
Total	**81**	**96**	**650**	**–**	**827**
Cash outflows					
Cash flow hedges	(18)	(73)	(632)	–	**(723)**
Foreign exchange forwards	(56)	–	–	–	**(56)**
Total	**(74)**	**(73)**	**(632)**	**–**	**(779)**
Net derivative financial instruments cash flows	**7**	**23**	**18**	**–**	**48**

2018	Within 1 year £m	2-5 years £m	6-10 years £m	11-15 years £m	Total £m
Cash inflows					
Cash flow hedges	25	88	714	–	**827**
Foreign exchange forwards	6	–	–	–	**6**
Total	**31**	**88**	**714**	**–**	**833**
Cash outflows					
Cash flow hedges	(18)	(64)	(660)	–	**(742)**
Foreign exchange forwards	(6)	–	–	–	**(6)**
Total	**(24)**	**(64)**	**(660)**	**–**	**(748)**
Net derivative financial instruments cash flows	**7**	**24**	**54**	**–**	**85**

E. Receivables and other financial assets

	2019 £m	2018 £m
Due from related parties	**12**	49
Contingent consideration asset	**1**	8
Other financial assets	**2**	–
Total receivables and other financial assets	**15**	57

The carrying amounts disclosed above reasonably approximate the fair values at the year end.

Amounts due from related parties are expected to be recovered within 12 months.

F. Other assets

Other assets of £14m (2018: £35m) comprise amounts due from related parties in respect of Group relief, which are expected to be recovered within 12 months.

G. Share capital and share premium

Details of the Company's share capital and share premium are given in Note 26 of the Group financial statements including details of the return of capital, the share consolidation and the share buyback. Details of events after the reporting date relating to share buybacks are set out in Note 47 of the Group financial statements.

H. Shares held by trusts

Shares held by trusts relates to shares in Standard Life Aberdeen plc that are held by the Standard Life Aberdeen Employee Benefit Trust (SLA EBT), Standard Life Employee Trust (ET) and Standard Life Unclaimed Asset Trust (UAT). The SLA EBT was established on 28 March 2019. On 13 December 2019 the Group instructed the Trustees to formally close the UAT and all assets in the UAT were transferred to Standard Life Aberdeen Plc on 20 December 2019.

Further details of these trusts are provided in Note 27 of the Group financial statements.

I. Retained earnings

Details of the dividends paid on the ordinary shares by the Company are provided in Note 14 of the Group financial statements. Note 14 also includes information regarding the final dividend proposed by the Directors for the year ended 31 December 2019.

J. Movements in other reserves

The following tables show the movements in other reserves during the year:

2019	Merger reserve £m	Equity compensation reserve £m	Special reserve £m	Capital redemption reserve £m	Cash flow hedges £m	Total £m
At 1 January	**3,192**	**67**	**241**	**1,011**	**(6)**	**4,505**
Fair value losses on cash flow hedges	–	–	–	–	(10)	**(10)**
Realised losses on cash flow hedges transferred to income statement	–	–	–	–	22	**22**
Shares bought back on-market and cancelled	–	–	(126)	26	–	**(100)**
Reserves credit for employee share-based payments	–	43	–	–	–	**43**
Transfer to retained earnings for vested employee share-based payments	–	(57)	–	–	–	**(57)**
Transfer between reserves on impairment of investment in subsidiaries	(780)	–	–	–	–	**(780)**
Tax effect of items that may be reclassified subsequently to profit or loss	–	–	–	–	(2)	**(2)**
At 31 December	**2,412**	**53**	**115**	**1,037**	**4**	**3,621**

2018	Merger reserve £m	Equity compensation reserve £m	Special reserve £m	Capital redemption reserve £m	Available-for-sale financial assets £m	Cash flow hedges £m	Total £m
At 31 December 2017	**6,052**	**99**	**241**	**–**	**15**	**(17)**	**6,390**
Effect of change in accounting policy to IFRS 9	–	–	–	–	(15)	–	**(15)**
At 1 January 2018	**6,052**	**99**	**241**	**–**	**–**	**(17)**	**6,375**
Fair value losses on cash flow hedges	–	–	–	–	–	54	**54**
Realised losses on cash flow hedges transferred to income statement	–	–	–	–	–	(41)	**(41)**
Issue/redemption of 'B' shares	(1,000)	–	–	1,000	–	–	**–**
Shares bought back on-market and cancelled	–	–	–	11	–	–	**11**
Reserves credit for employee share-based payments	–	36	–	–	–	–	**36**
Transfer to retained earnings for vested employee share-based payments	–	(68)	–	–	–	–	**(68)**
Transfer between reserves on disposal of investment in subsidiaries	(1,290)	–	–	–	–	–	**(1,290)**
Transfer between reserves on impairment of investment in subsidiaries	(570)	–	–	–	–	–	**(570)**
Tax effect of items that may be reclassified subsequently to profit or loss	–	–	–	–	–	(2)	**(2)**
At 31 December	**3,192**	**67**	**241**	**1,011**	**–**	**(6)**	**4,505**

During 2019 £26m (2018: £11m) was recognised in the capital redemption reserve for the share buyback (refer Note 26 of the Group financial statements).

Following the impairment loss recognised in the period on the Company's investments in AAM PLC and SLIH (refer Note A), £780m (2018: £570m) was transferred from the merger reserve to retained earnings.

During 2018, on completion of the Sale, (refer Note A) £1,290m was transferred from the merger reserve to retained earnings. As part of the return of capital, £1,000m was transferred from the merger reserve to the capital redemption reserve.

K. Other equity

On 30 August 2018, the Company's subordinated guaranteed bonds and Mutual Assurance Capital Securities (MACS) were reclassified as other equity from subordinated liabilities. Following a tender and mandatory redemption process which completed on 25 October 2018, the Company repurchased/redeemed the guaranteed bonds and MACS. Further information is given in Note 30 of the Group financial statements.

L. Financial liabilities

2019	Notes	Amortised cost £m	Total £m
Subordinated liabilities	M	655	**655**
Other financial liabilities	O	25	**25**
Total		**680**	**680**

2018	Notes	Amortised cost £m	Total £m
Subordinated liabilities	M	1,086	**1,086**
Other financial liabilities	O	69	**69**
Total		**1,155**	**1,155**

M. Subordinated liabilities

	2019		2018	
	Principal amount	Carrying value	Principal amount	Carrying value
Subordinated notes:				
4.25% US Dollar fixed rate due 30 June 2028	**$750m**	**£563m**	$750m	£586m
5.5% Sterling fixed rate due 4 December 2042	**£92m**	**£92m**	£500m	£500m
Total subordinated liabilities		**£655m**		£1,086m

Subordinated liabilities are considered current if the contractual re-pricing or maturity dates are within one year. The principal amount of all the subordinated liabilities is expected to be settled after more than 12 months. The accrued interest on the subordinated liabilities of £nil (2018: £2m) is expected to be settled within 12 months.

On 26 March 2019, the Company repurchased 5.5% Sterling fixed rate subordinated notes with a principal amount of £408m (out of a total principal amount of £500m).

Further information including the terms and conditions of all subordinated liabilities is given in Note 33 of the Group financial statements.

N. Deferred tax assets and liabilities

	2019 £m	2018 £m
Deferred tax assets	**35**	22

The amount of deferred tax assets expected to be recovered or settled after more than 12 months are £35m (2018: £22m).

The Company has surrendered the benefit of its tax losses to underlying subsidiaries for a consideration of £14m (2018: £35m).

Recognised deferred tax

	2019 £m	2018 £m
Deferred tax assets comprise:		
Unused tax losses	**36**	21
Unrealised losses on cash flow hedges	**–**	1
Gross deferred tax assets	**36**	22
Less: Offset against deferred tax liabilities	**(1)**	–
Deferred tax assets	**35**	22
Deferred tax liabilities comprise:		
Unrealised gains on investments	**1**	–
Gross deferred tax liabilities	**1**	–
Less: Offset against deferred tax assets	**(1)**	–
Deferred tax liabilities	**–**	–
Net deferred tax asset at 31 December	**35**	22
Movements in net deferred tax assets comprise:		
At 1 January	**22**	–
Effect of change in accounting policy to IFRS 9	**–**	3
Amounts credited to profit or loss	**15**	21
Amounts charged to other comprehensive income	**(2)**	(2)
At 31 December	**35**	22

The deferred tax assets recognised are in respect of unused tax losses arising in the year and unrealised losses on cash flow hedges. The deferred tax assets are recognised to the extent that it is probable that the losses will be capable of being offset against future taxable profits.

O. Other financial liabilities

	2019 £m	2018 £m
Amounts due to related parties	**2**	38
Collateral held in respect of derivative contracts	**13**	21
Other	**10**	10
Other financial liabilities	**25**	69

Other financial liabilities are expected to be settled within 12 months (2018: £69m).

P. Provisions and other liabilities

Of Provisions of £77m (2018: £80m), £48m are expected to be settled within 12 months (2018: £80m). Of Other liabilities of £4m (2018: £6m), £4m are expected to be settled within 12 months (2018: £6m). The provisions in 2019 and 2018 relate to separation costs. Refer Note 37 of the Group financial statements for further information and details of the provisions.

Q. Contingent liabilities, contingent assets, indemnities and guarantees

(a) Legal proceedings and regulations

The Company, like other financial organisations, is subject to legal proceedings and complaints in the normal course of its business. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Company incurring a liability. Where it is concluded that it is more likely than not that a material outflow will be made a provision is established based on management's best estimate of the amount that will be payable. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed to properly investigate, and no provisions are held for such matters. It is not possible to predict with certainty the extent and timing of the financial impact of legal proceedings, complaints and related regulatory matters.

(b) Indemnities and guarantees

Under the trust deed in respect of the UK Standard Life defined benefit pension plan, Standard Life Employee Services Limited (SLESL), the principal employer, must pay contributions to the pension plan as the trustees' actuary may certify necessary. The Company guarantees the obligations of certain subsidiaries' UK and Ireland defined benefit pension plans, which did not give rise to any liabilities at 31 December 2019 (2018: £nil).

R. Related party transactions

(a) Compensation of key management personnel

The Directors and key management personnel of the Company are considered to be the same as for the Group. See Note 45 of the Group financial statements for further information.

9. Supplementary information

9.1 Key performance indicators

Key performance indicators (KPIs) are defined as the measures by which the development, performance or position of the business can be measured effectively. The KPIs that we use may not be directly comparable with similarly named measures used by other companies. We have reviewed our KPIs in 2019 and made the following changes.

New KPIs for FY 2019	No longer reported as a KPI
• Fee based revenue • IFRS profit/(loss) before tax	• AUMA • Gross inflows and Net flows

We have increased our focus on revenue quality, rather than the volume of new business, in 2019. This is the reason for the inclusion of the Fee based revenue KPI and the removal of the KPIs relating to flows and AUMA. We have also added IFRS profit before tax as a KPI – this KPI includes key items such as restructuring costs and profits on disposal of interests in associates. IFRS profit before tax is the closest IFRS equivalent to adjusted profit before tax.

9.2 Alternative performance measures

We assess our performance using a variety of measures that are not defined under IFRS and are therefore termed alternative performance measures (APMs). The APMs that we use may not be directly comparable with similarly named measures used by other companies.

We have presented below reconciliations from these APMs to the most appropriate measure prepared in accordance with IFRS. All APMs should be read together with the IFRS consolidated income statement, IFRS consolidated statement of financial position and IFRS consolidated statement of cash flows, which are presented in the Group financial statements section of this report. Ratios are presented in Section 9.3.

In 2019, we are no longer reporting an alternative performance measure for cash generation. Following the sale of the UK and European insurance business the IFRS condensed consolidated statement of cash flows provides a shareholder view of the Group's cash generation. We are now, however, reporting an adjusted capital generation APM as discussed below.

KPI Key performance indicators (KPIs) are defined as the measures by which the development, performance or position of the business can be measured effectively.

R Metric used for executive remuneration in the proposed 2020 remuneration policy. See pages 83 to 84 for more information.

Definition	Purpose
Adjusted profit before tax KPI Adjusted profit before tax is the Group's key alternative performance measure. Adjusted profit excludes the impact of the following items: • Restructuring costs and corporate transaction expenses. Restructuring includes the impact of major regulatory change. • Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts • Profit or loss arising on the disposal of a subsidiary, joint venture or associate • Fair value movements in contingent consideration • Items which are one-off and, due to their size or nature, are not indicative of the long-term operating performance of the Group • Impacts arising from investment return variances and economic assumption changes in the Group's insurance entities • Dividends payable on preference shares classified as non-controlling interests are excluded from adjusted profit in line with the treatment of ordinary shares. Similarly to preference shares, coupons paid on perpetual debt instruments classified as equity for which interest is only accounted for when paid is excluded from adjusted profit. This includes our share of interest payable on Tier 1 debt instruments held by associates. Further details are included in Note 13 of the Group financial statements. Fee based revenue is a component of adjusted profit and includes revenue we generate from asset management charges (AMCs), platform charges and other transactional charges. Fee based revenue is shown net of fees, costs of sale, commissions and similar charges. Refer to Note 4 of the Group financial statements.	Adjusted profit reporting provides further analysis of the results reported under IFRS and the Directors believe it helps to give shareholders a fuller understanding of the performance of the business by identifying and analysing adjusting items. Adjusted profit before tax is consistent with the way that financial performance is measured by management and reported to the Board and executive leadership team. Adjusted profit before tax is also a key input to the adjusted earnings per share measure which is used to assess performance for remuneration purposes. Fee based revenue is shown net of commission, costs of sale and similar charges so as to show the net charges received on AUMA and provides the basis for reporting of the fee revenue yield financial ratio.
Adjusted capital generation Adjusted capital generation is part of the analysis of movements in CRDIV regulatory capital. Adjusted capital generation is calculated as adjusted profit after tax less returns relating to pension schemes in surplus, which do not benefit regulatory capital. It also excludes the Group's share of associates and joint ventures profit after tax which is replaced by dividends received from these entities.	Adjusted capital generation is a new APM introduced in 2019. This measure aims to show how adjusted profit contributes to regulatory capital, and therefore provides insight into our ability to generate capital to support the payment of dividends to shareholders.

FINANCIAL INFORMATION

Adjusted profit before tax

Reconciliation of adjusted profit to IFRS profit by component

The key components of adjusted profit before tax are fee based revenue, adjusted operating expenses and share of associates' and joint ventures' profit before tax. These components provide a meaningful analysis of our adjusted results.

The table below provides a reconciliation of movements between adjusted profit component measures and relevant IFRS terms. A reconciliation of Fee based revenue to the IFRS item Revenue from contracts with customers is provided in Note 4 of the Group financial statements.

Adjusted profit term 2019	Group adjusted profit £m	Presentation differences £m	Adjusting items £m	Capital management £m	Share of associates' and joint ventures' tax expense £m	Non-controlling interests £m	Group IFRS £m	IFRS term
Fee based revenue KPI R	1,634	619	1,703	37	–	–	3,993	Total income
Adjusted operating expenses	(1,333)	(619)	(2,120)	–	–	–	(4,072)	Total expenses
Capital management	37	–	–	(37)	–	–	–	N/A
Share of associates' and joint ventures' profit before tax	246	–	84	–	(8)	–	322	Share of profit from associates and JVs[1]
Adjusted profit before tax from continuing operations	**584**	**–**	**(333)**	**–**	**(8)**	**–**	**243**	**Profit before tax**
Tax on adjusted profit	(69)	–	41	–	–	–	(28)	Total tax expense
Share of associates' and joint ventures' tax	(46)	–	–	–	46	–	–	N/A
Adjusted profit after tax from continuing operations	**469**	**–**	**(292)**	**–**	**38**	**–**	**215**	**Profit for the year from continuing operations**
Adjusted profit after tax from discontinued operations	–	–	56	–	–	–	56	Profit for the year from discontinued operations
Adjusted profit after tax	**469**	**–**	**(236)**	**–**	**38**	**–**	**271**	**Profit for the year**

1 Includes £243m reversal of impairment of interest in associates.

Adjusted profit term 2018	Group adjusted profit £m	Presentation differences £m	Adjusting items £m	Capital management £m	Share of associates' and joint ventures' tax expense £m	Non-controlling interests £m	Group IFRS £m	IFRS term
Fee based revenue	1,868	70	202	(9)	–		2,131	Total income
Adjusted operating expenses	(1,395)	(70)	(1,355)		–	–	(2,820)	Total expenses
Capital management	(9)	–	–	9	–	–	–	N/A
Share of associates' and joint ventures' profit before tax	186	–	(244)	–	(40)	–	(98)	Share of profit from associates and JVs[2]
Adjusted profit before tax from continuing operations	**650**	**–**	**(1,397)**	**–**	**(40)**		**(787)**	**Profit before tax**
Tax on adjusted profit	(95)	–	52	–	–	–	(43)	Total tax expense
Share of associates' and joint ventures' tax	(43)	–	–	–	43	–	–	N/A
Adjusted profit after tax from continuing operations	**512**	**–**	**(1,345)**	**–**	**3**	**–**	**(830)**	**Profit for the year from continuing operations**
Adjusted profit after tax from discontinued operations	133	–	1,560	–	–	5	1,698	Profit for the year from discontinued operations
Adjusted profit after tax	**645**	**–**	**215**	**–**	**3**	**5**	**868**	**Profit for the year**

2 Includes £228m loss on impairment of interest in associates.

This reconciliation includes a number of reconciling items which arise due to presentation differences between IFRS reporting requirements and the determination of adjusted operating income and adjusted operating expenses. Fee based revenue and adjusted operating expenses exclude items which have an equal and opposite effect on IFRS income and IFRS expenses in the consolidated income statement. This particularly relates to income and expenses of unit linked funds, where investment returns are for the accounts of policyholders. The increase in presentation differences in 2019 reflects higher such policyholder investment returns.

Other presentation differences also include commission and other cost of sales expenses which are presented in expenses in the consolidated income statement but are netted against fee based revenue in the analysis of Group adjusted profit by segment. Further details of presentation differences are included in Note 2(b)(ii) of the Group financial statements.

The table below provides a summarised reconciliation of adjusted profit before tax (split by continuing operations, discontinued operations and Total) to Profit before tax

	Continuing operations			Discontinued operations			Total		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017
	£m	£m	£m	**£m**	£m	£m	**£m**	£m	£m
Adjusted profit before tax	**584**	650	475	**–**	210	379	**584**	860	854
Share of associates' and joint ventures' tax expense	**(8)**	(40)	(41)	**–**	–	–	**(8)**	(40)	(41)
Total adjusting items	**(333)**	(1,397)	4	**56**	1,519	(44)	**(277)**	122	(40)
Profit attributable to non-controlling interests – ordinary shares	**–**	–	–	**–**	5	25	**–**	5	25
Profit before tax[1]	**243**	(787)	438	**56**	1,734	360	**299**	947	798

1 Discontinued operations shown as profit before tax expense attributable to equity holders.

Analysis of adjusting items

The table below provides detail of the adjusting items made in the calculation of adjusted profit before tax:

	Continuing operations			Discontinued operations			Total		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017
	£m	£m	£m	**£m**	£m	£m	**£m**	£m	£m
Restructuring and corporate transaction expenses	**(407)**	(239)	(162)	**–**	(264)	(11)	**(407)**	(503)	(173)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	**(1,844)**	(1,155)	(138)	**–**	–	–	**(1,844)**	(1,155)	(138)
Provision for annuity sales practices	**–**	–	–	**–**	–	(100)	**–**	–	(100)
Profit on disposal of subsidiaries	**–**	–	–	**–**	1,780	–	**–**	1,780	–
Profit on disposal of interests in associates	**1,542**	185	319	**–**	–	–	**1,542**	185	319
Reversal of/(loss on) impairment of associates	**243**	(228)	–	**–**	–	–	**243**	(228)	–
Investment return variances and economic assumption changes	**(25)**	54	–	**–**	(41)	67	**(25)**	13	67
Other	**158**	(14)	(15)	**56**	44	–	**214**	30	(15)
Total adjusting items	**(333)**	(1,397)	4	**56**	1,519	(44)	**(277)**	122	(40)

An explanation for why individual items are excluded from adjusted profit is set out below:

- Restructuring and corporate transaction expenses are excluded from adjusted profit. Restructuring includes the impact of major regulatory change. By highlighting and excluding these costs we aim to give shareholders a fuller understanding of the performance of the business. Restructuring and corporate transaction expenses include costs relating to the integration of businesses acquired. Other restructuring costs excluded from adjusted profit relate to projects which have a significant impact on the way the Group operates. Costs are only excluded from adjusted profit where they are outwith business as usual activities and the costs would not have been incurred had the restructuring project not taken place. For headcount related costs, where duplicate posts are identified as a result of an integration or transformation plan, the duplicated cost will be treated as a restructuring cost from the beginning of the process which eliminates the duplicate cost. For continuing operations, the 2019 expenses included costs relating to integration and the implementation of our simplified operating model of £214m (2018: £175m), £37m (2018: £133m included in discontinued operations) in respect of separation costs following the sale of the UK and European insurance business, and £41m of other transformation related restructuring costs. 2019 also included £49m relating to the repurchase of subordinated debt and £33m relating to our share of the restructuring costs of joint ventures and associates (primarily Phoenix). An additional £20m has been included in restructuring expenses related to variable compensation that was linked to the receipt of the £140m LBG compensation. This expense has been treated as an adjusting item in line with the receipt of the income (included in 'Other' below).
- Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts is included as an adjusting item. This is consistent with peers and therefore excluding these items aids comparability. Highlighting this as an adjusting item aims to give a fuller understanding of these accounting impacts which arise where businesses have been acquired but do not arise where businesses have grown organically. Further details are provided in Note 15 of the Group financial statements.

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- Profits on the disposal of a subsidiary, joint venture or associate are also removed to assist comparability of results period on period. Profit on disposal of interests in associates in 2019 of £1,542m includes £1,337m in relation to the sale of 14.49% of shares in HDFC Life and £204m in relation to the sale of 3.02% of shares in HDFC Asset Management. Details are provided in Note 1 of the Group financial statements.
- The reversal of impairment of associates of £243m relates to our investment in Phoenix. The Phoenix share price recovered in 2019 and the impairment recognised in 2018 has therefore been reversed. In 2018, an impairment loss of £243m was recognised on the Group's interest in Phoenix, of which £15m arose at acquisition and was offset against the bargain purchase gain giving a loss on impairment in the consolidated income statement of £228m. The reversal of impairment/impairment loss of Phoenix are considered one-off items and not indicative of the long-term operating performance of the Group and have therefore been excluded from adjusted profit to assist comparability of results period to period. More details are provided in Note 16 of the Group financial statements.
- Investment return variances and economic assumption changes in the Group's insurance entities are excluded from adjusted profit. The Group's UK and European insurance business was sold during 2018 and classified as discontinued operations in 2018. The Group's other wholly owned insurance business, SL Asia, is classified as held for sale. For annuities, all fluctuations in liabilities and the assets backing those liabilities due to market interest rate (including credit risk) movements over the period are excluded from adjusted profit. Removing these investment return variances and economic assumption changes is consistent with many of our insurance peers and aims to ensure that adjusted profit reflects a long-term view aligned to the maturity profile and economic matching of the corresponding assets and liabilities. Where associates and joint ventures have a policy for determining investment return variances and economic assumption changes, the Group uses the policy of the associate or joint venture for including their results in the Group's adjusted profit. This currently applies only to the Group's investment in Phoenix. The Phoenix policy is similar to that used by the wholly owned insurance entities. Details of the main differences are included in Note 13 of the Group financial statements.
- Details on items classified as 'Other' in the table on the previous page are provided in Note 13 of the Group financial statements. In 2019 this balance primarily relates to £140m relating to the settlement of arbitration with LBG, (£16m) impairment losses on property-right-of-use assets and £12m in relation to the alignment of the reporting period of HDFC Asset Management. For discontinued operations, the 2019 item reflects a change in the value of indemnities relating to the sale of the UK and European insurance business to Phoenix.

Phoenix profitability

The table below provides a breakdown for the calculation of our share of adjusted profit before tax from Phoenix of £136m which is included in the Insurance associates and joint ventures reportable segment total of £189m. Phoenix use an operating profit alternative performance measure which is before finance costs, while the Group's adjusted profit is after deducting finance costs.

	2019	**2019**	2018[1]	2018[1]
	100%	**19.97%**	100%	19.98%
	£m	**£m**	£m	£m
Operating profit before tax (Phoenix APM)	**810**	**162**	458	92
Finance costs	**(127)**	**(26)**	(30)	(6)
Adjusted profit before tax (Standard Life Aberdeen APM)	**683**	**136**	428	86

1 Four months ended 31 December 2018.

Adjusted capital generation

The table below provides a reconciliation of movements between adjusted profit after tax and adjusted capital generation. A reconciliation of adjusted profit after tax to IFRS profit for the year is included earlier in this section.

	2019 £m	2018 £m
Adjusted profit after tax	**469**	512
Remove staff pension scheme returns	**(29)**	(21)
Remove associates' and joint ventures' adjusted profit after tax	**(200)**	(143)
Add associates' and joint ventures' dividends received	**93**	47
Adjusted capital generation	**333**	395

Staff pension scheme returns

Staff pension scheme returns are the contribution to adjusted profit before tax from defined benefit pension schemes which are in surplus and reconciled below.

	2019 £m	2018 £m
Total income recognised in the consolidated income statement per Note 34 (c) of the Group financial statements	**40**	36
Past service costs (included in adjusting items)	**(13)**	(15)
Remove IFRS charge relating to schemes in deficit	**2**	–
	29	21

Share of associates' and joint ventures' adjusted profit after tax

An analysis is provided below.

	2019 £m	2018 £m
Share of associates' and joint ventures' adjusted profit before tax – Note 2 (b)(i)	**246**	186
Share of associates' and joint ventures' adjusted tax expense – Note 2 (b)(i)	**(46)**	(43)
Share of associates' and joint ventures' adjusted profit after tax	**200**	143

Associates' and joint ventures' dividends received

This information is disclosed in Note 16 of the Group financial statements. An analysis is provided below.

	2019 £m	2018 £m
Phoenix	**67**	33
HDFC Life	**9**	–
HDFC Asset Management	**17**	14
Associates' and joint ventures' dividends received	**93**	47

9.3 Financial ratios

We also use a number of financial ratios to help assess our performance and these are also not defined under IFRS. Details of our main financial ratios and how they are calculated are presented below.

Definition	Purpose and changes
Cost/income ratio KPI R	
This is an efficiency measure that is calculated as adjusted operating expenses divided by fee based revenue in the period, and includes the share of associates' and joint ventures' profit before tax.	This ratio is used by management to assess efficiency and reported to the Board and executive leadership team. This ratio is also a measure used to assess performance for remuneration purposes.
Adjusted diluted earnings per share KPI R	
Adjusted diluted earnings per share is calculated on adjusted profit after tax. The weighted average number of ordinary shares in issue is adjusted during the period to assume the conversion of all dilutive potential ordinary shares, such as share options granted to employees. Details on the calculation of adjusted diluted earnings per share are set out in Note 12 of the Group financial statements.	Earnings per share is a commonly used financial metric which can be used to measure the profitability and capital efficiency of a company over time. We also calculate adjusted diluted earnings per share to illustrate the impact of adjusting items on the metric. This ratio is used by management to assess performance and reported to the Board and executive leadership team.
Fee revenue yield (bps)	
The fee revenue yield is calculated as annualised fee based revenue (excluding performance fees, SL Asia, Focus and Threesixty) divided by monthly average fee based assets.	The average revenue yield on fee based business is a measure that illustrates the average margin being earned on the assets that we manage, administer or advise our customers on. Fee revenue yield has been restated to include revenue and assets under advice relating to our 1825 advice business.

9.3.1 Cost/income ratio from continuing operations

	2019	2018
Adjusted operating expenses (£m)	**(1,333)**	(1,395)
Fee based revenue (£m)	**1,634**	1,868
Share of associates' and joint ventures' profit before tax (£m)	**246**	186
Total adjusted operating income and share of associates' and joint ventures' profit before tax (£m)	**1,880**	2,054
Cost/income ratio (%)	**71**	68
Cost/income ratio excluding our share of associates' and joint ventures' profit before tax (%)	**82**	75

9.3.2 Fee revenue yield (bps)

Analysis of AUMA by channel

	Average AUMA (£bn)		Fee based revenue (£m)		Fee revenue yield (bps)	
	2019	2018	**2019**	2018	**2019**	2018
Institutional and Wholesale	**236.3**	261.8	**1,011**	1,253	**42.8**	47.9
Strategic insurance partners	**258.5**	265.0	**317**	347	**12.2**	13.1
Platforms and Wealth						
Wrap and Elevate	**59.3**	55.6	**150**	142	**25.3**	25.6
Wealth[1]	**19.5**	15.4	**107**	105	**48.4**	57.5
Eliminations	**(10.1)**	(9.9)	**N/A**	N/A	**N/A**	N/A
Fee revenue yield[2]	**563.5**	587.9	**1,585**	1,847	**27.9**	31.1
SL-Asia			**12**	12		
Performance fees			**37**	9		
Fee based revenue			**1,634**	1,868		

Analysis of Institutional and Wholesale by asset class

	Average AUM (£bn)		Fee based revenue (£m)		Fee revenue yield (bps)	
	2019	2018	**2019**	2018	**2019**	2018
Equities	**71.8**	86.3	**472**	578	**65.7**	66.9
Fixed income	**47.5**	46.9	**131**	130	**27.6**	27.7
Multi-asset	**39.3**	54.0	**164**	288	**41.7**	53.4
Private markets	**15.4**	15.8	**71**	68	**46.5**	43.1
Real estate	**29.3**	28.9	**142**	154	**48.3**	53.2
Alternatives[3]	**13.0**	10.5	**17**	18	**12.9**	17.4
Quantitative	**2.8**	2.1	**2**	3	**8.4**	12.2
Cash/Liquidity	**17.2**	17.3	**12**	14	**7.1**	8.0
Institutional and Wholesale	**236.3**	261.8	**1,011**	1,253	**42.8**	47.9

1 Wealth fee revenue yield calculation excludes revenue of £13m (2018: £16m) for which there are no attributable assets.

2 Restated to include revenue and assets under advice relating to our 1825 advice business. Previously AUMA excluded assets under advice.

3 Alternatives average AUM includes c£7bn (2018: c£6bn) of lower margin advisory mandates. At 31 December 2019 the closing AUM of these mandates was c£12bn.

9.4 Assets under management and administration and flows

Definition	Purpose and changes
AUMA	
AUMA is a measure of the total assets we manage, administer or advise on behalf of our clients and customers. It includes assets under management (AUM), assets under administration (AUA) and assets under advice (AUAdv). AUM is a measure of the total assets that we manage on behalf of individual customers and institutional clients. AUM also includes captive assets managed on behalf of the Group including assets managed for corporate purposes. AUA is a measure of the total assets we administer for customers through platform products such as ISAs and SIPPs. AuAdv is a measure of the total assets we advise our customers on, for which there is an ongoing charge.	For 2019, we changed our definition of AUMA to include AUAdv as we continue to build scale in the 1825 business. 2018 AUMA has not been restated and therefore 2019 market and other movements include 1825 AUAdv of £4.0bn as at 1 January 2019.
Net flows	
Net flows represent gross inflows less gross outflows or redemptions. Gross inflows are new funds from clients and customers. Gross outflows or redemptions is the money withdrawn by clients or customers during the period.	Net flows in 2019 includes flows relating to AUAdv.

9.4.1 AUMA by channel

12 months ended 31 December 2019	Opening AUMA at 1 Jan 2019 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements[1] £bn	Corporate actions[2] £bn	Closing AUMA at 31 Dec 2019 £bn
Institutional	166.7	27.1	(41.3)	(14.2)	8.1	–	160.6
Wholesale	72.5	20.2	(27.5)	(7.3)	6.5	0.7	72.4
Strategic insurance partners	255.0	26.9	(71.3)	(44.4)	25.2	–	235.8
Platforms and Wealth							
Wrap and Elevate	54.2	7.0	(4.7)	2.3	6.1	–	62.6
Wealth	10.9	7.1	(2.4)	4.7	6.0	1.8	23.4
Eliminations	(7.8)	(2.1)	2.6	0.5	(2.9)	–	(10.2)
Total AUMA	**551.5**	**86.2**	**(144.6)**	**(58.4)**	**49.0**	**2.5**	**544.6**

12 months ended 31 December 2018	Opening AUMA at 1 Jan 2018 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions[3] £bn	Closing AUMA at 31 Dec 2018 £bn
Institutional	192.5	19.3	(47.0)	(27.7)	1.9	–	166.7
Wholesale	86.6	18.4	(30.5)	(12.1)	(6.8)	4.8	72.5
Strategic insurance partners	271.8	28.6	(34.1)	(5.5)	(11.3)	–	255.0
Platforms and Wealth							
Wrap and Elevate	54.0	8.5	(4.3)	4.2	(4.0)	–	54.2
Wealth	11.2	2.7	(2.3)	0.4	(0.7)	–	10.9
Eliminations	(8.0)	(2.3)	2.1	(0.2)	0.4	–	(7.8)
Total AUMA	**608.1**	**75.2**	**(116.1)**	**(40.9)**	**(20.5)**	**4.8**	**551.5**

1 Wealth channel market and other movements include 1825 opening assets under advice of £4.0bn.

2 Corporate actions in the Wholesale channel relate to the acquisition of Orion Partners (£0.7bn). Wealth channel corporate actions include £1.8bn of assets under advice following 1825's acquisition of Grant Thornton's wealth advisory business and BDO Northern Ireland's wealth management business.

3 Corporate actions relate to the acquisition of £4.8bn of AUM in transactions with Alpine Woods, ETF Securities and Hark Capital.

9.4.2 Quarterly net flows by channel

15 months ended 31 December 2019	3 months to 31 Dec 19 £bn	3 months to 30 Sep 19 £bn	3 months to 30 Jun 19 £bn	3 months to 31 Mar 19 £bn	3 months to 31 Dec 18 £bn
Institutional	**–**	(7.3)	(4.9)	(2.0)	(7.4)
Wholesale	**2.3**	(1.0)	(2.8)	(5.8)	(5.3)
Strategic insurance partners	**(10.8)**	(27.9)	(2.7)	(3.0)	(1.7)
Platforms and Wealth					
Wrap and Elevate	**0.6**	0.6	0.5	0.6	0.7
Wealth	**0.4**	0.4	0.3	3.6	0.1
Eliminations	**–**	0.2	0.2	0.1	0.1
Total net flows	**(7.5)**	(35.0)	(9.4)	(6.5)	(13.5)

9.5 Institutional and Wholesale AUM

9.5.1 Detailed asset class split

12 months ended 31 December 2019	Opening AUM at 1 Jan 2019 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions £bn	Closing AUM at 31 Dec 2019 £bn
Developed markets equities	12.9	2.7	(3.4)	(0.7)	2.5	–	14.7
Emerging markets equities	25.0	2.1	(9.5)	(7.4)	4.0	–	21.6
Asia Pacific equities	22.5	3.8	(5.3)	(1.5)	2.3	–	23.3
Global equities	12.5	1.0	(5.6)	(4.6)	1.5	–	9.4
Total equities	**72.9**	**9.6**	**(23.8)**	**(14.2)**	**10.3**	**–**	**69.0**
Developed markets credit	32.1	6.0	(7.8)	(1.8)	1.9	–	32.2
Developed markets rates	5.2	0.6	(2.8)	(2.2)	0.3	–	3.3
Emerging markets fixed income	9.4	3.7	(2.5)	1.2	0.3	–	10.9
Total fixed income	**46.7**	**10.3**	**(13.1)**	**(2.8)**	**2.5**	**–**	**46.4**
Absolute return	21.9	1.1	(12.8)	(11.7)	2.5	–	12.7
Diversified growth/income	1.7	0.5	(0.3)	0.2	–	–	1.9
MyFolio	13.9	2.5	(2.4)	0.1	1.7	–	15.7
Other multi-asset	5.5	0.7	(2.2)	(1.5)	–	–	4.0
Total multi-asset	**43.0**	**4.8**	**(17.7)**	**(12.9)**	**4.2**	**–**	**34.3**
Private equity	12.3	2.1	(2.8)	(0.7)	0.5	–	12.1
Private credit and solutions	–	–	(0.1)	(0.1)	0.1	–	–
Infrastructure equity	3.7	0.4	–	0.4	(0.1)	–	4.0
Total private markets	**16.0**	**2.5**	**(2.9)**	**(0.4)**	**0.5**	**–**	**16.1**
UK real estate	15.3	0.9	(2.3)	(1.4)	(0.5)	–	13.4
European real estate	12.2	1.6	(0.8)	0.8	(0.9)	–	12.1
Global real estate	0.8	0.1	(0.2)	(0.1)	(0.4)	0.7	1.0
Real estate multi-manager	1.4	0.3	(0.2)	0.1	(0.1)	–	1.4
Total real estate	**29.7**	**2.9**	**(3.5)**	**(0.6)**	**(1.9)**	**0.7**	**27.9**
Total alternatives	**12.3**	**7.7**	**(1.7)**	**6.0**	**(0.6)**	**–**	**17.7**
Total quantitative	**2.1**	**1.7**	**(0.7)**	**1.0**	**1.1**	**–**	**4.2**
Total cash/liquidity	**16.5**	**7.8**	**(5.4)**	**2.4**	**(1.5)**	**–**	**17.4**
Total	**239.2**	**47.3**	**(68.8)**	**(21.5)**	**14.6**	**0.7**	**233.0**

12 months ended 31 December 2018	Opening AUM at 1 Jan 2018 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions £bn	Closing AUM at 31 Dec 2018 £bn
Developed markets equities	16.3	2.2	(3.6)	(1.4)	(2.0)	–	12.9
Emerging markets equities	37.0	4.2	(13.4)	(9.2)	(2.8)	–	25.0
Asia Pacific equities	27.7	3.9	(6.8)	(2.9)	(2.3)	–	22.5
Global equities	16.5	1.5	(5.6)	(4.1)	(1.1)	1.2	12.5
Total equities	**97.5**	**11.8**	**(29.4)**	**(17.6)**	**(8.2)**	**1.2**	**72.9**
Developed markets credit	32.9	3.3	(5.6)	(2.3)	0.6	0.9	32.1
Developed markets rates	5.7	0.8	(1.2)	(0.4)	(0.1)	–	5.2
Emerging markets fixed income	9.4	1.9	(2.0)	(0.1)	0.1	–	9.4
Total fixed income	**48.0**	**6.0**	**(8.8)**	**(2.8)**	**0.6**	**0.9**	**46.7**
Absolute return	39.8	2.5	(19.0)	(16.5)	(1.4)	–	21.9
Diversified growth/income	1.5	0.7	(0.3)	0.4	(0.2)	–	1.7
MyFolio	13.3	2.7	(1.5)	1.2	(0.6)	–	13.9
Other multi-asset	6.6	0.7	(1.9)	(1.2)	0.1	–	5.5
Total multi-asset	**61.2**	**6.6**	**(22.7)**	**(16.1)**	**(2.1)**	**–**	**43.0**
Private equity	12.4	0.9	(1.9)	(1.0)	0.9	–	12.3
Private credit and solutions	0.3	0.2	(0.2)	–	(0.3)	–	–
Infrastructure equity	3.8	–	(0.3)	(0.3)	0.2	–	3.7
Total private markets	**16.5**	**1.1**	**(2.4)**	**(1.3)**	**0.8**	**–**	**16.0**
UK real estate	15.8	1.1	(2.3)	(1.2)	0.7	–	15.3
European real estate	11.1	2.3	(1.4)	0.9	0.2	–	12.2
Global real estate	0.1	0.2	(0.1)	0.1	–	0.6	0.8
Real estate multi-manager	1.5	0.2	(0.2)	–	(0.1)	–	1.4
Total real estate	**28.5**	**3.8**	**(4.0)**	**(0.2)**	**0.8**	**0.6**	**29.7**
Total alternatives	**8.0**	**0.8**	**(1.2)**	**(0.4)**	**2.6**	**2.1**	**12.3**
Total quantitative	**2.2**	**0.2**	**(0.3)**	**(0.1)**	**–**	**–**	**2.1**
Total cash/liquidity	**17.2**	**7.4**	**(8.7)**	**(1.3)**	**0.6**	**–**	**16.5**
Total	**279.1**	**37.7**	**(77.5)**	**(39.8)**	**(4.9)**	**4.8**	**239.2**

9.6 Analysis of Strategic insurance partners

12 months ended 31 December 2019	Opening AUM at 1 Jan 2019 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions £bn	Closing AUM at 31 Dec 2019 £bn
Phoenix	131.6	14.2	(13.2)	1.0	13.3	–	145.9
Lloyds	98.6	10.6	(53.7)	(43.1)	9.0	–	64.5
Other	24.8	2.1	(4.4)	(2.3)	2.9	–	25.4
Total	**255.0**	**26.9**	**(71.3)**	**(44.4)**	**25.2**	**–**	**235.8**

12 months ended 31 December 2018	Opening AUMA at 1 Jan 2018 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions £bn	Closing AUMA at 31 Dec 2018 £bn
Phoenix	139.8	12.8	(15.1)	(2.3)	(5.9)	–	131.6
Lloyds	108.4	8.5	(13.9)	(5.4)	(4.4)	–	98.6
Other	23.6	7.3	(5.1)	2.2	(1.0)	–	24.8
Total	**271.8**	**28.6**	**(34.1)**	**(5.5)**	**(11.3)**	**–**	**255.0**

9.7 Analysis of total AUM

9.7.1 AUM by geography

	31 Dec 2019				31 Dec 2018			
	Institutional and Wholesale	Strategic insurance partners	Wealth[1]	Total	Institutional and Wholesale	Strategic insurance partners	Wealth	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
UK	**108.5**	**235.8**	**17.7**	**362.0**	114.5	255.0	10.9	380.4
Europe, Middle East and Africa (EMEA)	**55.8**	**–**	**–**	**55.8**	57.1	–	–	57.1
Asia Pacific (APAC)	**16.9**	**–**	**–**	**16.9**	18.2	–	–	18.2
Americas	**51.8**	**–**	**–**	**51.8**	49.4	–	–	49.4
Total AUM	**233.0**	**235.8**	**17.7**	**486.5**	**239.2**	**255.0**	**10.9**	**505.1**

9.7.2 Total AUM by asset class

	31 Dec 2019				31 Dec 2018			
	Institutional and Wholesale	Strategic insurance partners	Wealth[1]	Total	Institutional and Wholesale	Strategic insurance partners	Wealth	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Equities	**69.0**	**50.3**	**–**	**119.3**	72.9	44.0	–	116.9
Fixed income	**46.4**	**88.5**	**–**	**134.9**	46.7	90.0	–	136.7
Multi-asset	**34.3**	**10.2**	**14.2**	**58.7**	43.0	17.5	10.9	71.4
Private markets	**16.1**	**0.8**	**–**	**16.9**	16.0	2.3	–	18.3
Real estate	**27.9**	**9.2**	**–**	**37.1**	29.7	10.3	–	40.0
Alternatives	**17.7**	**0.6**	**–**	**18.3**	12.3	–	–	12.3
Quantitative	**4.2**	**46.7**	**3.5**	**54.4**	2.1	60.7	–	62.8
Cash/Liquidity	**17.4**	**29.5**	**–**	**46.9**	16.5	30.2	–	46.7
Total AUM	**233.0**	**235.8**	**17.7**	**486.5**	**239.2**	**255.0**	**10.9**	**505.1**

1 Excludes assets under advice of £5.7bn at 31 December 2019.

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10. Glossary

Aberdeen Asset Management or Aberdeen
Aberdeen Asset Management PLC, or Aberdeen Asset Management PLC and its subsidiaries.

Adjusted operating expenses
Adjusted operating expenses is a component of adjusted profit and relates to the day-to-day expenses of managing our business.

Adjusted profit
Adjusted profit before tax is the Group's key alternative performance measure. Adjusted profit excludes the impact of the following items:

- Restructuring costs and corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts
- Profit or loss arising on the disposal of a subsidiary, joint venture or associate
- Fair value movements in contingent consideration
- Items which are one-off and, due to their size or nature, are not indicative of the long-term operating performance of the Group

Adjusted profit also excludes impacts arising from investment return variances and economic assumption changes in the Group's insurance entities. It is calculated based on expected returns on investments backing equity holder funds, with consistent allowance for the corresponding expected movements in equity holder liabilities. Impacts arising from the difference between the expected return and actual return on investments, and the corresponding impact on equity holder liabilities except where they are directly related to a significant management action, are excluded from adjusted profit and are presented within profit before tax. The impact of certain changes in economic assumptions is also excluded from adjusted profit and is presented within profit before tax.

Dividends payable on preference shares classified as non-controlling interests are excluded from adjusted profit in line with the treatment of ordinary shares. Similarly to preference shares, coupons paid on perpetual debt instruments classified as equity for which interest is only accounted for when paid is excluded from adjusted profit. This includes our share of interest payable on Tier 1 debt instruments held by associates. Coupons payable on perpetual debt instruments classified as equity for which interest is accrued are included in adjusted profit before tax.

Assets under management and administration (AUMA)
AUMA is a measure of the total assets we manage, administer or advise on behalf of our clients and customers. It includes assets under management (AUM), assets under administration (AUA) and assets under advice (AUAdv). AUMA does not include assets for associates and joint ventures.

AUM is a measure of the total assets that Aberdeen Standard Investments manages on behalf of individual customers and institutional clients. AUM also includes assets managed for corporate purposes.

AUA is a measure of the total assets we administer for customers through our Platforms.

AuAdv is a measure of the total assets we advise our customers on, for which there is an ongoing charge.

Board
The Board of Directors of the Company.

Capital management
Capital management is a component of adjusted profit and relates to the return from the net assets of the shareholder business, net of costs of financing. This includes the net assets in defined benefit staff pension plans and net assets relating to the financing of subordinated liabilities.

Chief Operating Decision Maker
The executive leadership team.

Company
Standard Life Aberdeen plc. Prior to the merger, Standard Life plc.

Cost/income ratio
This is an efficiency measure that is calculated as adjusted operating expenses divided by adjusted operating income, and includes the share of associates' and joint ventures' profit before tax.

CRD IV
CRD IV is the European regulatory capital regime (comprising the Capital Requirements Directive and Capital Requirements Regulation) that applies to investment firms.

Director
A director of the Company.

Earnings per share (EPS)
EPS is a commonly used financial metric which can be used to measure the profitability and strength of a company over time. EPS is calculated by dividing profit by the number of ordinary shares. Basic EPS uses the weighted average number of ordinary shares outstanding during the year. Diluted EPS adjusts the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, such as share options awarded to employees.

Effective tax rate
Tax expense/(credit) attributable to equity holders' profit divided by profit before tax attributable to equity holders' profits expressed as a percentage.

Executive leadership team
Responsible for providing overall leadership of the business and comprises: Chief Executive, General Counsel, Chief Financial Officer, Global Head of Distribution, Head of EMEA, Chief of Staff, Chief Investment Officer, Chief HR Officer, Chief Operating Officer, Chief Corporate Affairs Officer, Head of Americas and Head of Asia Pacific.

Fair value through profit or loss (FVTPL)
FVTPL is an IFRS measurement basis permitted for assets and liabilities which meet certain criteria. Gains or losses on assets or liabilities measured at FVTPL are recognised directly in the income statement.

FCA
Financial Conduct Authority of the United Kingdom.

Fee based revenue
Fee based revenue is a component of adjusted profit and includes revenue we generate from asset management charges (AMCs), platform charges and other transactional charges. AMCs are earned on products such as mutual funds, and are calculated as a percentage fee based on the assets held. Investment risk on these products rests principally with the customer, with our major indirect exposure to rising or falling markets coming from higher or lower AMCs. Fee based revenue is shown net of fees, costs of sale, commissions and similar charges. Costs of sale include revenue from fund platforms which is passed to the product provider.

Fee revenue yield (bps)
The average revenue yield on fee based business is a measure that illustrates the average margin being earned on the assets under management, administration or advice. It is calculated as annualised fee based revenue (excluding performance fees, SL Asia, Focus and Threesixty) divided by monthly average fee based assets.

Global absolute return strategies (GARS)
A discretionary multi-asset fund provided under several regulated pooled and segregated structures globally by Aberdeen Standard Investments. The investment objective is to target a level of return over a rolling three-year period equivalent to cash plus 5% a year (gross of fees), and to do so with as little risk as possible.

Group, Standard Life Aberdeen Group or Standard Life Aberdeen
Relates to the Company and its subsidiaries.

ICAAP
Internal Capital Adequacy Assessment Process. The ICAAP is the means by which the Group assesses the level of capital that adequately supports all of the relevant current and future risks in its business.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB). The Group's consolidated financial statements are prepared in accordance with IFRS as endorsed by the EU. All EU-listed companies are required to prepare consolidated financial statements using IFRS issued by the International Accounting Standards Board (IASB) as endorsed by the EU. The IFRS financial results in the Strategic report and in the Group financial statements have been prepared on the basis of the IFRS accounting policies as disclosed in the Group financial statements section of this report.

Investment performance
Investment performance has been aggregated using a money weighted average of our assets under management which are outperforming their respective benchmarks on a gross of fees basis. Benchmarks differ by fund and are defined in each fund's Investment Management Agreement (for example, the benchmark for our GARS unit trust fund is six-month GBP LIBOR). For total AUM, the investment performance calculation covers 79% of Aberdeen Standard Investments AUM, with certain assets excluded such as non-discretionary portfolios e.g. full replication tracker funds or funds where no applicable index is available such as Aberdeen Standard Capital funds. Investment performance is calculated as if Standard Life Group and Aberdeen had always been merged.

Key performance indicators (KPI)
A measure by reference to which the development, performance or position of the business can be measured effectively.

Net flows
Net flows represent gross inflows less gross outflows or redemptions. Gross inflows are new funds from clients and customers. Gross outflows or redemptions is the money withdrawn by clients or customers during the period.

Phoenix or Phoenix Group
Phoenix Group Holdings plc or Phoenix Group Holdings plc and its subsidiaries.

Pillar 1
Under CRD IV, Pillar 1 focuses on fixed overhead requirements and the Group's exposure to credit and market risks in respect of risk-weighted assets, and sets a minimum requirement for capital based on these measures.

Pillar 2
The requirement for companies to assess the level of additional capital held against risks not covered in Pillar 1.

Pillar 3
This complements Pillar 1 and Pillar 2 with the aim of improving market discipline by requiring companies to publish certain details of their risks, capital and risk management. The Group's Pillar 3 disclosures will be published on the Group's website at **www.standardlifeaberdeen.com/annualreport** before 30 June 2020.

Platform
An investment platform (e.g. Wrap or Elevate) which is essentially a trading platform enabling investment funds, pensions, direct equity holdings and some life assurance contracts to be held in the same administrative account rather than as separate holdings.

Pro forma basis
The merger of Standard Life plc and Aberdeen completed on 14 August 2017, with the merger accounted for as an acquisition of Aberdeen by Standard Life plc on that date. Pro forma results for the Group are prepared as if Standard Life Group and Aberdeen had always been merged and are included for comparative periods to assist in explaining trends in financial performance by showing a full 12 months performance for the combined Group for all years.

Reported basis
The merger of Standard Life plc and Aberdeen completed on 14 August 2017, with the merger accounted for as an acquisition of Aberdeen by Standard Life plc on that date. The financial statements for 2017 have been prepared on this basis, with Aberdeen results included only from the date of merger onwards. This is referred to as the Reported basis.

Standard Life
Following completion of the sale of our UK and European insurance business to Phoenix in August 2018, we have retained ownership of the Standard Life brand while also licensing it to Phoenix. The Standard Life brand continues to be a prominent feature of our retail platforms.

Strategic insurance partners
A measure of the assets managed on behalf of a number of strategic partners such as Lloyds Banking Group and Phoenix.

Subordinated liabilities
Subordinated liabilities are debts of a company which, in the event of liquidation, rank below its other debts but above share capital.

Underpin
In relation to remuneration, refers to a further performance condition that is required to be met in addition to the performance targets when determining the vesting of an award.

11. Shareholder information

Registered office
1 George Street
Edinburgh
EH2 2LL
Scotland

Company registration number: SC286832

For shareholder services call:
0345 113 0045*

*Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

Secretary
Kenneth A Gilmour

Registrar
Link Market Services Limited (Link)

Auditors
KPMG LLP

Solicitors
Slaughter and May

Brokers
JP Morgan Cazenove
Goldman Sachs

Shareholder services
We offer a wide range of shareholder services. For more information, please:

- Contact our registrar, Link, who manage this service for us. Their details can be found on the inside back cover.
- Visit our share portal at **www.standardlifeaberdeenshares.com**

Sign up for Ecommunications
Signing up means:

- You'll receive an email when documents like the Annual report and accounts, Half year results and AGM guide are available on our website
- Voting instructions for the Annual General Meeting will be sent to you electronically

Set up a share portal account
Having a share portal account means you can:

- Manage your account at a time that suits you
- Download your documents when you need them

To find out how to sign up, visit
www.standardlifeaberdeenshares.com

Preventing unsolicited mail
By law, the Company has to make certain details from its share register publicly available. Because of this, it is possible that some registered shareholders could receive unsolicited mail or phone calls. You could also be targeted by fraudulent 'investment specialists'. Remember, if it sounds too good to be true, it probably is.

You can find more information about share scams at the Financial Conduct Authority website **www.fca.org.uk/consumers/scams**

If you are a certificated shareholder, your name and address may appear on a public register. Using a nominee company to hold your shares can help protect your privacy. You can transfer your shares into the Company-sponsored nominee – the Standard Life Aberdeen Share Account – by contacting Link, or you could get in touch with your broker to find out about their nominee services.

If you want to limit the amount of unsolicited mail you receive generally, please visit **www.mpsonline.org.uk**

Financial calendar

Full year results 2019	10 March
Ex-dividend date for 2019 final dividend	2 April
Record date for 2019 final dividend	3 April
Last date for DRIP elections for 2019 final dividend	29 April
Annual General Meeting – Edinburgh	12 May
Dividend payment date for 2019 final dividend	19 May
Half year results 2020	7 August
Ex-dividend date for 2020 interim dividend	20 August
Record date for 2020 interim dividend	21 August
Last date for DRIP elections for 2020 interim dividend	9 September
Dividend payment date for 2020 interim dividend	29 September

Analysis of registered shareholdings at 31 December 2019

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1-1,000	64,848	65.51	26,315,015	1.13
1,001-5,000	29,280	29.58	59,236,620	2.53
5,001-10,000	2,678	2.71	17,635,622	0.75
10,001-100,000	1,570	1.59	37,377,678	1.60
#100,001+	608	0.61	2,198,158,789	93.99
Total	**98,984**	**100**	**2,338,723,724**	**100**

These figures include the Company-sponsored nominee – the Standard Life Aberdeen Share Account – which had 1,005,103 participants holding 651,170,271 shares.

12. Forward-looking statements

This document may contain certain ‘forward-looking statements’ with respect to the financial condition, performance, results, strategy, targets, objectives, plans, goals and expectations of the Company and its affiliates. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts.

Forward-looking statements are prospective in nature and are not based on historical or current facts, but rather on current expectations, assumptions and projections of management about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. For example but without limitation, statements containing words such as ‘may’, ‘will’, ‘should’, ‘could’, ‘continue’, ‘aims’, ‘estimates’, ‘projects’, ‘believes’, ‘intends’, ‘expects’, ‘hopes’, ‘plans’, ‘pursues’, ‘ensure’, ‘seeks’, ‘targets’ and ‘anticipates’, and words of similar meaning (including the negative of these terms), may be forward-looking. These statements are based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate.

By their nature, all forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, including current expectations and assumptions, and relate to future events and/or depend on circumstances which may be or are beyond the Group’s control, including among other things: UK domestic and global political, economic and business conditions (such as the UK’s exit from the EU); market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the impact of inflation and deflation; the impact of competition; the timing, impact and other uncertainties associated with future acquisitions, disposals or combinations undertaken by the Company or its affiliates and/or within relevant industries; the value of and earnings from the Group’s strategic investments and ongoing commercial relationships; default by counterparties; information technology or data security breaches (including the Group being subject to cyberattacks); operational information technology risks, including the Group’s operations being highly dependent on its information technology systems (both internal and outsourced); natural or man-made catastrophic events; climate change and a transition to a low carbon economy (including the risk that the Group may not achieve its targets); exposure to third party risks including as a result of outsourcing; the failure to attract or retain necessary key personnel; the policies and actions of regulatory authorities; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations (including changes to the regulatory capital requirements that the Group is subject to) in the jurisdictions in which the Company and its affiliates operate. As a result, the Group’s actual future financial condition, performance and results may differ materially from the plans, goals, objectives and expectations set forth in the forward-looking statements.

Persons receiving this document should not place reliance on forward-looking statements. Neither the Company nor its affiliates assume any obligation to update or correct any of the forward-looking statements contained in this document or any other forward-looking statements it or they may make (whether as a result of new information, future events or otherwise), except as required by law. Past performance is not an indicator of future results and the results of the Company and its affiliates in this document may not be indicative of, and are not an estimate, forecast or projection of, the Company’s or its affiliates’ future results.

Notes

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* Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

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Please remember that the value of shares can go down as well as up and you may not get back the full amount invested or any income from it. All figures and share price information have been calculated as at 31 December 2019 (unless otherwise indicated).

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Standard Life Aberdeen plc is registered in Scotland (SC286832) at 1 George Street, Edinburgh EH2 2LL.

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Standard Life Aberdeen