

We are
futurists

Standard Life  **Aberdeen**

Annual report and accounts 2020

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KPI Investment performance (three years)

66%

2019: 60%

KPI Adjusted profit before tax

£487m

2019: £584m

KPI IFRS profit before tax

£838m

2019: £243m

KPI Full year dividend per share

14.6p

2019: 21.6p

Net flows (Excl LBG tranche withdrawals)

£3.1bn outflow

2019: £17.4bn outflow

 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

The Annual report and accounts 2020 and the Strategic report and financial highlights 2020 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.

Certain measures such as fee based revenue and adjusted profit before tax are not defined under International Financial Reporting Standard (IFRS) and are therefore termed alternative performance measures (APMs).

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 APMs are included in Supplementary information.

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

 See page 31 for details on all of our financial key performance indicators (KPIs) and page 21 for details on our employee engagement KPI. See Supplementary information for details about the investment performance calculation.

We are futurists

* **fju:tʃərɪst:**

Systematically explores possibilities about
the future and how they can emerge from
the present

enabling our clients
to be
better investors

Our client focused business

We operate across three vectors that reflect how our clients interact with us. Through these vectors, and using time, technology and talent, Standard Life Aberdeen has the full ecosystem of capabilities to enable our clients to be better investors.

We provide services across three growth vectors



Investments

Our global asset management capability thrives on curiosity and collaboration. It is powered by technology so that the investment decisions we make today enable the outcomes our clients expect tomorrow.

Our clients want solutions that meet complex requirements over multiple durations, including those for retirement planning, healthcare and education.

As our core business, our goal is to leverage our global presence and our meticulous research to consistently deliver superior outcomes for our clients.

£457bn AUM¹

Fee based revenue

£1,146m



Adviser

Our market-leading UK financial adviser business provides services through the Wrap and Elevate platforms to wealth managers and advisers.

Our platforms enable our clients to deliver their core services, access high-quality financial planning technology, simplify the services and enable the scale of their businesses.

Our goal is to excel on experience, as well as the efficiency of our services to wealth managers and advisers.

£67bn AUMA¹

Fee based revenue

£137m



Personal

Our Personal business combines our financial planning business 1825, our digital direct-to-consumer services and discretionary fund management services from Aberdeen Standard Capital. Our range of services includes ISAs and investment accounts.

We deliver advice and outcomes for a growing population of charities, advisers and individuals who are seeking guidance at the moments of time that matter to them.

Our goal is to provide good advice and high-quality and accessible services direct to consumers to help them plan for, and meet, their financial futures.

£13bn AUMA¹

Fee based revenue

£80m

¹ Total AUMA at 31 December 2020 was £534.6bn including Parmenion of £8.1bn less Eliminations of £10.7bn. See page 33 for more information.

Delivering for our stakeholders through unprecedented times

2020 was a year like no other. The COVID-19 pandemic touched every corner of society, affecting lives to an extent not experienced for generations, changing the ways we live and work. Resilience and adaptability were essential to our continuing to deliver for our clients and customers and I am proud of the way the leadership of the company, with the support of all our colleagues, stepped up to meet the challenges.



Sir Douglas Flint, Chairman

It was also a year of further transition in our businesses as we welcomed Stephen Bird as our new Chief Executive Officer and, building on the transformation progress delivered following our merger and the sale of our UK and European insurance business, we tasked him with positioning the company for growth. This has generated a fresh excitement within the company, notwithstanding the difficult external environment.

Responding to the pandemic

Before I talk more broadly about progress in our business, I must reflect on the context in which we continue to operate. When I wrote about the outlook in my statement in last year's annual report, the pandemic was only in its early stages and the extent of the human and economic loss, and the restrictions on our ways of working and living that we have seen over the last year, were then unimaginable.

From the outset, we prioritised both the safety and wellbeing of our colleagues, and equipped them with the tools and resources to work remotely to meet the needs of our clients and customers. Virtually all our colleagues are still working from home, and we are evolving safe, new, working practices for people who need to collaborate with their colleagues face-to-face. We have taken the opportunity to redesign and re-purpose our main offices. When restrictions ease, we will be back working in a new way, making

time spent in the office more collaborative and constructive.

Everyone, of course, is still concerned about the wellbeing of their loved ones and many are juggling caring responsibilities. On top of this, turbulent markets and a faltering economy have led to mental stress and uncertainty around finances and futures. Some of our colleagues are caring for vulnerable family members and friends, others have been negotiating home schooling, or feelings of isolation. The vaccine roll-out brings hope, but until the programme is complete and we can find our way back to a new version of normal life, my deepest thanks to all our colleagues who continue to deliver in these difficult circumstances.

Positioning for growth

The economic backdrop caused by the pandemic meant we did not build revenue in 2020 but we made encouraging progress in related areas. Notably, we reduced net outflows, improved both consultant ratings and investment performance and met major milestones in delivering the technology framework needed to underpin future growth. Additionally, following Stephen Bird's appointment, we repositioned the company around three growth vectors. We added emphasis to our personal business and adviser platforms, increased our commitment to technology-driven investment solutions and repositioned our real estate business through the planned sale of our direct real estate business in the Nordics. In December, we announced the acquisition of one of Europe's leading logistics real estate fund managers, Tritax. On top of this, we announced the intention to sell Parmenion, one of our three adviser platform businesses, in order to bring clarity to our adviser platform strategy.

With market conditions in India favourable, we continued, as previously indicated, to sell down our stake in HDFC Life realising a further £0.6bn in proceeds and generating a profit of £0.5bn from the share sales. This disposal also resulted in a one-off accounting gain of £1,051m due to a change in classification of our investment in HDFC Life. We continue to have valuable stakes in Phoenix, HDFC Life and HDFC Asset Management. Together these stakes are worth £3.7bn as at 5 March 2021. Reflecting the impact on reported and future revenues from projections of global equity markets and a change in mix with a higher proportion of lower margin assets, an impairment of £915m in the asset management goodwill was reported during the year.

Our capital resources and liquidity position remain strong. At the end of December capital resources stood at £3.4bn, an excess over regulatory requirements of £2.3bn. During 2020 we returned £0.5bn to shareholders through dividends and a further £0.4bn by way of share buyback.

The Board remains committed to delivering a dividend that is sustainable over the medium term. Having reflected on current operating profitability and industry trends, together with residual economic and market uncertainties as the global economy deals

with the aftermath of the pandemic, the Board has concluded it should take this opportunity to rebase the dividend to a level from which it is confident the dividend can be grown in due course. This decision also reflects the Board's assessment of opportunities to deploy the Group's current capital strength in growth opportunities as it builds the strategy around the three growth vectors set out in our Strategic report.

The Board is therefore recommending a final dividend in respect of 2020 of 7.3p, bringing the total dividend for the year to 14.6p, a 32% reduction from the total dividend paid in respect of 2019 (21.6p). It is the Board's current intention to maintain the total dividend at this level (with the interim and final at the same amount per share), until it is covered at least 1.5 times by adjusted capital generation, at which point the Board will seek to grow the dividend in line with its assessment of the underlying medium term growth in profitability.

New leadership

In terms of Board changes, as previously intimated, we welcomed Brian McBride to the Board in May. Brian's experience in digital business, and in particular using technology effectively in markets facing disruptive new entrants, is proving extremely valuable as we build our adviser and personal growth vectors.

The second and major change last year was of course the appointment of Stephen Bird as our new CEO. Early in 2020, Keith Skeoch and I initiated conversations on succession planning. Keith was instrumental in leading the business as the pandemic took hold and as we moved from the initial stage of managing the impacts to looking at the longer term, we both felt the timing was right.

The Board was extremely fortunate to identify and recruit an outstanding successor in Stephen Bird who had enjoyed, until he retired, a long and distinguished career at Citigroup, latterly serving as CEO of its Global Consumer Banking business – I was delighted to welcome him as our new CEO. Stephen officially took over the role in September, after joining the Board in July.

I have known Stephen for many years and have admired his leadership experience and skills. He tackles complexity fearlessly, has an ability to create valuable partnerships and is expert at guiding businesses through periods of major change. He also has a great track record in leading businesses to harness digital technology. Now his task is to prepare our business to do this – to improve both productivity and client and customer experience. The latter is particularly relevant as the trend towards individual savers taking more responsibility for managing their money continues to develop at pace. Stephen's global experience, building businesses in both Asia and the US, will also be invaluable as we reposition our business for growth in these markets. Furthermore, his experience of managing through many downturns, including the global financial crisis, means he is well placed to lead the business at this critical juncture.

Stephen has already made a significant impact. He has made a careful evaluation of our business based on dialogue with all of our stakeholders and, as a result, reformulated his leadership team and realigned our strategy for long-term growth. He shares more detail in the following pages.

I want to take this opportunity to thank Keith Skeoch and recognise his accomplished leadership as our Chief Executive and, for a period, Co-Chief Executive over five years. Given the scale and range of his contributions, transitioning away from his leadership was always going to be a challenge. Keith was central in the creation of Standard Life Investments and led the business to being a global asset manager in its own right. Foreseeing the industry trends which would force complex strategic choices, Keith, alongside Martin Gilbert, guided the business through the merger between Standard Life and Aberdeen Asset Management – as well as the deal with Phoenix Group – reconfiguring the business at a time of significant change within our industry. He was a decisive and empathetic leader during the COVID-19 crisis and has supported the transition to the new leadership selflessly. For all this we owe him a huge debt of gratitude. Martin Gilbert, whose retirement was announced at this time last year, left the Board at last year's AGM and finally retired in September. We wish them both well in their future endeavours.

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 all our stakeholders (including, for example, our clients, our people, our communities 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 pages 50 to 51.

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.

During 2020, some of the Board's stakeholder engagement plans had to be altered to comply with COVID-19 restrictions. For example, the Board Employee

Engagement Group, led by non-Executive Director Melanie Gee, continued to engage with employees through online channels – both directly and as part of regular meetings with employee representative groups.



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

“ We play an important role in identifying opportunities for clients in challenging global markets, providing the capital to help rebuild and reshape the post-pandemic recovery, and ensuring that capital is prioritised to businesses with sustainable futures as part of global commitments to ‘build back better’.

Our role in society

The global pandemic reminds us that the major challenges facing society can only be solved through global co-ordination and cooperation. Companies are, rightly, under mounting pressure to conduct business in a way that is not only economically sound, but also socially and environmentally responsible. This means ensuring that a company is governed in the interests of all stakeholders, including employees, customers, society as a whole and the planet.

Many of the social issues and inequalities evident today are not new. However, they have been starkly highlighted and are deepening as a result of the pandemic. The negative impact is greater in some groups than others, with younger workers, minority ethnic communities, women and those already disadvantaged, suffering disproportionately.

We are very conscious of the wider contribution we can make to the communities we serve. This ranges from directing funds to communities most in need, to investing in the skills of the next generation that will be critical for long-term economic recovery.

Environmental, social and governance (ESG) considerations have always been and remain an integral part of our decision-making process. Now, more than ever, the impact of COVID-19 underlines the need for this. Tackling climate change must remain a priority. We will pursue this in the businesses in which we invest and in our own operations. Companies like ours have a critical role to play in accelerating the transition to a sustainable, net zero economy. We are committed to achieving net zero and we will be setting out our plans later this year.

As we look ahead to the important UN Climate Conference (COP26) meeting in Glasgow this year, we are taking further steps to ensure our ESG strategy is fully and transparently integrated into how our business operates and that our approach demonstrates leadership within our industry. Stephen shares more about this on page 7.

Looking ahead

Global change brings opportunity for active asset management. Our businesses operate on the world stage, and we see the world in 2021 providing both great challenges and great opportunities. The roll-out of effective vaccine programmes raises hopes for a return to a more ‘normal’ life. However, manufacture, distribution and vaccination of the entire global population is no simple task; it will be a multi-year, sustained effort.

In this context some industries will be winners, while others will shrink or need to rapidly adapt. Investment opportunities in infrastructure, technology, life sciences and the transition to a net zero future will attract great support. As active managers, we play an important role in identifying opportunities for clients in these challenging global markets, providing the capital to help rebuild and reshape the post-pandemic recovery, and ensuring that capital is prioritised to businesses with sustainable futures as part of global commitments to ‘build back better’.

Importantly, many of last year’s uncertainties are now resolved. We have a new president in the White House, the UK has agreed a Trade and Cooperation Agreement with the EU avoiding a ‘no deal’ Brexit, a variety of vaccines to counter the threatening impact of the coronavirus pandemic are being rolled out and economic forecasts are predicting a bounce-back in consumption and activity once a normalisation of daily life is achieved. On the other side of the world, Asia led by China is already well underway with relatively stronger economic growth. The US economy is also now projected to bounce back strongly given the fiscal stimulus support recently approved.

I remain hugely optimistic for the future success of this business. With our leadership succession secured, a refreshed strategic focus, and investment in our growth vectors, innovation and talent, we have everything we need to meet the challenges and opportunities ahead and deliver for our stakeholders today, and in the future.



Sir Douglas Flint
Chairman

Building the future, starting now

Strong businesses that grow sustainably obsess over consistently providing exceptional client value. We are in the process of strengthening that client obsession and optimistic sense of urgency to put Standard Life Aberdeen in its best possible competitive position as we prepare to enter our third century of serving clients in 2025. This is the reason I joined the company, and why I test every decision we make against that goal. It is a privilege to have this leadership responsibility and I am confident that we as a team are already moving quickly in the right direction.



Stephen Bird, Chief Executive Officer

Our one true north is enabling our clients to be better investors. That is the value we bring, we harness the power of time, technology and talent to enable our clients to achieve their goals. Different clients with different goals and different solutions, all powered by meticulous research, a global perspective, sound judgement and a relentless drive to both understand and shape the future.

When I joined the company in summer last year, my priority was to get under the skin of the firm so I could begin to understand it inside out. I met with and listened carefully to our clients, colleagues and shareholders so that I could understand the journey we were on and the expectations each group had of us. My goal was to form a realistic picture of our strengths and weaknesses, combined with opportunities and threats.

What I quickly came to understand was that we have a great company, with talented people, a proud heritage and real financial strength. We also have deep relationships with our clients, based on providing a great service and a broad range of diversified products and solutions.

On the other side, revenues were declining and our costs were too high, resulting in a squeeze on our profitability. The company is still processing two large transactions – the merger and the

sale of the Standard Life long-term insurance business to our largest client Phoenix – and we have been too slow to determine our future growth strategy and therefore invest in some key areas. The strategy I am setting out today will address these challenges so we can return to sustainable growth.

Client led growth

Our strategy is to deliver client led growth. Client led growth is always the highest quality growth. This is because it is rooted in understanding client outcomes, driven by needs, wants and aspirations – which in turn allows the delivery of intuitive, satisfying client experiences.

We are futurists. This means we harness the compounding power of time, we leverage technology to connect with our clients and to invest intelligently and we channel the relentless curiosity of our team so that we keep learning and improving every day. The talent of our team when harnessed to enable client goals is the core of our business. I know that we must continue to invest in making this a great place to work, attracting and nurturing talent. We operate across three 'vectors' that reflect how our clients interact with us: **Investments** – a truly global asset management business serving institutional and wholesale clients; **Adviser** – a UK financial adviser technology platform that helps financial advisers and the firms they work for deliver advice over the length and breadth of the UK; and **Personal** – a high-potential UK wealth and savings business. Through these three vectors, and using time, technology and talent, Standard Life Aberdeen has the full ecosystem of capabilities to enable our clients to be better investors.

In our Investments vector, we use our research, judgement and experience to deliver outcomes that meet client expectations as they continually evolve. This is not about any individual asset class though each one is a critical part of the solution, rather, it is all about fully understanding client objectives and delivering optimal solutions in a dynamic ecosystem which is asset-agnostic and highly efficient. In doing so, as we do for Phoenix and other key clients, we provide compelling value, and we create long-term, sophisticated growth partnerships.

In our Adviser vector, we understand the importance of time to advisers, their businesses and their clients. Our core strategy is to be the easiest platform to do business with and to use well designed technology to deliver great experience for advisers and their clients.

In our Personal vector, we are driven by delivering positive outcomes for clients at the moments of time that matter most to them. Our technology will support ease of access and transacting in ways that our clients value. We have an organic growth plan and we are executing against it with vigour. We also recognise that scale is important and there may be inorganic or partnership opportunities that will allow us to achieve greater relevance and scale more quickly.

On pages 16 to 19 we share more detail about the opportunities in each.

In realigning around these three growth vectors, we are also taking out complexity and inefficiencies. Our integration programme has progressed well in 2020 and we are committed to getting it done in 2021.

In 2020, revenues have declined by 13%, while costs have reduced by 10%, resulting in an adjusted operating profit of £219m (2019: £301m), with an adjusted profit before tax of £487m (2019: £584m). Our cost/income ratio remains too high. In order to address this, we must have a laser focus on increasing revenue through sustainable growth, whilst eliminating duplication, sub scale activities and unnecessary costs. To do this, we will optimise our operating system to power the business, make smarter use of technology, get more from our strategic partnerships with suppliers and simplify the business, giving colleagues at all levels more responsibility for decision making. Doing this will give us the headroom to invest where we have the greatest potential for growth. The IFRS profit before tax is £838m (2019: £243m), reflecting principally increased profit on disposal of interests in associates, offset by impairments.

A single brand to build on

We have different groups of clients but our business model is still greatly interconnected. To make the most of this ecosystem, our clients need to have a consistent experience when they interact with us. When I joined the company we had at least five client facing brands plus a different corporate identity. Clients, colleagues and partners told me our branding is confusing and needs to be fixed.

In response to this feedback, we will be rebranding to use one consistent brand name for our publicly listed company and for all our client facing businesses. Our brand will make a promise that we will fulfil and having a single brand will allow us to get a better return on the investments we make in marketing and sales.

In February, we announced that we had reshaped and refocused our relationship with Phoenix such that we both could be strong independent partners for the next 10 years, focused on growing our own respective businesses and growing our partnership in asset management. To this end, we have agreed to sell the Standard Life brand to Phoenix Group which simplifies and clarifies the original sale of our Standard Life long-term insurance business.

Our new identity is one of the key projects for the year ahead and I am excited about this bold step. Not only does it mean a more consistent experience for our clients, it also ensures we get better value from every pound we spend on our brand. It also means all of our colleagues will work under the same banner, reinforcing our team performance culture.

“ Client led growth is always the highest quality growth. This is because it’s rooted in understanding client outcomes, driven by needs, wants and aspirations – which in turn allows the delivery of intuitive, satisfying client experiences.

A culture of curiosity and ownership

As a team we have already implemented a series of decisions to drive long-term success. We have a growth strategy and structure that supports this goal. Of course all change starts with personal change and I am asking our people to think and act differently too. As futurists, we need to be incredibly curious about the changing world around us. Huge change is taking place in the world right now, technological, environmental and social changes are disrupting companies and industries – behaviour and society is changing quickly, all of these changes impact our clients and their investment needs. We are actively and constantly evaluating these trends and understanding what they mean for our clients and our business model – our capabilities must and will keep pace with these changes.

We also need to encourage an ethos of acting and thinking as an owner, right across our business. We will treat shareholder capital as if it is our own. Every time we make a decision, we will ask ourselves what we would do if we had a personal stake in the outcome, because we do.

Responsible investment is in our DNA. This is the very essence of being better investors. Our leading ESG framework and investment process must have a real-world impact and drive positive change. This means not only improving long-term returns, but also building a world that is more sustainable, just, inclusive and diverse. Our credentials are already excellent. Now the impact of the pandemic makes achieving our ESG goals all the more urgent.

In 2021 we are building on our long-term commitment to responsible investing through a number of actions, nowhere more important than in our efforts to combat climate change. Our activities include bespoke climate change scenario research to take a view on the impact of climate change on future asset pricing and the creation of a proprietary ESG ‘House Score’ across public markets. We are working with clients on solutions that will allow them to achieve their future goals in this space, including support for institutional clients in the transition to net zero, and the launch of sustainability and climate thematic funds. Our influence as an active owner of assets, and commitment to enhancing transparency in ESG activity, will also continue to inform our approach. You can read more on page 17.

Looking ahead

2020 was an unprecedented year for everyone, and I echo the Chairman in my deep gratitude for how our colleagues responded, and for Keith's leadership. Standard Life Aberdeen acted responsibly in the interests of all of our stakeholders and, in an incredibly challenging year, investment performance was strong and our overall business performance held up. Stephanie Bruce talks more about our performance for the year in her Chief Financial Officer's review.

I want to look ahead now and, in the context of our new strategy, tell you about the key elements of our plan for Standard Life Aberdeen.

Firstly, our integrated ecosystem of Investments, Adviser and Personal businesses allows us to operate at scale leveraging shared research, data sources and analytics, investment management, technology development, infrastructure, brand and partnerships.

The combination of our investment and technology capabilities puts us in a strong position to anticipate and deliver against clients' evolving needs. This is an important area for ongoing investment as simple technology and ease of access becomes expected by clients whenever they engage with us. Our Personal vector will be a key focus for this ongoing investment as we seek to create solutions that are intuitive and deliver, particularly at the moments that matter.

Our future-focused talent – I have worked in this industry for a long time, all over the world, and I know we have some of the best people at Standard Life Aberdeen. We can see this in the strength of our investment performance and in the quality of our client propositions. We will continue to augment and empower this talent through a culture of collaboration, innovation and a focus on delivery, powered by a passion for clients.

Importantly, we now have a clear path to revenue growth. The business has been reshaped and each vector's contribution to revenue growth has been clearly defined. In support of our overall goal of client led growth we will invest our time and resources into seven strategic priorities: UK adviser and consumer market; growth in Asia; technology; solutions; client ecosystems; investing responsibly; and private markets.

We continue to work hard on our cost base. Finishing integration and completing our operational and technological separation from Phoenix Group will enable us to deliver improved efficiency. This is fundamental to delivering the right returns for our investors through time.

We will make effective use of our capital. Our capital resources at £3.4bn are strong and we have continued to strengthen through actions that we have taken over the last six months. As well as the proposed sale of our Nordics real estate business and Parmenion, the closing of our business in Indonesia adds to the examples of tightening our focus on our core growth opportunities. We have also invested in the business, and the proposed acquisition of Tritax is an example of our willingness to search for and execute upon opportunities that enhance our growth prospects. Our goal is to pursue efficient and sustainable client led growth and to deliver improved shareholder returns.

My belief in the strengths and potential of our company is one of the key reasons I chose to take the role at Standard Life Aberdeen. I have been in the job now a little over six months and we have already taken decisive action, and there is a lot more to do so that this business can deliver on its full potential. I am really looking forward to meeting more colleagues, clients and shareholders face to face to talk more about the work we are doing, and I am incredibly excited about the opportunities we have before us.



Stephen Bird
Chief Executive Officer

Our strategy for growth

We are futurists

**We harness the
power of
time**

**We leverage
technology
to connect**

**The curiosity of our
talent
creates opportunity**

enabling our clients to be better investors



Investments

We are focused on growth markets and on clients who are actively investing. We are prioritising growth in Asia.

We are building our capabilities in growing asset classes reflecting changing investment aspirations. This business is powered by data and technology and we will invest in our technology to enable our clients to be better investors now and in the future.

Our strategy is to deliver superior investment performance consistently through time, deepening our client relationships.



Adviser

Our platforms are designed to deliver a great service experience and we are investing to make it even easier.

We are growing in the UK by earning the right to be the primary platform for our clients. We will relentlessly improve our platform through time, consistently delivering great service.

Our strategy is to power our growth through excellent technology, lead the market and be a natural consolidator as the market changes.



Personal

Asset management is converging with wealth management and this trend, together with the empowerment that technology brings, is our opportunity.

We are growing in the UK, and through further acquisition and investment in technology, we will maximise synergies across our business model.

Our strategy is to connect these businesses in a model that is central to meeting the needs of the UK savings and wealth market.

Enablers

Technology

Brand

Research

Partnerships

Investing responsibly to build a better world

Our strategic priorities

Delivering client led growth

Our strategy has been designed to capture the upside and protect against the downside risk of significant market opportunities. By focusing our global resources on the following strategic priorities, Standard Life Aberdeen is building a long-term, sustainable business, whilst delivering for our clients today.

UK adviser and consumer market

The population is ageing and advancements in life sciences are improving health and longevity. Responsibility for providing for a longer retirement is increasingly being passed to the individual. On top of this, the pandemic has reinforced the need for personal financial resilience to provide a buffer against unexpected events. Fundamentally, individuals need to save more and start earlier.

Our UK Adviser platforms and Personal vectors are already focused on helping financial advisers and individuals invest and we are focused on making their experience even easier, providing a full range of products and solutions aligned to their desired outcomes.

Growth in Asia

The economic centre of gravity continues to move East and building on our strong legacy there is a major strategic focus. Demand for global capabilities in Asia will continue to grow quickly as the expanding middle class saves and invests more in the coming years and the savings institutions into which they entrust their funds expand their investment horizons beyond their own markets. Likewise, this higher rate of growth and economic development will continue to attract significant investment from the rest of the world.

We are reconfiguring our business for faster growth in Asia, bringing global capabilities and local expertise.

Technology

We will complete our integration and yield the full operational and cost benefits of a simplified technology infrastructure. We are committed to continuous improvement knowing that agile technology development, advanced data analytics, machine learning and cloud computing are essential capabilities for an efficient, client driven investor.

We will enhance our capabilities, to allow us to better match our solutions to client needs and support our investment teams' focus on continuously improving performance and a sustainable and efficient pattern of growth.

Solutions

Our institutional and wholesale clients are facing an increasing array of complex challenges and are focused on being able to achieve specific outcomes that meet their unique circumstances and objectives. These challenges range from understanding technology and business model disruption, through to the impact of long-term low interest rates and managing the transition to a net zero future.

We will build on our existing capabilities to bring comprehensive needs analysis and an integrated risk management approach on a whole of portfolio, asset-agnostic basis, focused on designing and delivering customised solutions.

Client ecosystems

Data analytics and connected systems allow us to deliver the right solution, to the right client, at the right time. In well-designed ecosystems it is no longer necessary to own all parts of the value chain.

Our technology ecosystem consists of strong, trusted partners and operates as a seamless extension of our own capabilities and is a key source of competitive advantage. It allows us to efficiently access new and growing client segments and provide efficient delivery mechanisms for our clients.

We will harness this ecosystem to leverage shared research, data sources and analytics, technology development and infrastructure.

Investing responsibly

In a rapidly changing world on a path to net zero, we believe targeting sustainability improves our clients' long-term returns. As futurists, we are relentlessly curious and seek to identify those technologies, companies and sectors that will thrive in the economy, environment and society of tomorrow. In a constantly changing world, investing in sustainable solutions and engaging with companies seeking to transform drives positive change.

We will develop our products and solutions to target sustainability in improving long-term returns and empowering clients to make better informed investment decisions to help them navigate this era of rapid change.

Private markets

In a world of low expected returns from liquid asset classes, fewer public companies and where traditional approaches to portfolio diversification are less efficient, private market and real estate opportunities are playing an increasingly important part in making our clients better investors.

We are focused on the growth themes which will be better accessed via private markets and real estate investments and we are strengthening and leveraging our business in this strategically important area.

Our business model helps us to deliver strategic success and stakeholder value

Our business model is designed to enable our clients to be better investors, deliver for our shareholders and provide an environment where our talent can thrive – and make a positive, lasting contribution to the future world.

Our areas of strength

A global asset manager with diverse capabilities: research-led and innovative, with strength in private and public markets

ESG in our DNA

Strong client relationships, based on trust and experience

Investment platform with enhanced technology and simplified processes

Leading technology for advisers in the UK

Specialist planning and advice services for UK clients

Strong balance sheet to support growth opportunities

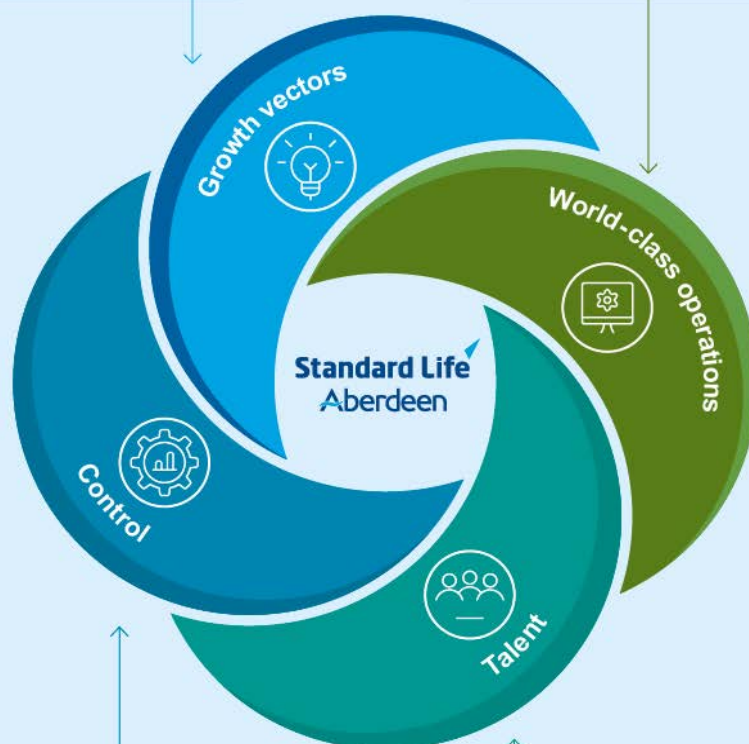
How we do it

Growth vectors

We focus on three vectors of growth to deliver strategic ambitions, profitably, simply and efficiently, both organically and inorganically. We earn revenue primarily from fees charged based on AUMA.

World-class operations

We are building an operating model for agility, speed and efficiency. Technology-driven, it will deliver a world-class experience with a focus on low costs, high quality and value.



Control

Our strong control environment helps us to manage risk effectively, ensure business security and maintain operational resilience.

Talent

Our talent model constantly strives for excellence, has the right people for the right roles, and offers clear pathways for growth and development. It also has diversity and inclusion at its core.

Our strategic priorities are described on pages 10-11. Our execution priorities for 2021 are described below.

What we deliver

For our clients

- Broad range of solutions designed to meet clients' current and future needs
- Long-term investment performance
- ESG considerations embedded in our investment processes

Three-year investment performance 66%



[More on p14-19](#)

For our people

- Performance-driven culture where we listen to, and act on, our people's views
- Technology to develop talent and improve collaboration
- A refreshed framework to guide our diversity and inclusion priorities

Overall employee engagement score 72%



[More on p20-23](#)

For society and our communities

- Fair and inclusive employment, removing barriers to realising potential
- A response to the interlinked crises of climate change and biodiversity loss
- ESG focus running through our operations and our investments

DJSI World index top 2% for our sector



[More on p24-29](#)

For our shareholders

- Sustainable shareholder value
- Financial resilience in uncertain and challenging market conditions
- Continued investment in our business to further diversify our sources of revenue

Group capital surplus of £2.3bn



[More on p30-37](#)

Our execution priorities for 2021



Operating leverage

Investing in our growth priorities, while reducing our commitment to non-core areas.



Finish transformation

Completing transformation in 2021, enabling us to realise further cost savings and free up resources for our growth agenda.



Brand clarity

Creating a single brand with clear values, optimising marketing investment.



Stewardship of capital

Maintaining our strong capital position to enable resilience in uncertain times, while investing selectively to accelerate growth.



Business simplification

Simplifying and further localising decision making, removing unnecessary layers and costs, empowering our people and creating efficiencies.

Building solutions today that clients need tomorrow

In our rapidly changing world, clients rely on us to provide a service that keeps pace with their needs while delivering strong investment performance. Global investors, UK-based advisers, wealth managers and individuals all need seamless, intuitive solutions.

We are building the future now, by enhancing the technologies we use, as well as simplifying data sources and processes. This makes our institutional-grade investment expertise easy to access. It also enables assessment of investee companies against ESG risks and opportunities to be more straightforward. We are providing our clients with the solutions they need, now and for the future.

Performing for clients

Net outflows improved to
(Excluding LBG tranche withdrawals)

(£3.1bn)

Innovation Award

for Aberdeen Standard Capital at the
PAM Awards 2020



Best platform provider over £25bn

Wrap

Best platform provider under £25bn

Elevate

Schroders UK Platform
Awards 2020



Investment performance

66%

AUM ahead of benchmark over 3 years

Best Thought Leadership Paper

Investment Week Sustainable & ESG
Investment Awards



Pension Transfer Gold Standard

for 1825, as endorsed by Personal
Finance Society

Investments

Our Investments vector is a core growth engine for the group. Our client led approach is to use our broad investment expertise to enable our clients to be better investors.

We do this through our global network of investment professionals with products and solutions spanning a broad range of markets, asset classes and investment strategies. In 2020, we continued to provide a breadth of capabilities across key markets of growth and client needs whilst also reconfiguring and simplifying our business.

Our client led strategy is underpinned by three enablers:

Innovative products and solutions, a relevant product and solution range is vital for our clients and we continue to evolve our range with innovative solutions that are co-created with our clients. In 2020 we enhanced our strategies further with global risk mitigation, passive hedge fund indices, and a key range of sustainable ESG funds. We are focused on simplifying our range as clients' needs change and will continue to remove sub-scale funds.

Collaborative partnerships are important for client led growth, where deep understanding allows us to tailor our products and solutions to meet client needs. We have strengthened our relationship with our key partner Phoenix with over £170bn of their assets being managed by our skilled team. We continue to innovate together to support their ongoing needs. In 2020, we collaborated with several clients and platforms such as China Construction Bank International in Hong Kong, HUB24 in Australia, FAPES in Brazil and Skipton Building Society in the UK, to provide bespoke solutions.

Research, data and technology underpin our investment decision-making. We continue to make improvements to our infrastructure, enhancing the way we invest on behalf of clients to meet their desired outcomes. In the last year, we have integrated our operational investment systems, improved our research capabilities with our ESG House Score, and have launched our proprietary data capability to support our deep understanding of our clients.

Enhancing our client led innovation

Looking to 2021 we will develop our capabilities to support our strategic priorities for our Investments vector:

Growth in Asia

Reconfiguring our footprint in Asia for faster growth.

We will bring our global capabilities to the world's fastest growing markets through deep local expertise.

Solutions

Building on our existing 'liability aware' heritage, broad investment and technology capability set, and the strength of our client ecosystem to deliver bespoke and 'whole of portfolio solutions' to solve clients' increasingly complex investment problems.

Private markets

Further **enhancing** our direct alpha capabilities and diversifying further into Asia and North America, taking advantage of attractive market conditions such as strong growth and resilient fundamentals.

Exchange Traded Funds (ETFs)

Expanding our existing ETF capabilities beyond the US, combining our active and passive expertise through a range of European UCITS ETFs with a specific focus on thematic strategies.

Responsible investing

Targeting sustainability to improve our clients' long term returns.

Empowering clients to make better informed investment decisions to help them navigate this era of rapid change.

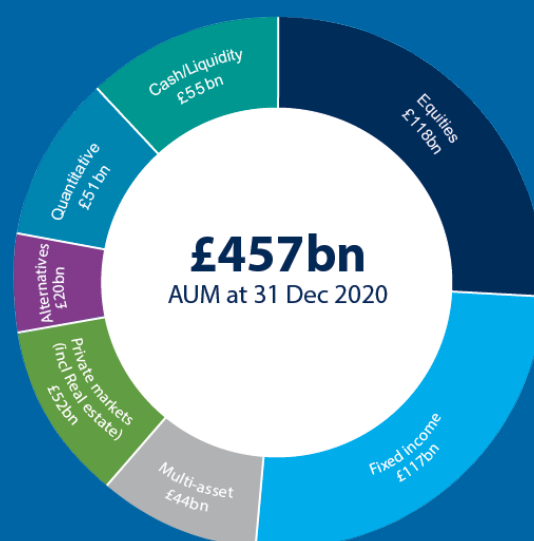
Technology and data

Continuing to invest in agile technology, advanced data analytics and next generation computing as critical capabilities to enhance our wide range of outcomes and efficiencies as a global, client led investment manager.

We are entrusted to manage assets on behalf of a broad client base of governments, pension funds, insurers, companies, charities, foundations and individuals across 80 countries

Top 3¹ position with China A, Euro Corp, Equities Small & Mid Cap and Global Corporate Bond

>40% of funds with **>£100m AUM**



AUM of largest client, Phoenix

£171.5bn

>2,000 Institutional Clients

¹ Source: Broadridge, AUM as at 31 Dec 2020.

We combine our deep knowledge of local markets with the power of coordinated global oversight to drive better investment outcomes and deliver long term sustainable benefits for all stakeholders.

Robust investment performance with 66% of AUM ahead of benchmark over 3 years

1 year
71%
(2019: 74%)

3 years
66%
(2019: 60%)

5 years
68%
(2019: 67%)

Responsible investing assets – Strong foundations

1. Strong in sustainable Fixed income which is a differentiator in the market
2. Expanding our existing franchise across public and private market asset classes to establish a platform for flows
3. Launching 15 sustainability funds in 2021 including four climate funds that build on our research strengths
4. Working with our strategic partner Phoenix Group on transitioning their investments to net zero by 2050
5. Empowering our global institutional client base through portfolio level ESG reporting and net zero solutions

Responsible investing

We are continuing to build on our long-term commitment to responsible investing through a number of actions including:

- Our bespoke climate change scenario research which allows us to take a view on the impact of climate change on future asset pricing and embed this into our thinking
- The creation of a proprietary ESG House Score, across public markets, combining external data with our internal insights and forward looking research
- Increasing transparency for our clients, empowering them to purposefully place responsible investing at the core of their investment decisions

Sustainable options to empower our clients

We are working with clients on solutions that allow them to achieve their future goals whilst 'dialling up' the impact of their investments. For example, we can provide our clients with higher exposure to companies or assets that are solving the climate and environmental crisis. In line with this, we are working with Phoenix and other institutional clients on the transition to net zero.

Expanding on our existing sustainable fund range, we have a strong pipeline of options catering for a range of different client sustainability requirements due for launch throughout 2021.

To support transparency in 2021, we will disclose portfolio-level ESG information to many of our major institutional clients and across a range of our public market funds. This will cover climate, ESG risk, and stewardship data. We will continue to evolve the ability to provide data on outcomes to clients, in line with rapid regulatory change and their fast-evolving needs.

Progressing our investment thinking in 2021

This year, we will increase active targeting of sustainable outcomes across our asset classes and strengthen our active ownership, reviewing and publishing a framework for managing exclusions, watch lists, and engagement escalations. We will be expanding carbon foot printing, climate scenario analysis and engagement tracking tools including to non-public markets asset classes where data has traditionally presented more of a challenge. We will further integrate emerging external and augmented, bespoke ESG data points into the investment process.

Continuing to use our influence

As a committed active owner, we continue to constructively use our influence to engage with companies and use our voting rights. For our investments, we publish quarterly engagement reports and we make our voting data available on our website. Additionally, at a corporate level, we publish an annual stewardship report, a Taskforce on Climate-Related Financial Disclosures (TCFD) report and a Corporate ESG Disclosure document.

We believe that integrating sustainability will deliver better long-term outcomes for our clients – and create real world impact, building a world that is more sustainable, just, inclusive, and diverse. You can read about our work during 2020 to promote a positive future for society on pages 24 to 27.

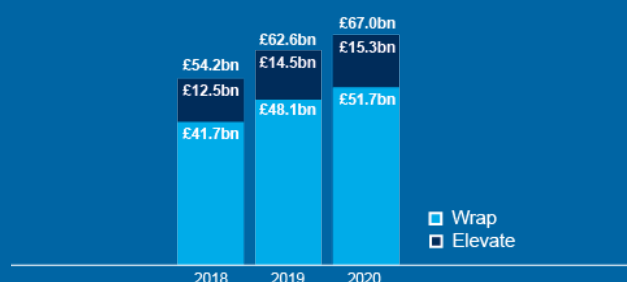
Adviser

Our ambition is to create an effortless experience for advisers. We will maintain our position as a leading provider by continuously improving and offering solutions that empower advisers to work efficiently, and at scale.

AUMA

No.1 Adviser Platform in the UK

£67bn



More than

50%

of UK advice businesses use our platforms

80,000

straight-through transactions per day processed through FNZ

We will become the easiest business for wealth managers and advisers. This will give wealth managers and advisers more time to spend with their clients, maximising their service and revenue streams.

We do this by providing platform solutions based on different client and adviser needs:

- Wrap enables advisers to deliver high-quality financial planning to large numbers of clients with complex investment requirements
- Elevate is a lower-cost proposition which, through a range of investment options, offers advisers the core features they need to deliver their services at scale

In 2020, we launched our Platform Experience Programme to further improve adviser experience. The programme has driven significant change for the business with its three core aims:

1. Modernising platform components, as we separate operational activity from Phoenix
2. Aligning our operating system to adviser needs and expectations
3. Consistent innovation and incremental improvements

The programme ensures we keep advisers ahead of their game, so they can deliver high-quality financial advice at scale, and across a broad spectrum of clients.

The strategy is underpinned by our revised and extended strategic relationship with technology provider FNZ. This partnership allows us to combine best-in-class platform services with a commercial model that ensures sustainable growth.

In 2021, we will continue to enhance our solutions so they become even more flexible, more efficient for clients and more insight-led. Advisers' needs will be the starting point for all improvements and design.

Advisers will be at the heart of what we do, with their actions and viewpoints forming the core of our design. To underline this adviser-centricity, we have made four commitments to them that are embedded across our business:

1. Always efficient
2. Aim to be right first time
3. Listen and understand
4. Provide leading functionality

Enhancing client service with FNZ strategic partnership

Advisers need a range of technology and services. They also need a provider who creates the solutions they need today, and that they will need in the future. To be this provider, we have partnered with FNZ.

The combination of FNZ's leading platform technology and our in-house expertise provides agility, scalability and stability. We have entered into a new, 10-year relationship with FNZ, instead of a one-year rolling agreement. The new agreement offers our clients access to a wider range of technology and services through our framework.

We are working with FNZ to consider additional services that could become available through the new partnership. This includes the FNZ app store and enhanced insights. We can also make these services available through direct-to-consumer channels, providing opportunities for growth in our Personal business.

The enhanced partnership has resulted in immediate cost savings. We will also see future cost reductions as AUMA grows within our Adviser and Personal businesses, and as we hit milestones in our new tiered pricing model with FNZ.

Our vectors of growth

Personal

From the moment our clients first consider their financial futures, our tailored products and solutions will be available to them in a seamless, technology-powered experience. From the start of their financial journey, all the way through to legacy planning, it will be easy, intuitive and integrated.

To provide this whole financial life cycle service, we offer:

- Services directly through digital channels and through 1825, our financial planning business
- Discretionary investment management to high-net-worth individuals through Aberdeen Standard Capital

We have grown our advice business substantially since 2015, through various acquisitions. This has given us a complete UK-wide footprint, and improved our ability to deliver advice at scale.

In 2020 we embedded our digital retirement advice service. This automation significantly increases our capacity and effectiveness, and frees us up to focus on the human touchpoints that make a real difference to our clients.

Within our discretionary fund management business, we have seen substantial AUM growth. In our Charities business, for example, AUM is up over 60% in the last two years.

Our Personal business seamlessly connects our capabilities to help clients be in a better position to achieve their goals. Where relevant, we can also leverage the power of our adviser platforms and investment product range to help them achieve the best outcomes.

To reach clients who are at the very beginning of their financial journey, we're launching new direct-to-consumer solutions. Our new mobile app, *Choices*, helps clients to manage their money more effectively. Its open banking technology gives them a clear overview of all their finances in one place, and makes it easy for them to access and see the relevance of our own products as they plan for the future.

Leveraging technology to enable better investment is something we think of as:

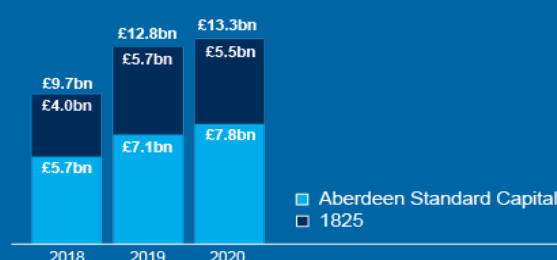
- Saving with ambition – highlighting seamless, straightforward paths to building wealth
- Spending with intelligence – taking the onerous work out of preparing for big spending decisions

Choices will integrate with our newly launched, direct-to-customer ISA, and more products and features will be added to it over time.

The UK savings gap affects more than 20 million people. We are opening up ways to save and invest across the whole spectrum, to drive better outcomes in the long term.

AUMA¹

£13.3bn



¹ Includes assets that are reflected in both Aberdeen Standard Capital and Advice businesses. This impact (31 Dec 2020: £0.9bn) is removed within Eliminations.

£7.8bn

Highest ever Aberdeen Standard Capital AUM

Top 10

Ranking for 1825 in FTAdviser's Top 100 UK Advisers list

Building our Personal vector brand

In February 2021, we confirmed that we would sell the Standard Life brand to Phoenix Group, having licensed it to Phoenix since 2018. In the UK, Standard Life has strong recognition as a life insurance and workplace pensions brand, which is closely aligned with Phoenix's strategy and customer base.

The sale allows us to invest in a single client facing brand. As an interconnected business, this is vital across all our vectors. It is particularly important in our Personal vector where, to date, we have a number of direct-to-customer propositions which have very different brand identities. Our new brand identity will be a core enabler in bringing these businesses together into a proposition that connects more deeply with clients and provides consistency as their needs evolve.

This does not mean we will be taking a 'one-size-fits-all' approach. Instead we will be developing one core recognisable business that provides options for all clients who want to deal with us direct, from those who want a simple app-enabled savings proposition, to retirement advice, and those clients who need more specialist or bespoke support.

Creating opportunities for our talented people to thrive

An organisation of futurists has to be able to unlock the full potential of its people. It needs to attract, nurture and retain the very best, and its thinking needs to be diverse, energetic and future focused.

We are actively creating opportunities for our people to thrive, giving them the environment, tools and support they need to feed their curiosity, achieve their ambitions and take ownership of their ideas.

To engage our people effectively, we are actively listening to what they need, want and aspire to. Through actions such as our employee engagement survey, we are able to better understand how well we are supporting and developing our teams and our culture.

KPI Overall employee engagement score

72%

A 16-point increase since
our previous engagement
survey in 2018

I feel motivated to go
beyond my official job
responsibilities

74%

A 12-point increase since
2018, four points higher than
the financial services sector
norm

I enjoy working at
Standard Life Aberdeen

74%

A 17-point increase since
2018, two points higher than
the sector norm

I believe Standard Life
Aberdeen is an inclusive
organisation

75%

An eight-point increase since
2018, no direct sector
benchmark

Defining a clear
strategic vision

Colleagues told us that
improving on this should be
our number one priority, and
this was a key focus during
the second half of 2020

Investing in our people to support a better future

Building a culture of curiosity and ownership

To deliver better futures, we need to nurture talent, giving our colleagues every opportunity to grow, be heard and perform. We need to enable collaboration, encourage innovation, and help our people feel engaged and empowered to be at their best.

Listening to colleagues

Our 2020 employee engagement survey asked for views about our business as an employer, ways of working, strategy and direction, senior leadership and management. Our overall engagement score was 72%. While we saw very positive findings in several areas, the results also highlighted particular areas for us to improve. These included defining a clear strategic vision, as well as making it easier to get things done and get decisions made. The work on our strategy, led by our executive leadership team, is helping us address the points raised.

Tools for self-development

Following successful pilot programmes, we launched our new global Career Development proposition. It gives our colleagues the tools and resources they need to take control of their self-development. The initial focus was on colleagues at early and mid-career stages, and the pilot was hugely successful. All 260 colleagues who signed up reported that it had a positive impact on them personally and to the business.

Mentoring

Our global mentoring programme offers all colleagues an opportunity to find a mentor inside the business, or to share their skills and experience by becoming one. We use algorithms based on development interests and preferences to match mentees with appropriate mentors. At the end of 2020 we had established about 100 internal mentoring relationships, and we expect this number to grow significantly in 2021.

Developing our leaders

We know that effective leadership is critical if we are to unlock the full and true potential of our talent. In 2020, we adapted our People Management Academy to be delivered online. This is the learning framework that helps our people managers to develop and enhance the behaviours and skills we expect from them. We measure its effectiveness through the employee engagement survey. In 2020, these were some of the results:

- 83% said they felt their manager is a role model for our behaviours, and creates a collaborative and inclusive environment where colleagues can be themselves and perform to their potential
- 79% said their manager motivates and engages, and that colleagues know what is expected of them, how they are performing and how their role supports the business
- 73% said their manager leads authentically, adapting their style to changing circumstances, and that they actively seek feedback to improve and lead change well

Identifying, attracting and retaining talent

A diverse and inclusive workplace

To attract the best talent, and to grow leadership for the future, diversity is vital. At the end of 2019, our Board Employee Engagement Group, led by non-executive Director, Melanie Gee, ran an employee survey on diversity and inclusion.

Over 1,000 employees took part. Survey feedback stressed the importance of diversity of thinking across our teams and leadership, and the role it plays in building an inclusive culture. We combined these findings with feedback from networks and regional groups, as well as insights from external research and benchmarking. Based on all of this, we refreshed the framework that guides our diversity and inclusion priorities.

With the pandemic and the Black Lives Matter movement shining a light on societal disparities, we are maintaining our focus on creating inclusive environments in which all types of diversity can thrive. Our leaders, our Global Inclusion Committee, our colleague-led networks and regional groups work collaboratively to turn discussion into action, and to influence others to do the same.

Young talent

In 2020 we upheld our commitment to taking on 22 new trainees in the UK, as part of our traineeship programme for school leavers, as well as 37 new university graduates across our global programmes. Full-scale assessments, selections, onboarding and induction processes were carried out online.

We have also been using technology to enhance the recruitment process itself. This includes building metrics into our HR system to monitor diversity and inclusion at all points.



Top 50 Rankings for undergraduate and apprenticeships programmes

The Rate My Placement awards are based on the feedback and experiences of our people who participate in our programmes.

For 2020 our undergraduate programme was rated 2nd in Investment Management and 48th overall. We also had our first ever placing for apprenticeships – we were rated 31st overall.

Family-friendly

We are leading the industry in designing an employee proposition that is fully inclusive and helps our people to manage their personal and professional responsibilities flexibly. In January 2020 our new Parent Leave policy came into effect. All UK-based colleagues welcoming a new child into their family are now entitled to 52 weeks' leave, including 40 weeks of fully-paid leave, regardless of their gender. It includes parents who adopt or who have a child by surrogate. In the first year of the new policy 171 colleagues took parent leave, 55% of whom were men.

A fully supported and successful shift to remote working

Throughout 2020, there was minimal disruption from the pandemic to our clients. We achieved this by empowering our colleagues and giving them the flexibility and support to deliver. In a fast-moving situation, we swiftly:

- Made rapid improvements to technology to boost connection and collaboration, particularly for new colleagues
- Created remote induction programmes
- Offered advice and support for safe and healthy remote working
- Shifted our entire learning and development offering online, leveraging technology to provide interactive, virtual learning
- Provided an allowance so colleagues could buy home working equipment

We knew our people were having to balance competing demands on their time, especially caring and working. We therefore empowered managers to help their teams adapt their ways of working where needed.

Colleagues' physical, emotional and financial wellbeing was paramount, so we communicated extensively about support available inside and outside the organisation. This included highlighting counselling resources for anyone who needed them. We also made it mandatory for colleagues to use their entire 2020 holiday allocation.

To measure the mood around our business during the pandemic, we conducted several 'pulse' surveys. These asked colleagues about work, worries, the support they were receiving and how they were adapting. We also asked about thoughts on a future return to the office.

Achieving targets

We have had gender targets in place since 2016, and achieved these in 2020. For the percentage of women in roles at Board and senior leadership levels, both targets were 33%. We reached 45% at Board level and 37% among senior leadership.

The Board will continue to track progress in diversity and inclusion over the coming years, and our targets will help us to maintain progress. From 1 January 2021, we have new targets which build on our progress and reflect our ongoing commitment to improving ethnic diversity. These will run to the end of 2025, with regular review by our Board and Executive Leadership Team. The targets are structured differently for these reasons:

- To align them with our external engagement approach and voting standards
- To be sure we maintain our policy of always appointing the best person for a role
- Recognising that gender is not limited to male and female identities
- The ethnic diversity targets we have put in place follow the recommendations of the Sir John Parker Review (2017) for all FTSE 100 companies. We met the recommendation to have at least one qualifying Board member in 2019, and have set a target to have an additional qualifying Board member by 2025.

	Current position at 31 Dec 2020	Target by 31 Dec 2020	Target by 31 Dec 2025
Gender diversity¹			
PLC Board	45% (5 out of 11)	33%	40% male; 40% female; 20% any gender
Senior leadership ²	37% (56 out of 152)	33%	40% male; 40% female; 20% any gender
Subsidiary directors ³	50% (10 out of 20)	N/A	N/A
UK workforce	45% (2,156 of 4,817)	50% (+/-3% tolerance)	N/A
Global workforce	45% (2,777 out of 6,132)	50% (+/-3% tolerance)	50% (+/-3% tolerance)
Ethnic diversity⁴			
PLC Board (UK ethnicity categories)	9% (1 out of 11)		18% (or +1 director)

¹ Relates to percentage of women in roles within the different groups.

² Relates to leaders one and two levels below CEO, minus administration roles.

³ Relates to Directors of the Company's direct subsidiaries as listed in Note 48 (a) of the Group financial statements and not classified above as Board Directors or senior leadership.

⁴ Relates to percentage of Board members who identify as ethnic minority.

Data measuring progress against gender targets for 31 December 2020 has been independently assured by Bureau Veritas. Bureau Veritas assurance can be found at www.standardlifeaberdeen.com/annualreport



More information about our work on gender equality, including our gender pay gap disclosure, can be found in our Gender Report www.standardlifeaberdeen.com/annualreport

Promoting a positive future for society

Our commitment to ESG gives us a framework to make decisions that create positive outcomes for our people, our investors and the communities in which we operate. This approach runs through all our activities, from our business operations to our investments.

Across the world, societies are also turning their attention to economic recovery, in the wake of the pandemic. We are looking at the role we can play in rebuilding in ways that are both green and fair. This ranges from making sure employment is fair, inclusive and free of barriers, to actively responding to the interlinked crises of climate change and biodiversity loss.

A responsible business

We became carbon neutral



A⁺ ratings in six investment categories

UN Principles for Responsible Investment (PRI) report

One of the first companies to sign the **C-19 Business Pledge**

for businesses committed to tackling the effects of the pandemic

Top **20%**

of companies in our sector in the DJSI World Index



Dow Jones Sustainability Indexes

Accredited as a UK

Living Hours employer

A new standard for employers who want to do more than provide a Living Wage



500

colleagues in pilot to monitor home working emissions with eco-tech business Pawprint

Building a sustainable future

Asking more of ourselves

Every day we look for ways to go further for our clients, to be a better and more inclusive employer, and to reduce our environmental impacts.

Our positive influence comes primarily through our investment approach. Client demand for responsible investing continues to grow at a rapid pace, and sustainability considerations are integral to all portfolio decisions. By combining this with the positive impact we can have through our operations, we can make a difference for our clients, society and the wider world.

Being a responsible steward of capital

We are a signatory to the Principles for Responsible Investment (PRI), a globally recognised blueprint for responsible investing. In the most recent PRI report, we achieved A+ ratings in six out of the eight investment categories we submitted for. Overall, we improved on our rating from the previous year – achieving the highest-possible ratings for strategy and governance and also for our approach to equities, fixed income and property investing.

As an active owner, responsible investing is about more than simply selecting appropriate investment opportunities. Engaging with companies to ensure they retain the standards we expect of them is just as important. Where companies fail to achieve these standards, we may consider selling our holding.

For example, following allegations in 2020 of underpayment of statutory minimum wages and poor working conditions in the supply chain of the UK-based retailer Boohoo, we divested from them in all our actively managed funds. We have engaged with Boohoo to improve its ESG standards since 2017, but found their response to these allegations inadequate. We decided to divest after considering a number of elements, including Boohoo's culture, control mechanisms and business model, the Fund's investment process and its investors' best interests. We are now considering how we engage with other businesses facing similar labour-related risks.

 [Read our stewardship report at
www.standardlifeaberdeen.com/annualreport](https://www.standardlifeaberdeen.com/annualreport)

Supporting a sustainable economic recovery

As the UK Government plans its economic recovery from the pandemic, we are supporting calls to ensure that the recovery is sustainable for people and planet. In 2020 we became a signatory to an open letter, from business leaders to the Prime Minister, outlining the importance of aligning these efforts with the UK's legislated target by 2050 of net zero emissions. We supported another open letter that asks for the recovery strategy to reflect the UN's Sustainable Development Goals (SDGs). As a signatory to the UN Global Compact, our business is committed to continue playing its part in achieving these goals.



In the UK, we were one of the first companies to sign up to the C-19 Business Pledge, which sees businesses demonstrate their commitment to tackling the effects of the pandemic. The Pledge addresses immediate challenges, as well as longer-term recovery.

We also engaged with our investee companies on the steps we expected them to take during the pandemic. These included adapting strategy, considering long-term impact, and supporting their wider communities. We also made it clear how we would support them.

Through our Aberdeen Standard Investments brand we are a sponsor of Good Money Week, an annual UK campaign to help people use sustainable, responsible and ethical investment options. The theme for 2020, *Clean Slate, Green Slate*, made the case that there has never been a more important time to think about the social and environmental impact of wealth protection. We provided online seminars, podcasts and articles covering the impact of the crisis on climate policy, what it means for investors and what we are doing to support a fair recovery.

Supporting our communities through the pandemic

From the start of the pandemic, we have recognised the significant effect on our communities and that not everyone in our communities was equally impacted. We therefore released £500,000 from our charitable budget, and focused our donations on three key areas:

- Emergency and crisis supplies to deal with the immediate impact
- Supporting the most disadvantaged, for example, by funding food banks and shelters
- Supporting elderly and other vulnerable groups who live alone or are isolated

With help from our offices and teams around the world, we identified projects with both new and existing partners. These included foodbanks in London, Edinburgh and Aberdeen, and local charities supporting vulnerable groups or individuals in Boston, New York, Philadelphia and Hong Kong.

Our business put in place a programme for matching donations that our people chose to make to causes on an individual basis. This is in addition to our existing matching schemes for employee fundraising and payroll giving. We also worked with charities that needed specific support to adapt the ways they worked. This included:

- Support for a financial education initiative to develop free online resources for children and their families
- Helping food banks and supper clubs to be able to cook and deliver hot meals
- Funding helplines for dementia carers

Our environment

The pandemic has highlighted the impact of human activity on our environment, particularly climate change and biodiversity loss.

We believe that aligning our operations and investments to a net zero future is essential for long-term performance, and are fully supportive of the recommendations of TCFD. These encourage companies to disclose material climate-related risks and opportunities and outline how these are governed and managed. We publish a report showing how we align our climate change disclosures to the TCFD framework, while encouraging the companies we invest in to do the same.

Our approach to managing our operational emissions is to reduce as much as we can, and we have long-term targets in place to achieve this. We then offset what remains. A dramatic change in the nature of our carbon footprint took place in 2020 as a result of the pandemic. Emissions from our offices and business travel reduced, and emissions from home working became our biggest emission source. You can read more on our carbon footprint, and our environmental metrics and targets, on page 28.

Every year, we offset our greenhouse gas emissions by purchasing carbon credits through our partnership with ClimateCare. We support accredited projects that help people to engage with and protect nature, and to support habitat and wildlife restoration. This in turn promotes wellbeing, builds community and helps wildlife and ecosystems thrive for generations to come.

Our business has pledged support to the Gola Rainforest in Sierra Leone, a global biodiversity hotspot, as well as a renewable wind and solar power project in India. This helped us to achieve our aim of becoming carbon neutral in 2020.

Climate change in our investment decisions

Climate-related risks and opportunities are wide reaching and evolving quickly. We have a responsibility to understand the impact of climate change on asset values to make better investment decisions. As asset managers, the most material climate change risk for us is the potential for climate change to negatively affect the performance of investments we make on our clients' behalf. We also need to make sure that clients are able to invest in ways that reflect their values and expectations. You can read more on page 16 about our commitment to this in 2021.

The transition to a net zero world means we have to be able to assess which companies and assets will perform well in a net zero environment. This includes identifying where we need to influence to drive best practice. In 2020 we kept up engagement with peers and policymakers, and collaboration with industry associations and initiatives.

For example, as members of the Institutional Investors Group on Climate Change, we contribute to their Paris Aligned Investment Initiative and the Net Zero Investment framework. We are using this as a foundation for developing net zero solutions for our clients. The insights help our industry invest in ways that aim to keep the global average temperature rises to well below 2°C and ideally 1.5°C. We are also a founding signatory of Climate Action 100+, a campaign group that works to improve standards, influence regulation and develop capital allocation strategies. In 2020, we led the group's engagements with energy companies such as E.ON and Fortum.

Thought leadership

Insight and thought leadership plays an important role in helping to influence how the ESG agenda evolves. In 2020 we were recognised at Investment Week's Sustainable & ESG Investment Awards, winning the prize for Best Thought Leadership Paper. *Strategic Asset Allocation: ESG's New Frontier* focuses on climate change. It sets out how an ESG-enhanced process for strategic asset allocation can increase capital available for socially and environmentally important projects, without compromising returns.

A fair and inclusive future

We support initiatives that allow people to overcome barriers and reach their potential. We drive positive change to support fair and inclusive work, promote equality of opportunity, and connect with those isolated from society.

Our commitment to the Living Wage

Even before the pandemic, over five million workers in the UK had low-paid, insecure work. There is a growing body of evidence that the inequalities this causes negatively impact overall economic growth.

We have been a UK Living Wage employer for some time. In 2020, we became one of the first employers accredited as a Living Hours employer. The Living Hours programme sets a new standard for employers who want to do more than provide a Living Wage. Accredited employers agree to offer decent notice periods for shifts, as well as the right to a guaranteed minimum number of work hours each week. This commitment covers our employees, interns and suppliers on our premises.

We also supported the 'toolkit for responsible investors' initiative from the Living Wage Foundation and ShareAction. This helps investors in UK markets understand why and how to encourage portfolio companies to adopt the real Living Wage.

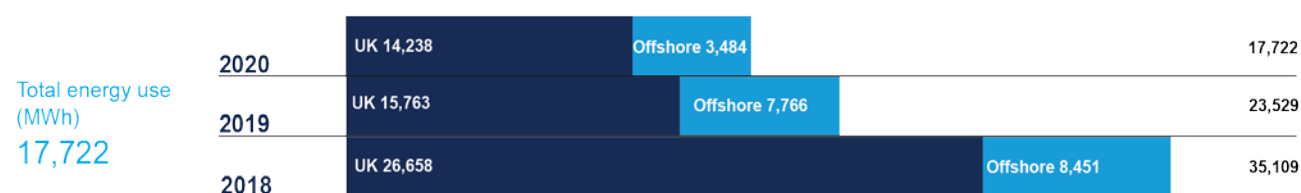
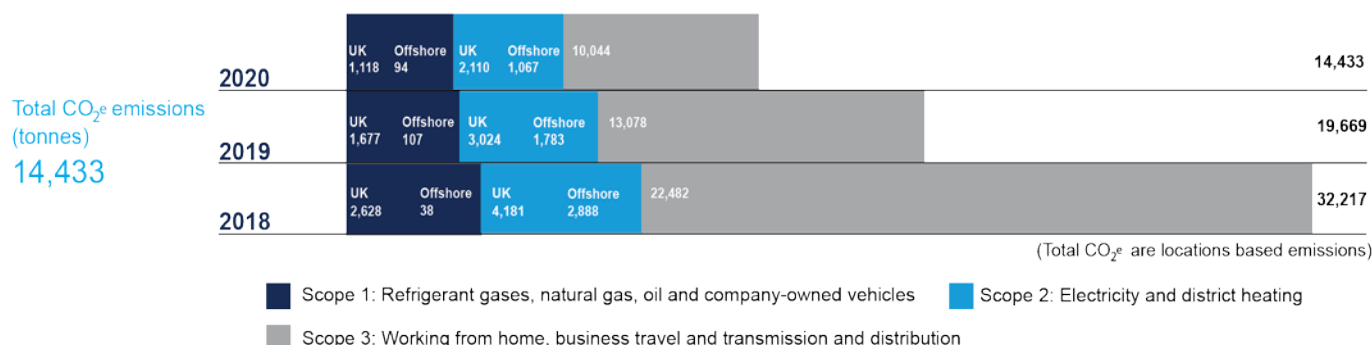
Investing in young people

Today's environment is challenging for many workers, but particularly for young people starting out in their careers. We believe that investing in young people is critical for long-term economic recovery. Alongside our internship and graduate recruitment programmes, we are continuing to recruit from schools and colleges through our traineeship programme. We offer salaries above the real Living Wage, with structured training and the opportunity to gain qualifications. We also continue to collaborate with partners such as Career Ready to support young people to build skills, confidence and connections.

Through our colleague-led network Unity, we partnered with and funded charities that help young people from disadvantaged and ethnic minority backgrounds. In the USA, we supported Oliver Scholars and EmbraceRace. In the UK, we supported the Amos Bursary, Stephen Lawrence Charitable Trust and Youth Community Support Agency. Through the Standard Life Aberdeen Charitable Foundation, we also supported The Sutton Trust's Pathways to Banking and Finance programme.

A responsible business

Our environmental metrics and targets



Data has been independently assured by Bureau Veritas. Bureau Veritas assurance can be found at www.standardlifeaberndeen.com/annualreport

Our operational carbon footprint

We have been measuring our operational carbon footprint since 2006, and our data is independently assured. More recently, in 2018, we set targets for 2030, and our 2018 figures act as the baseline against which we report our progress in reducing emissions.

In 2020 we had reduced our total greenhouse gas emissions by 55%. Our emissions per full-time equivalent (FTE) employee had fallen by 53% from 1.57 to 0.73 tonnes of CO₂e per FTE (Scopes 1 and 2). We had also reduced our energy use globally by 50% from 35,109 MWh to 17,722 MWh, and in the UK by 47%, from 26,658 MWh to 14,238 MWh.

Emissions from travel

The nature of our carbon footprint has changed drastically because of the pandemic. Travel, which made up 65% of our footprint in 2019, represented only 14% of emissions in 2020. Globally, our business went from making 4,000 air and rail journeys a month in February 2020, to fewer than 40 in May.

By building on the technology we have become accustomed to, we can reduce the need for business travel in the future.

Emissions from premises

We have continued to roll out efficiency measures in our largest offices, and we are demanding efficiencies in any new spaces we lease.

However, in 2020, we went from having under 1% of our colleagues working from home, to over 95%. This meant energy use in our offices reduced, but home working became our single largest source of emissions, accounting for 55% of our carbon footprint. While our offices are mostly efficient, people's homes, generally, are less so.

Making home working more energy efficient

We believe that home working is likely to be a lasting feature of working life from now on. We have therefore started to develop a strategy to tackle home-working emissions.

This is important, because our policy has always been to tackle the largest emission sources first so that we can make the greatest impact.

We have calculated our working from home emissions based on accepted, robust and audited models. We have also partnered with eco-tech business, Pawprint, to monitor emissions from home working. A representative sample of 500 colleagues from around the world will be using the Pawprint for Business app to help them measure, understand and reduce their carbon footprint. The data from this will supplement the models we use and help to improve their accuracy. It will also help us to offset home-working emissions.



Our next TCFD Report is available in Q2 2021. Read the current version at www.standardlifeaberndeen.com/annualreport

Global code of conduct

Our global code of conduct describes the standards of behaviour we expect in our business. It is reviewed and updated annually, and all our employees are expected to read, agree and adhere to its principles.

The code focuses on doing the right thing and putting our clients at the heart of our business. If employees have any concerns about issues covered, such as bribery and corruption, environmental or human rights issues, we encourage them to speak to their manager first. If they feel they cannot raise their concern this way, or they want to raise it anonymously, there is an independent and confidential hotline for them to use.

In 2020, 93% of employees completed the online training module to confirm they had understood and would comply with the code. Where employees fail to complete mandatory training, we have taken steps to ensure that managers and HR are made aware. This has led to an improved completion rate for the updated module, launched in December 2020, with 99% completing this by the end of January 2021.

Working with third parties

We strive to build effective and supportive relationships with our third parties. Our global third party code of conduct sets out the minimum standards and principles we require third parties to follow, and that we expect them to demand from their own supply chains.

On a regular and risk-proportionate basis, we carry out due diligence of our third parties, covering key social issues such as modern slavery, equality and environmental issues. We review the outcomes, and if any issues emerge, we escalate them through our supplier relationship managers or the service owners responsible for the goods or services being provided.

We understand the importance of treating our third parties fairly. This includes a commitment to paying them on time, and to react in the right way to environmental and social events, such as the pandemic. As part of our response, we have worked to ensure that our ESG responsibilities and commitments to, and via, our third parties continue to be met.

Modern slavery statement

In 2020 we continued to help tackle human trafficking, forced labour, bonded labour and child slavery. In total, 99% of UK and Europe colleagues completed training on modern slavery issues. We found no instances of modern slavery in our supply chain. However, we have robust processes in place which would allow any future issues to be escalated and remedied.

We further integrated considerations for tackling modern slavery into our investment process. This included implementing a global programme targeting companies in high-risk sectors and geographies. We have also used our expertise to support cross-industry, anti-modern slavery collaborations. Our 2020 statement and outcomes reinforce our commitment to this important issue, and it can be found on our website.

Human rights policy

Our policy summarises our approach to identifying and upholding the human rights of our people, clients, communities and everyone impacted by our suppliers, partners and the companies we invest in. As an investor, we use our internally developed Human Rights Index to help identify high-risk geographies – and we have published position statements on integrating human rights into our investment approach. We assess the management of human rights impacts and, whenever appropriate, engage to highlight issues and promote good practice. We publish the outcomes of our ESG engagements with investee companies in a quarterly summary, which is available on our website.

Financial crime prevention

We have a legal and regulatory duty to prevent, detect and deter financial crime including bribery and corruption to protect our business and our clients' information and assets. We aim to work with the highest levels of integrity, so our approach to managing financial crime risks, within our business and among suppliers and partners, involves:

- Systems and controls – to assist in managing the risk
- Staff training and awareness – ensuring that everyone understands the risks presented and how to manage them
- Client Due Diligence – to ensure we understand our clients
- Ongoing monitoring – of both our systems and key processes to ensure these are working as expected
- Routine risk assessments – to ensure we understand the risk in each area and can improve processes where required
- Robust policies and procedures – to ensure a consistent approach in managing the risks

In 2020 we had no breaches. An independent assessment of our anti-money laundering framework was completed in 2020. We are now following the recommendations that came out of the review, and will have an even stronger control framework as a result.

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 are available on our website. 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 environment and our environmental metrics and targets	Our society (page 27) Non-financial information (page 28)
Employees	Global code of conduct¹ Employee policies Anti-bribery and corruption	Non-financial information (page 28) Our people (pages 22 to 23) Non-financial information (pages 28 to 29)
Human rights	Human rights policy¹ Modern slavery statement¹	Non-financial information (page 29) Non-financial information (page 29)
Social matters	Social policies Third party code of conduct¹	Our society (pages 24 to 27) Non-financial information (page 29)
Other matters	Business model Non-financial KPIs	Our strategy and business model (pages 9 to 13) Our people (page 21) Non-financial information (page 28)

¹ Group policy published on our website at www.standardlifeaberndeen.com/annualreport

Delivering for our shareholders



Stephanie Bruce, Chief Financial Officer

Managing our capital for the benefit of shareholders

Since the merger in 2017, we have returned a total of £3.9bn to shareholders as we focused on integration and transformation. During this same period, reflecting the pressures on the industry and lower performance in key investment strategies, the business has not been growing. In 2020, while we made progress on investment performance and addressing our cost base, the impact of the pandemic on valuations in the mid part of the year, together with a change in mix of flows with a higher proportion of lower yielding assets constrained fee revenues which were lower by 13%. Fee revenue yields overall were 26.9bps (2019: 27.9bps). Adjusted operating profit at £219m was down 27% on the prior year. Conversely, our capital position has been strengthening through the sale of further tranches of our Indian investments, even after committing to a share buyback programme of £400m which has now been completed. Our capital surplus over regulatory requirements grew to £2.3bn at 31 December 2020, adding both to our resilience and strategic options.

Financial aims of our strategy

The aim of our new strategy is to drive client led growth through focus on our priorities as Stephen has outlined. Through a combination of organic revenue growth, focus on efficiency and the prudent deployment of our capital, our aim is to return the company to revenue and earnings growth, such that the earnings profile generates value for shareholders, including a sustainable level of dividends. We have previously been clear that over the period of transformation, we would distribute some of our excess capital through the annual dividend as it was not covered by our underlying earnings. This is obviously not sustainable in the long-term and our strategy aims to address this position.

A key objective of the strategy is to return to revenue growth and increase the diversification of our business, particularly into higher

yielding activities such as Wholesale and Private markets (within Investments) and Personal, and to drive benefits from growth in our Adviser business which has a high operating leverage. By focusing on the individual growth strategies within each vector, our aim is to arrest revenue decline in the near term, inflecting to a high single digit three year revenue CAGR over the period to 2023. We expect stabilisation of revenue yield in the near term, subsequently increasing as we meet client preferences for higher yielding assets.

Operating leverage

In 2020, our cost/income ratio remained higher than our peers and we will continue to take action to reduce costs and improve the balance between fixed and variable costs. We are on track to deliver the targeted £400m of synergies and we continued to create further efficiencies in 2020 which will benefit in 2021. In particular our focus is to complete transformation, improving the operational leverage of our business through reductions in operational and technology costs and non-permanent staff, resulting in near term cost reductions. Specific actions also include reorganisations in the US and APAC to address those areas of lower contribution, and the proposed disposals of Parmenion and the Nordics real estate activity. As we move into revenue growth, we expect growth-related increases in certain costs but we will maintain the operating leverage created by the rebalanced cost base. Overall we are targeting to exit 2023 at a cost/income ratio of around 70%. As the transformation and separation processes complete towards the end of 2021, we expect to see a reduction in the associated restructuring charges from current levels to less than £50m in 2022.

Capital strength

In 2020, we continued to strengthen our balance sheet in terms of both capital and liquidity. Our intention is to further strengthen our capital position by monetising the remaining stake in HDFC Life over the next two years. In addition, an improvement in profitability resulting from the successful execution of our strategic plan will drive an increase in adjusted capital generation and strengthen our capital position. However, our surplus regulatory capital dictates the level of capital available for deployment and is expected to reduce with the implementation of the Investment Firm Prudential Regime (IFPR) in early 2022, as other assets are expected to be excluded from regulatory capital. In addition, we will seek to maintain a buffer reflecting our risk appetite for volatility and working capital.

In assessing our priorities for the deployment of our resources, we consider robustly the return profile to ensure delivery of value for shareholders in terms of earnings growth and a sustainable dividend policy. In 2020, our review of our investments against this criteria led to the planned sales of the Nordics real estate activity and Parmenion and the proposed acquisition of Tritax. Our strategy is to deploy our capital both organically and inorganically: organically, in areas such as seeding funds, co-investing in private market opportunities, and the Platforms Experience Programme in our Adviser vector; and inorganically through acquisition opportunities to augment our capabilities in growth areas such as ETFs and private markets, and to accelerate the scale of the Adviser and Personal vectors to improve our market presence. We will apply rigorous hurdle and return rates to any investment and will only invest in an opportunity if it will deliver revenue and earnings growth and help us achieve relevance and scale.

KPI

Creating momentum for the future

While the results for 2020 reflect the impact of declining revenue due principally to prior year outflows and market conditions, we have also seen evidence of positive momentum in our performance which will support the execution of the strategy.

- Investment performance drives success with our clients and has improved to 66% on the three year benchmark
- We have seen an 82% improved position in net outflows of £3.1bn (excluding LBG tranche withdrawals), as redemptions are significantly lower than the prior year
- Our cost base reduced by £127m (10%), although the cost income ratio remains too high at 85% due to the reduction in revenue of £209m and the high proportion of fixed costs in our cost base

The following commentary and analysis provides more detail.

Analysis of profit

	2020 £m	2019 £m
Fee based revenue	1,425	1,634
Adjusted operating expenses	(1,206)	(1,333)
Adjusted operating profit	219	301
Capital management	21	37
Asset management associates and joint ventures	44	57
Asset management, platforms and wealth	284	395
Insurance associates and joint ventures	203	189
Adjusted profit before tax	487	584
Adjusting items	368	(333)
Share of associates' and joint ventures' tax expense	(17)	(8)
IFRS profit before tax	838	243
Tax credit/(expense)	15	(28)
IFRS profit for the year	853	215

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

The IFRS profit before tax of £838m increased by 245% compared with 2019, reflecting lower impairments of goodwill and intangibles of £1.1bn (2019: £1.6bn) and increased profit on disposal of interests in associates of £1.9bn (2019: £1.5bn) which included the benefit of a £1.1bn one-off accounting gain.

Adjusted profit before tax of £487m decreased by 17% compared with 2019 largely due to lower revenue. The 13% reduction in revenue mainly reflects 2019 outflows, client preferences changing asset mix and expected LBG tranche withdrawals.

Financial indicators ¹	2020	2019
Fee based revenue	£1,425m	£1,634m
Investment performance ²	66%	60%
Cost/income ratio ³	85%	82%
IFRS profit before tax	£838m	£243m
Adjusted profit before tax	£487m	£584m
Adjusted capital generation	£262m	£333m
Adjusted diluted earnings per share	18.1p	19.3p
Full year dividend per share	14.6p	21.6p
Diluted earnings per share	37.9p	8.8p

Other business indicators ¹	2020	2019
Gross inflows	£74.3bn	£86.2bn
Net flows		
Excluding LBG ⁴	(£3.1bn)	(£17.4bn)
Total	(£29.0bn)	(£58.4bn)
AUMA	£534.6bn	£544.6bn

Dividend policy

As referenced in the Chairman's statement, the Board has concluded it should take this opportunity to rebase the dividend to a level from which it is confident the dividend can be grown in due course and is therefore recommending a final dividend for 2020 of 7.3p, bringing the total dividend for the year to 14.6p. It is the Board's current intention to maintain the total dividend at this level (with the interim and final at the same amount per share), until it is covered at least 1.5 times by adjusted capital generation, at which point the Board will seek to grow the dividend in line with its assessment of the underlying medium term growth in profitability.

The recommended dividend of 7.3p (2019: 14.3p) is subject to shareholder approval and will be paid on 25 May 2021 to shareholders on the register at close of business on 16 April 2021. The dividend payment is expected to be £154m. External dividends are funded from the cumulative dividend income that Standard Life Aberdeen plc receives from its subsidiaries and associates (see page 36 for details of cash and distributable reserves). 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.

¹ We assess our performance using a variety of performance measures including APMs such as fee based revenue, cost/income ratio, adjusted profit before tax and adjusted capital generation. Further details are included in Supplementary information. All metrics within 'Financial indicators' are KPIs except for diluted earnings per share.

² Percentage of AUM above benchmark over three years. Calculations for investment performance are made gross of fees except where the stated comparator is net of fees. Further details about the calculation of investment performance are included in Supplementary information.

³ Excludes the share of associates' and joint ventures' profit before tax.

⁴ Net outflows excluding LBG do not include the tranche withdrawals relating to the settlement of arbitration with LBG. Refer to Glossary LBG tranche withdrawals.

All fee based revenue, AUMA and flows relate to the Asset management, platforms and wealth segment and are discussed below.

Investments¹

Institutional and Wholesale

	2020	2019
Fee based revenue	£922m	£1,027m
Fee revenue yield ²	38.8bps	42.8bps
AUM	£251.7bn	£236.7bn
Gross inflows	£49.8bn	£50.9bn
Redemptions	(£49.5bn)	(£68.9bn)
Net flows	£0.3bn	(£18.0bn)

In 2020, the assets we manage for Institutional and Wholesale clients increased despite the market volatility as a result of COVID-19. We have maintained our focus on serving our clients globally, switching to digital channels to maintain relationships, providing continuing client service, launching products, generating sales and winning mandates. Our focus on delivering for clients is particularly evident through continued robust investment performance.

Our pipeline remains strong with mandates awarded but not yet funded across Institutional and Wholesale of £4.6bn as at 31 December 2020. This includes mandates across a broad range of capabilities including Fixed income, Equities and Multi-asset.

Fee based revenue reduced by 10% reflecting the impact of 2019 outflows and changes in client preferences towards lower risk asset classes such as Cash/Liquidity in 2020. The revenue yield decreased to 38.8bps reflecting the lower proportion of higher margin Equity and Multi-asset AUM. In addition, at FY 2019 we reported that we had won a £5.5bn lower margin US advisory mandate in Alternatives which has had a full year impact on the 2020 fee revenue yield. Despite the volatility in financial markets, the average daily MSCI World Index was 7% higher in 2020 compared with 2019, which benefited revenue in the year.

AUM increased in 2020 by 6% to £251.7bn due to significantly lower redemptions and positive market movements, including robust investment performance in 2020.

In 2020, gross inflows remained stable at £49.8bn driven by demand for our Cash/Liquidity funds where gross inflows were 95%, or £7.4bn higher than 2019. 2019 benefited from a one-off £3.5bn inflow from Virgin Money and the £5.5bn advisory mandate mentioned above. There was also continued strong momentum in our ETF fund range with inflows of £1.9bn (2019: £0.6bn). Gross inflows in 2020 also included £1.8bn (2019: £1.8bn) from new fund launches.

Net inflows improved to £0.3bn driven by a marked improvement in redemptions. Redemptions in 2020 were the lowest seen since the merger and represented 21% of opening assets (2019: 29%). Equities and Multi-asset redemptions were 26% and 61% lower than 2019 respectively.

Insurance

	2020	2019
Fee based revenue	£224m	£317m
Fee revenue yield	10.9bps	12.2bps
AUM	£205.2bn	£235.8bn
Gross inflows	£17.6bn	£26.9bn
Redemptions excluding LBG ³	(£24.5bn)	(£30.3bn)
LBG tranche withdrawals ³	(£25.9bn)	(£41.0bn)
Net flows excluding LBG ³	(£6.9bn)	(£3.4bn)

Within Investments, Insurance comprises the assets we manage for Phoenix of £171.5bn, as well as those we manage for others, including Lloyds Banking Group. We have a deep understanding of the unique investment needs of insurance companies and a comprehensive range of investment solutions to meet their complex objectives.

As Phoenix's core strategic asset management partner, we received a further £2bn of assets from bulk purchase annuity agreements during the year.

Overall, Insurance AUM decreased due to the LBG tranche withdrawals and net outflows. Gross inflows are dependent on underlying policyholder activity and the £9.3bn reduction is a reflection of the strong new business in 2019 and lower LBG AUM. Redemptions (excluding LBG tranche withdrawals) decreased by £5.8bn and largely reflect maturing insurance business in long-term run-off. The remaining c£3bn of the previously announced tranche withdrawals for LBG are expected to be made by the end of 2021.

Lower revenue from Insurance in 2020 is largely due to the expected LBG tranche withdrawals which accounts for £77m of the decrease.

Adviser¹

	2020	2019
Fee based revenue	£137m	£150m
Fee revenue yield – gross ⁴	26.7bps	29.6bps
Fee revenue yield – net of cost of sales ⁴	22.3bps	25.3bps
AUMA	£67.0bn	£62.6bn
Gross inflows	£6.3bn	£7.0bn
Redemptions	(£4.4bn)	(£4.7bn)
Net flows	£1.9bn	£2.3bn

In April 2020, we introduced a simplified pricing structure on the Wrap platform to make it more competitive and attractive to advisers. With effect from April 2020, a Drawdown Price Lock feature, the first of its kind in the UK, was made available for Wrap clients. This innovative feature allows Wrap SIPP clients to lock in their platform charges so that the charges will not increase as they draw down on their savings. Our pricing actions on the Wrap platform in 2020 and on Elevate in 2019, combined with an enhanced digital offering have had a positive impact on the number of overall Platform users.

The lower fee based revenue reflects the impact of the Wrap and Elevate pricing changes, as well as the impact of COVID-19 on average UK market levels and activity. AUMA increased due to positive market movements of £2.5bn and continued net inflows of £1.9bn.

Personal^{1,5}

	2020	2019
Fee based revenue	£80m	£70m
Fee revenue yield ²	58.5bps	59.2bps
AUMA	£13.3bn	£12.8bn
Gross inflows	£1.1bn	£1.1bn
Redemptions	(£1.1bn)	(£1.0bn)
Net flows	–	£0.1bn

Personal largely comprises our 1825 financial planning and advice business and our Aberdeen Standard Capital discretionary investment management business.

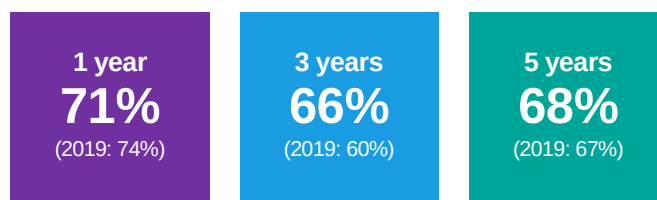
The integration of Grant Thornton's wealth advisory business and BDO Northern Ireland's wealth management business, which were acquired in 2019, was a key focus during 2020. This added presence in 14 new UK locations and 34 financial advisers. We also achieved organic growth in terms of new clients for both 1825 and Aberdeen Standard Capital despite the challenging market conditions.

Fee based revenue increased due to these acquisitions. This was partly offset by the impact of lower average UK markets during 2020.

AUM in Aberdeen Standard Capital reached a record level of £7.8bn at 31 December 2020 (2019: £7.1bn). The AUAAdv for 1825 decreased to £5.5bn (2019: £5.7bn) due to the fall in UK equity markets.

Investment performance

Total AUM ahead of benchmark



Three-year investment performance saw further improvement during 2020, with 66% of assets under management covered by this metric ahead of benchmark. This reflects continued improvement in three-year performance within Equities and ongoing strong performance in Alternatives, Cash/Liquidity and the majority of Fixed income franchises.

Most Equity classes delivered an improvement over one, three and five years. There is ongoing strength in European, Small Cap and China A shares and in 2020 there was significant progress made in the performance of Global Emerging Markets and Japanese Equities. This is partly offset by weaker performance in Real estate and Quantitatives, reflecting challenging market conditions. Although Multi-asset performance declined overall, our Absolute Return suite continued to deliver strong investment performance.

We have also seen an increase in the number of our strategies receiving positive ratings from investment consultants, bringing the total to 52 strategies (2019: 46 strategies).



Calculations for investment performance are made gross of fees except where the stated comparator is net of fees. Further details about the calculation of investment performance, AUMA and fee revenue yield are included in the Supplementary information section of this report.

Analysis of Asset management, platforms and wealth segment

	Fee based revenue		AUMA		Net flows ³	
	2020 £m	2019 £m	2020 £bn	2019 £bn	2020 £bn	2019 £bn
Investments						
Institutional and Wholesale	922	1,027	251.7	236.7	0.3	(18.0)
Insurance	224	317	205.2	235.8	(6.9)	(3.4)
Adviser	137	150	67.0	62.6	1.9	2.3
Personal ⁵	80	70	13.3	12.8	–	0.1
Parmenion	25	21	8.1	6.9	1.0	1.1
SL Asia	7	12				
Performance fees	30	37				
Eliminations ⁵			(10.7)	(10.2)	0.6	0.5
	1,425	1,634	534.6	544.6	(3.1)	(17.4)
LBG tranche withdrawals					(25.9)	(41.0)
Total	1,425	1,634	534.6	544.6	(29.0)	(58.4)

¹ Revenue, AUMA, and flows are now presented on a vector basis. 2019 comparatives restated on this basis. See further details in Supplementary information.

² Institutional and Wholesale fee revenue yield excludes revenue of £9m (2019: £6m) and Personal fee revenue yield excludes revenue of £7m (2019: £7m), for which there are no attributable assets.

³ Net flows excluding Lloyds Banking Group (LBG) do not include the tranche withdrawals of £25.9bn (2019: £41.0bn) relating to the settlement of arbitration with LBG.

⁴ Adviser fee revenue yield calculated on both a gross and net of cost of sales basis. See further details in Supplementary information.

⁵ Eliminations remove the double count reflected in Investments, Adviser and Personal. The Personal vector includes assets that are reflected in both Aberdeen Standard Capital and Advice businesses. This double count is also removed within Eliminations.

Analysis of profit

The IFRS profit before tax of £838m (2019: £243m) mainly reflects the profit on disposal of interests in associates partially offset by impairments of goodwill and intangibles. Adjusted profit before tax of £487m (2019: £584m) decreased by 17% largely due to the lower revenue.

Fee based revenue

Fee based revenue reduced by 13% to £1,425m (2019: £1,634m). The fall in revenue primarily reflects the full year impact of outflows during 2019 and LBG tranche withdrawals during 2019 and 2020, partly offset by a positive impact from higher average market levels following the recovery of equity markets in the second half of 2020.

Adjusted operating expenses

Adjusted operating expenses decreased by 10% to £1,206m driven by the benefits of ongoing transformation activity, lower total staff costs, discretionary spend savings (including COVID-19 related savings) and lower change related spend.

Total staff and other related costs within adjusted operating expenses reduced by £73m to £643m (2019: £716m) mainly due to the planned reduction from transformation and lower spend on agency contractors, variable compensation and recruitment.

Total non-staff costs reduced by £54m to £563m (2019: £617m) including a c£20m benefit from lower discretionary spend including travel and events during this period of COVID-19 restrictions, and also lower consultancy and change costs.

At 31 December 2020, actions have been taken which are expected to deliver £351m of annualised synergies, benefiting 2020 operating expenses by £287m (2019: £234m) with further benefits expected in 2021. Cost synergies have been realised from a reduction in staff costs, rationalisation of premises, and efficiencies in supplier spend, including procurement and other actions to avoid cost increases the benefits of which are not included in the £287m above. We remain on track to meet the overall synergy target of £400m in 2021.

Costs incurred to date to deliver these synergies are £515m, of which £79m were incurred in 2020 (2019: £214m). Our estimate for total costs remains at £555m. These costs are included in restructuring expenses within adjusting items, together with the costs of other restructuring programmes, such as platform transformation and separation from Phoenix. Total restructuring costs in 2021 are expected to remain broadly in line with the current level.

Capital management

Capital management generated a profit of £21m (2019: £37m) from:

- Investment gains of £18m (2019: £26m) including seed capital and co-investment fund holdings
- Reduced net finance costs of £17m (2019: £18m)
- Reduced net interest credit relating to the staff pension schemes of £20m (2019: £29m) reflecting a lower discount rate

Asset management associates and joint ventures

We reduced our shareholding in HDFC Asset Management in December 2019 and in 2020. This was the main factor in the 23% reduction in adjusted profit to £44m (2019: £57m). Profitability was also impacted by adverse movements in exchange rates and market conditions.

Our percentage ownership of HDFC Asset Management at 31 December 2020 was 21.24% (2019: 26.91%) and the value of our holding at 5 March 2021 was £1.4bn.

Insurance associates and joint ventures

	2020			2019	
	Value £bn ¹	Stake % ²	Profit £m	Stake % ²	Profit £m
Phoenix	1.0	14.42	163	19.97	136
HDFC Life ³	1.3	8.89	19	14.73	36
HASL		50.00	21	50.00	17
Total	2.3		203		189

¹ Listed value as at 5 March 2021.

² Ownership as at 31 December.

³ From 3 December 2020, HDFC Life is no longer classified as an associate of the Group.

Adjusted profit before tax in our insurance associates and joint ventures increased to £203m. Our share of Phoenix adjusted profit before tax included a benefit from actuarial assumption changes of £52m (2019: £30m). Our holding in the enlarged Phoenix Group reduced to 14.42% following the completion of its acquisition of ReAssure Group plc.

Our share of HASL profits increased to £21m mainly due to favourable investment returns.

The lower share of HDFC Life profits primarily reflects the reduction in our shareholding following the combined sales of 5.83% in 2020. Following the share sale on 3 December 2020, our remaining shareholding in HDFC Life is no longer classified as an associate of the Group. See Note 16 of the Group financial statements for further details.

Adjusting items

	2020 £m	2019 £m
Profit on disposal of interests in associates	1,858	1,542
Restructuring and corporate transaction expenses	(355)	(407)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	(1,287)	(1,844)
(Loss on)/reversal of impairment of associates and joint ventures	(45)	243
Change in fair value of significant listed investments	65	–
Investment return variances and economic assumption changes	46	(25)
Other	86	158
Total adjusting items	368	(333)



See pages 117 and 141 for further details on adjusted profit and reconciliation of adjusted profit to IFRS profit. Further details on adjusting items are included in the Supplementary information section.

The profit on disposal of interests in associates of £1,858m includes a one-off accounting gain of £1,051m following the reclassification of HDFC Life from an investment in associates accounted for using the equity method to equity securities measured at fair value (see Note 16). There was also a £540m profit from the sale of 5.83% of the shares in HDFC Life and £263m from the sale of 5.64% of the shares in HDFC Asset Management.

Restructuring and corporate transaction expenses were £355m primarily reflecting ongoing transformation costs for integration, separation from Phoenix and implementing our simplified operating model. 2019 included £49m relating to the repurchase of subordinated debt. Total Phoenix separation costs accounted for to date amount to £282m and include £112m in 2020. Our estimate of the total of these one-off separation costs we expect to incur remains £310m.

The amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts were £1,287m. This includes impairment of goodwill of £915m (2019: £1,569m) relating to an impairment of asset management goodwill and resulted from the impact on reported revenue and future revenue projections of global equity market falls and a change in mix with a higher proportion of lower margin assets. Both the fall in equity markets and the change in asset mix were global market impacts primarily resulting from COVID-19. The asset management goodwill is now fully impaired. The impairment of customer relationship and investment management contract intangibles of £134m resulted from the impact of markets, net outflows and a fall in revenue yield on future earnings expectations. See Note 15 of the Group financial statements for further details.

The impairment of associates and joint ventures of £45m relates to our joint venture with Virgin Money.

The change in fair value of significant listed investments of £65m represents the impact of movements in the listed share price on our 8.89% holding in HDFC Life from 3 December 2020 to 31 December 2020.

Investment return variances and economic assumption changes gain of £46m relates to our share of Phoenix adjusting items.

Other adjusting items of £86m primarily relates to Insurance associate and joint ventures, largely reflecting our share of Phoenix gains relating to the acquisition of ReAssure.

IFRS loss from discontinued operations

The IFRS loss from discontinued operations of £15m (2019: profit £56m) reflects a change in the value of contingent consideration relating to the sale of the UK and European insurance business to Phoenix. The 2020 loss includes the impact of the resolution of certain legacy issues with Phoenix.

Taxation

Our approach to tax plays a significant role in supporting our purpose. Our tax strategy is guided by a commitment to ethical, legal and professional standards and being open and transparent about what we are doing to meet those standards.

The total IFRS tax credit attributable to the profit for the year was £15m (2019: £28m expense), resulting in an effective tax rate of negative 2% on the total IFRS profit (2019: positive 12%). The effective tax rate is lower than the UK corporation tax rate of 19% due mainly to the sale of shares in HDFC Asset Management being subject to tax in India at a lower rate than the UK corporation tax rate and the sales of shares in HDFC Life not giving rise to tax in India due to reliefs available under India's tax legislation and international tax treaties. In addition, the gain relating to the HDFC Life reclassification did not give rise to a tax charge. These factors are partially offset by impairment losses on goodwill which are not deductible for tax purposes.

The tax expense attributable to adjusted profit before tax totalled £76m (2019: £115m), which includes £38m (2019: £46m) representing equity holders' share of tax which is attributable to our share of the profits of associates and joint ventures. The effective tax rate on adjusted profit is 15.6% (2019: 19.7%). This is lower than the 19% UK rate primarily due to the reversal of planned reductions in the rate of UK corporation tax. This has a beneficial effect in increasing the value of our deferred tax assets. There was also a lower rate of tax on profits from associates and joint ventures.

Total tax contribution

Total tax contribution is a measure of all the taxes Standard Life Aberdeen pays to and collects on behalf of governments in the territories in which we operate. Our total tax contribution was £484m (2019: £526m). Of the total, £203m (2019: £211m) was borne by Standard Life Aberdeen whilst £281m (2019: £315m) represents tax collected by us on behalf of the tax authorities. Taxes borne 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.



You can read our tax report on our website
www.standardlifeaberndeen.com/annualreport

Capital and liquidity

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

Adjusted capital generation

Adjusted capital generation of £262m reduced as a result of the lower revenue in 2020 and lower dividends received. Further information on adjusted capital generation is provided in Supplementary information.

	2020 £m	2019 £m
Adjusted profit after tax	411	469
Less net interest credit relating to the staff pension schemes	(20)	(29)
Less associates' and joint ventures' adjusted profit after tax	(209)	(200)
Add associates' and joint ventures' dividends received	80	93
Adjusted capital generation	262	333

Net movement in surplus regulatory capital

The key measure of available resources is surplus regulatory capital less an appropriate buffer, rather than cash.

In addition to the adjusted capital generation, £0.9bn of additional capital was generated in 2020 through the sale of shares in HDFC Life and HDFC Asset Management. The £2.3bn indicative capital surplus below includes a deduction to allow for the final dividend which will be paid in May 2021.

Analysis of movements in surplus regulatory capital	2020 £bn	2019 £bn
Opening 1 January	1.7	0.6
Sources of capital		
Adjusted capital generation	0.3	0.3
HDFC Life and HDFC Asset Management sale proceeds	0.9	1.7
Uses of capital		
Restructuring and corporate transaction expenses (net of tax)	(0.2)	(0.3)
Dividends	(0.3)	(0.5)
Share buyback programme	(0.4)	(0.4)
Other	0.3	0.3
Closing 31 December	2.3	1.7

Other in 2020 includes a £0.5bn increase relating to HDFC Life following our shareholding falling below 10%.

The Group's capital resources include c£0.8bn (2019: c£0.3bn) from holdings in insurance entities that it is expected will no longer be eligible following the implementation of the IFPR from 1 January 2022. The IFPR is also expected to introduce constraints on the proportion of the minimum capital requirement that can be met by each tier of capital. As a result, it is estimated that c£0.3bn of existing Tier 2 capital, whilst continuing to be reported within the Group's capital resources, would not be available to meet the current minimum capital requirement from 1 January 2022.



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

Cash and liquid resources

Cash and liquid resources remained robust at £2.5bn at 31 December 2020 (2019: £2.7bn). These resources are high quality and mainly invested in cash, money market instruments and short-term debt securities. Cash and liquid resources is an APM, see Supplementary information for further details.

IFRS net cash inflows

Net cash inflows from operating activities were £56m which includes outflows from restructuring costs, net of tax, of £232m.

Cash inflows from investing activities of £1,014m includes net proceeds of £616m from the sale of shares in HDFC Life and £265m from the sale of shares in HDFC Asset Management.

Cash outflows from financing activities of £1,064m primarily relate to the purchase of shares as part of the buyback programme of £361m and £479m for dividends paid in the year.

The cash inflows and outflows described above resulted in closing cash and cash equivalents of £1,358m (2019: £1,347m) as at 31 December 2020.

IFRS net assets

IFRS net assets were stable at £6.8bn (2019: £6.7bn) with profits offset by dividends and the share buyback.

Intangible assets reduced to £0.5bn (2019: £1.7bn) as a result of impairments and amortisation. See Note 15.

The principal defined benefit staff pension scheme, which is closed to future accrual, continues to have a significant surplus of £1.5bn (2019: £1.1bn), with the increase resulting from asset returns and non-economic assumption changes offset by changes in economic assumptions. See Note 34.

Financial investments increased to £3.1bn (2019: £2.1bn) as a result of HDFC Life being reclassified from an associate to an investment. Financial investments also include holdings of £277m (2019: £275m) in newly established investment vehicles which the Group has seeded and co-investments of £86m (2019: £84m). Additional detail is provided in Note 38.

Earnings per share

Adjusted diluted earnings per share reduced by 6% to 18.1p (2019: 19.3p). This reflects the 12% reduction in adjusted profit after tax, partly offset by the benefit of 6% from the ongoing share buybacks. Diluted earnings per share increased to 37.9p (2019: 8.8p).

Return of capital and distributable reserves

On 7 February 2020, we announced a share buyback of up to £400m. We completed this buyback in February 2021, with 158m shares repurchased at an average price of £2.53 per share.

At 31 December 2020 Standard Life Aberdeen plc had £2.1bn (2019: £2.3bn) of distributable reserves.

Viability statement

The assessment set out below is based on information known today.

Longer-term prospects

The Directors have determined that three years is an appropriate period over which to assess the Group's 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 deliver efficient, sustainable growth. The assessment also reflects the Group's strategic priorities as set out on pages 10 to 11.

In forming this assessment, the Directors have also taken into account:

- The Group's strong regulatory capital position as set out on page 36
- The substantial holdings of Group cash and liquid resources as set out on page 36
- The Group's holdings in listed associates and other listed equity investments as set out on page 34
- The Group's principal risks as set out on pages 38 to 40

Assessment of prospects

The Directors consider the Group's focus on delivering on its strategic priorities will provide the environment to drive efficient, sustainable growth while maintaining the Group's strong capital position and the dividend policy described on page 31.

Viability

We consider that three years is an appropriate period for assessing viability as this is in line with the horizon used for our business planning and stress testing and scenario analysis processes. In considering the viability statement, the Board performed a robust assessment of the Group's principal risks and took account of these processes, the results of reverse stress testing activity and the impact of COVID-19 as follows:

The business planning process includes the projection of profitability, regulatory capital and liquidity over a three year period, based on a number of assumptions. This includes assumptions regarding the economic outlook which have been reshaped during 2020 as a result of the COVID-19 pandemic.

Stress testing and scenario analysis applies severe, and in some cases extreme, stresses to the business plan to understand the financial resilience of the business.

Our analysis performed in 2020 included the consideration of the impact of scenarios based on a severe economic scenario with adverse flows and overlaid with stresses which reflect our principal risks. This included a stress involving a significant spike in operational errors which was considered relevant in the context of heightened operational risk given the revised working practices adopted across the Group due to COVID-19.

The scenarios we modelled assumed net outflows of 13% of AUMA per annum with global equity markets falling on average around 45% from year-end levels and notable falls in commercial property and corporate bond values. Whilst capital was eroded and liquidity fell under all the scenarios we explored, the largest falls occurred in the scenario where the flow and market stress was accompanied by a stress to basis point fees charged to clients.

The Group had sufficient liquid resources to withstand all of the stresses and the extent of management actions required in those scenarios with regulatory capital shortfalls was moderate given the strength and quality of the Group's financial position. The Group also has a diverse range of management actions available to respond to stressed conditions. This includes management actions wholly within the Group's control and of sufficient scale to ensure that none of the scenarios explored threatened the Group's viability.

Reverse stress testing involves exploring the quantitative and/or qualitative impacts of extreme but plausible risk scenarios which could threaten the viability of our business model. In 2020, we explored two scenarios which were:

- A cyber-attack manifested by a malware deployed on our systems
- An event such as a pandemic, building incident or travel disaster occurs which impacts on the ability of a significant number of critical staff to execute their responsibilities for a period of at least six weeks

A reassessment of reverse stress tests performed in prior years was also undertaken to confirm there has been no material increase in risks to viability.

Whilst the impact of all the scenarios explored meets the definition of reverse stress tests, the scenarios were considered to have a very low likelihood of occurrence. This, and the range of mitigants in place to respond to the scenarios, supports the assessment of viability and no qualification is considered necessary.

Impact of COVID-19

Further to the above, the Directors have explicitly considered the impact of COVID-19 on the Group's viability recognising the measures taken in response to the COVID-19 pandemic as set out on page 3. This highlighted that the Group did not require government support and has demonstrated its ability to operate successfully with the vast majority of employees working from home.

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.

Identifying and managing risk to help us deliver better outcomes

Our approach to risk management

A strong risk and compliance culture is fundamental to managing our business, and effective, risk-based decision-making is essential for delivering the right outcomes for our clients and other stakeholders. Our Board has ultimate responsibility for risk management, and it oversees the effectiveness of our Enterprise Risk Management (ERM) framework.

Three lines of defence

We operate 'three lines of defence' in the management of risk with clearly defined roles and responsibilities:

- **First line:** Day-to-day risk management, including identification and mitigation of risks and maintaining appropriate controls
- **Second line:** Oversight from our Risk and Compliance function, which reports to the Chief Risk Officer
- **Third line:** Our Internal Audit function, reporting to the Chief Internal Auditor, independently verifies our systems of control

ERM framework

This underpins risk management throughout our business. We continually evolve our framework to meet the changing needs of the group and to make sure it keeps pace with industry best practice and the risk profile of the business. In 2020, improvements to the framework included:

- Strengthening our risk appetite framework by introducing new risk tolerances to support governance and risk management
- Extending and refining our risk taxonomy so we can describe risk more accurately
- Extending the Senior Manager and Certification Regime across all of our UK regulated subsidiaries including the roll-out of training on conduct rules and other support for our senior managers and certified employees

Business risk environment

The major impact of COVID-19 on our operating environment will extend well into 2021. We have shown resilience in the way we have dealt with the effects of the pandemic and we continue to manage its market, operational and financial impacts as we deliver our business plan.

The vast majority of our colleagues are working from home, using the enhanced IT infrastructure that was implemented in response to the pandemic. We have also put strict processes and safeguards in place to protect critical workers who need to be in our offices.

The commercial environment remained challenging during 2020, exacerbated by the impact of the pandemic. While investment performance continued to strengthen and the pace of net outflows was materially reduced compared to previous years, revenue margins across the industry remained under pressure and net revenue declined.

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

In the near term, there is still operational stretch as work continues on the transformation of the business. Phoenix separation activity is complex and has to be managed and coordinated with other transformation work, so that the impact on business as usual is kept to a minimum.

We are actively working to retain talent and to promote colleague wellbeing and engagement and you can read more about this in the people section of this report. We have planned resources carefully, with clear executive ownership and accountability for programmes. This has been achieved as we continued with business as usual activities.

The UK's withdrawal from the EU caused political and commercial uncertainty in 2020 though we had prepared extensively for the UK's exit. This has been partly addressed by the Trade and Cooperation Agreement although questions still remain about the longer-term UK/EU relationship for financial services. We also continue to closely monitor developments and actively engage with industry groups, including the Investment Association.

We maintain heightened vigilance over risks to our operations from financial crime and cyber intrusion. Our dedicated, expert internal teams monitor and manage these risks as they evolve, with the support of external specialists.

Our conduct risk framework is something we strengthen continuously and client interests are at the heart of this work. In 2020, we improved our processes in relation to vulnerable customers.

ESG risks

We have a responsibility to shareholders, clients and all stakeholders to assess, report on, manage and mitigate our ESG risks. For 'Environment', risks are primarily related to climate change and these are an important aspect of integrating ESG considerations in our portfolio management activities. In addition, we continue to review climate-related risks and manage our own business impact on climate change. Our TCFD report provides further discussion. For 'Social', our risks primarily relate to our people engagement, wellbeing, development and diversity and inclusion. For 'Governance', our risks primarily relate to corporate governance, conduct, ethics and cyber-crime. These ESG risks are discussed further under Principal risks and throughout the Annual report and accounts.

We have a materiality review every 2-3 years to ensure we are focusing on the right ESG risks and issues. Our latest review is included in our 2019 Corporate sustainability report.

Emerging risks

We are vigilant to emerging risks that could impact our strategy and operations with a particular focus on our three vectors of growth. The nature of these risks could be geopolitical, economic, societal, technological, legal, regulatory or environmental. We distil internal and external research to model how risks could emerge and potentially evolve, and to inform how we address them as a company. Emerging risks to our business include the availability of talent in our future workplace, new cyber threats, disruptive technologies, unprecedented market shifts, climate change, emerging variants of COVID-19 and indirect impacts resulting from the pandemic.

Principal risks and uncertainties

The risks we face as a business have as much to do with our actions and approaches internally, as they do with the external environment. These risks fall into 12 areas that form the basis of our ERM framework. This framework gives us the structure to assess, monitor, control and govern the risks in our business. Principal and emerging risks are subject to active oversight and robust assessment by the Board, and the principal risks are described in the following table.

Risk to our business and how this evolved in 2020

How we manage this risk

1 Strategic risk

These are risks that could prevent us from achieving our strategic aims and the successful delivery of our business plans. They could include failing to meet client expectations, poor strategic decision-making, poor implementation or failure to adapt. They could have short and long-term financial impact.

Our new CEO and the executive leadership team (ELT) have developed a three year strategic plan, focusing on our vectors of growth. Our ability to deliver for clients will depend on the progress we make against this plan.

The ELT has been reorganised to align with our growth vectors. They are working to establish areas of accountability, milestones, ways of working and specific actions that will deliver against the strategic plan.

We actively scan and assess emerging risks so that we can take timely and proportionate action.

2 Financial risk

This is the risk of having insufficient resources, suffering losses from adverse markets or the failure or default of counterparties. It could be influenced by inflows and outflows, global market trends, as well as margins on investment mandates, platforms and wealth management services. For example, we have seen revenues impacted by reducing margins on flows.

Our capital and liquidity position remains strong despite the economic effects of the pandemic. As a result of the impact of COVID-19 and achieving transformation milestones we have reduced non-staff costs.

We hold capital against our risks and review them on an ongoing basis. We stress-test our resilience to market, operational and business risk. As contingency, we maintain external liquidity as part of our liquidity management framework. We manage our cost base and identify opportunities for further cost reduction.

3 Conduct risk

Our business relies on our ability to deliver fair client outcomes. There is a risk that we fail to achieve this in our strategies, decisions and actions which could lead to customer and client harm, reputational damage and loss of income.

In response to COVID-19 we prioritised running our business with minimal client impact while maintaining an effective control environment for remote working.

Our ERM framework supports the management of conduct risk with clear expectations around conduct goals and responsibilities. In 2020 we refreshed our Global Code of Conduct, for all employees.

Drawing on the UK Senior Manager and Certification Regime, we rolled out training to our teams to understand how to apply our conduct rules in their roles.

4 Regulatory and legal risk

High volumes of regulatory change can present implementation and interpretation challenges. This can lead to a risk of failing to comply with, or allow for changes in, law and legislation, contractual requirements or regulations, globally. This in turn could lead to sanctions, reputational damage and loss of income.

With the impact of COVID-19 we engaged closely with our regulators throughout 2020 and were able to provide assurance around our ability to serve our customers and clients without interruption. The risk of regulatory uncertainty arising from Brexit was another important issue to manage.

We monitor the regulatory landscape globally so that we can engage in potential areas of change early. We also invest in compliance and monitoring activity across the business. Our relationships with key regulators are based on trust and transparency while our Legal team supports senior managers across our business.

Operational risks (5-12)

5 Process execution and trade errors

This is the risk that processes, systems or external events could produce operational errors. During 2020 there was a rise in events requiring investigation and remediation. This has not led to material adverse impact on clients.

We dealt with potentially important systems outages using established incident management processes. Senior risk committees have been reviewing the impact of COVID-19 on these processes.

We monitor underlying causes of error to identify areas for action, promoting a culture of accountability and continuously improving how we address issues. We also continue to update and improve the ERM framework. In addition, we have set up a taskforce to fast track issues that have the potential to impact clients.

6 People

Engaging with our people, and supporting their wellbeing, is critical to our strategy and the overall success of the business. However, there is a risk of resources and employment practices failing to align with strategic objectives.

During the pandemic, new risks emerged including the potential impacts on people's physical and emotional wellbeing. We monitored and took steps to mitigate them.

From the early stages of the pandemic, we successfully established new ways of operating with most colleagues moving to home working. We provided tools to support remote working and collaboration and moved our learning and development offer online. We also offered support for wellbeing, such as counselling, and asked colleagues to use their entire 2020 holiday allocation.

Risk to our business and how this evolved in 2020

How we manage this risk

7 Technology

There is a risk that our technology may fail to adapt to business needs. There is also a risk of unauthorised users accessing our systems, and of our systems being subject to cyber attacks.

This risk is relevant to a wide range of potential threats to the business including weather events, internal failure, external intrusion and supplier failure.

Our current IT estate is complex and will remain so until separation from Phoenix is complete. Our dependence on third party suppliers also needs to be managed in a dedicated way. 2020 only saw minor disruptions to service and improvement plans are now in place.

We have an ongoing programme to invest in, and enhance, our IT infrastructure controls. We benchmark our IT systems environment to identify areas for improvement. IT resilience is monitored at senior executive committees.

We maintain a state of heightened vigilance for cyber intrusion, with dedicated teams actively monitoring and managing cyber security risks. We carry out regular testing on penetration and crisis management – including a reverse stress test of a cyber-attack in 2020.

8 Business resilience and continuity

A wide range of internal and external incidents can impact business resilience and continuity. Environmental issues, terrorism, economic instabilities, cyber attacks and operational incidents could all threaten our business.

The risk of disruption from inside the organisation remains broadly stable. However, tools for exploiting IT vulnerabilities are becoming more widely available externally.

COVID-19 has been a real test of our business resilience. We have had to adapt ways of working to protect client interests while working effectively from home.

We continue to enhance our operational resilience framework and strengthen our response to disruption. Business continuity and contingency planning processes are regularly reviewed and tested, and have enabled us to minimise disruption for people working from home. We also implemented protective controls to allow critical workers to be in our offices.

9 Fraud and financial crime

As a business that handles clients' money we are exposed to the risk of fraudulent and dishonest activity.

As we engage with a wide number of external parties, we have to be vigilant to the risk that these parties are connected with criminal behaviour, or subject to sanctions by national or global authorities. We have maintained very low levels of fraud in 2020 and we adapted successfully to the operational challenges of COVID-19. We have commissioned an independent review to identify any areas for improvement.

Sound processes are in place to identify client activity linked with financial crime, globally. These include controls for anti-money laundering, anti-bribery, fraud and other areas of financial crime. We continue to invest in controls and processes to improve our monitoring of these risks.

Along with other asset managers, a small number of our products were cloned by fraudsters. We worked with the financial authorities and industry peers to assist those who had been targeted by these scams.

10 Change management

This is the risk of failing to manage strategic and operational change initiatives effectively. In 2020 we closely monitored and managed the impact of the pandemic on transformation timelines, particularly around technology infrastructure.

We continued to implement significant change projects relating to embedding ESG principles and the discontinuation of LIBOR. We also maintained a focus on managing the impact of our transformation activity and the associated costs.

We manage major change projects centrally, with clear governance processes and consolidation of our change workload. Second and third lines have clear roles in overseeing progress, and we deliver projects in ways that help us to protect client outcomes.

11 Third party management

We outsource activities to suppliers with specialist capabilities which means we are exposed to the risk of third parties failing to deliver in line with contractual obligations. It's our responsibility to make sure these firms deliver, so we continue to streamline delivery and reduce complexity.

In 2020 we also monitored the potential impacts of COVID-19 and Brexit in our supply chain, to minimise the risk of disruption to the business.

Our aim is to maintain strong relationships with suppliers. During 2020, we rolled out a new programme to rationalise our supplier base and strengthen our oversight of our suppliers.

Our Third Party Code of Conduct requires third parties to acknowledge their best practice responsibilities.

12 Financial management process

Sound and reliable financial reporting informs our company's performance, future planning and disclosures to external stakeholders. Failures in these processes would expose our business and shareholders to the risk of making poorly informed decisions. In 2020, the workforce successfully moved to home working with minimal disruption to financial management processes.

Our financial reporting activities align to external reporting standards and industry best practice. Our Audit Committee reviews, and where necessary challenges, our reporting. Our Chief Risk Officer also provides an independent review of our business plan to support decision-making.

The cover to page 41 constitute the Strategic report which was approved by the Board and signed on its behalf by:



Stephen Bird

Chief Executive Officer

Standard Life Aberdeen plc (SC286832)

9 March 2021

Governance

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2. Board of Directors

Our business is overseen by our Board of Directors. Biographical details (and shareholdings) of the Directors as at 8 March 2021 are listed below.



**Sir Douglas Flint CBE –
Chairman**

Appointed to the Board	Age
November 2018	65
Nationality	Shares
British	89,369
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 for Financial and Professional Services to China's Belt and Road Initiative. He is also a member of the Monetary Authority of Singapore's international advisory panel, and of the board of the International Chamber of Commerce UK.

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.



**Stephen Bird –
Chief Executive Officer**

Appointed to the Board	Age
July 2020	54
Nationality	Shares
British	500,000*

Stephen brings an established track record of delivering exceptional value to clients, creating high-quality revenue and earnings growth in complex and competitive financial markets, as well as deep experience of business transformation during periods of technological disruption and competitive change.

Stephen joined the Board in July 2020 as Chief Executive-Designate, and was formally appointed Chief Executive Officer in September 2020. Previously, Stephen served as chief executive officer of global consumer banking at Citigroup from 2015, retiring from the role in November 2019. His responsibilities encompassed all consumer and commercial banking businesses in 19 countries, including retail banking and wealth management, credit cards, mortgages, and operations and technology supporting these businesses. Prior to this, Stephen was chief executive for all of Citigroup's Asia Pacific business lines across 17 markets in the region, including India and China.

Stephen joined Citigroup in 1998, and during his 21 years with the company he held a number of leadership roles in banking, operations and technology across its Asian and Latin American businesses. Before this, he held management positions in the UK at GE Capital – where he was director of UK operations from 1996 to 1998 – and at British Steel. He holds an MBA in Economics and Finance from University College Cardiff, where he is also an Honorary Fellow.



**Stephanie Bruce –
Chief Financial Officer**

Appointed to the Board	Age
June 2019	52
Nationality	Shares
British	133,741*

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. Her responsibilities included client services, product development, operations and quality assurance across the UK business.

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 an associate of the Association of Corporate Treasurers. She holds a Bachelor of Laws (LLB) from the University of Edinburgh.

She is also a member of the Institute of Chartered Accountants of Scotland and served as the chair of its audit committee.

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 83 of the Directors' remuneration report 2020.



**Jonathan Asquith –
Non-executive Director and Senior
Independent Director**

Appointed to the Board	Age
September 2019	64
Nationality	Shares
British	70,000
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 a non-executive director of CiCap Limited and its regulated subsidiary Collier Capital Limited. He is also a non-executive director of Northill Capital Services Limited and a number of its subsidiaries – Vantage Infrastructure Holdings, Securis Investment Partners and Capital Four Holding A/S. At the end of 2020 he stepped down as deputy chairman of 3i Group plc after nearly ten years as a board member. 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 Tilney, 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 plc, 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	62
Nationality	Shares
British	28,399
Board committees:	A NC RC

John's previous roles in asset management, his experience in the US and Asia and his background in finance, 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 Chair 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	59
Nationality	Shares
British	67,500
Board committees:	A NC

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 also a non-executive director and chair of the healthcare company Syncona Limited, a FTSE 250 company. She 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 was also chair of Ridgeway Partners Holdings Ltd from 2019, and of its wholly-owned subsidiary Ridgeway Partners Limited from 2016, until 2020. She holds an MA in Mathematics from the University of Oxford.



**Brian McBride –
Non-executive Director**

Appointed to the Board	Age
May 2020	65
Nationality	Shares
British	Nil
Board committees:	R

Brian brings a wealth of digital experience and global leadership experience in both executive and non-executive directorship roles. His direct experience of developing digital strategies and solutions in consumer-facing businesses, in rapidly evolving markets, is of great benefit to the Board's discussions.

Brian is currently chair of Trainline PLC, non-executive director of Kinnevik AB, and the lead non-executive director on the board of the UK Ministry of Defence. He is also a senior adviser to Scottish Equity Partners.

In his executive career, Brian has worked for IBM, Crosfield Electronics and Dell before serving as chief executive officer of T-Mobile UK and then managing director of Amazon.co.uk. As a non-executive director, Brian has served on the boards of AO.com, the BBC, Celtic Football Club PLC, Computacenter PLC and S3 PLC, and as chair of ASOS PLC.

He holds an MA (Hons) in Economic History and Politics from the University of Glasgow.



**Martin Pike –
Non-executive Director**

Appointed to the Board	Age
September 2013	59
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 sits on the audit and risk committee, and chairs the nomination and remuneration committee. In 2021 he was appointed chairman and non-executive director of AIG Life Limited, as well as becoming a member of its audit committee and chair of its 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 Raffaelli –
Non-executive Director**

Appointed to the Board	Age
August 2018	64
Nationality	Shares
American	9,315
Board committees:	R RC

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 clients and their advisers.

Cathi 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 Kapital Holdings, LLC and president and chief executive officer of ProAct Technologies Corporation. She was also a non-executive director of Federal Home Loan Bank of New York – where she was a member of the executive committee, and vice chair of both the technology committee and the compensation and human resources committee.

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

* Shares include qualifying awards as described on page 83 of the Directors' remuneration report 2020.



Cecilia Reyes –
Non-executive Director

Appointed to the Board	Age
October 2019	62
Nationality	Shares
Swiss and Philippine	Nil
Board committees:	R RC

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

Before joining the 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 its 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 Rosenberg –
Non-executive Director

Appointed to the Board	Age
August 2017	62
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



■ Male: 6
■ Female: 5

Executive and Non-executive mix



■ Non-executive: 9
■ Executive: 2

Nationality



■ British: 8
■ American: 1
■ Danish: 1
■ Swiss and Philippine: 1

Tenure as at March 2021



■ 0-3 years: 7
■ 3-5 years: 1
■ 5+ years: 3

Ethnicity



■ White: 8
■ Prefer not to say: 2
■ Asian: 1

3. Corporate governance statement

The Corporate governance statement and the Directors' remuneration report, together with the cross references to the relevant other sections of the Annual report and accounts, explain the main aspects of the Company's corporate governance framework and seek to give a greater understanding as to how the Company has applied the principles and reported against the provisions of the UK Corporate Governance Code 2018 ('the Code').

Statement of application of and compliance with the Code

For the year ended 31 December 2020, the Board has carefully considered the principles and provisions of the Code (available at www.frc.org.uk) and has concluded that its activities during the year and the disclosures made within the Annual report and accounts comply with the requirements of the Code. The Corporate governance statement also explains the relevant compliance with the Disclosure Guidance and Transparency Sourcebook. The table on page 102 sets out where to find each of the disclosures required in the Directors' report in respect of Listing Rule 9.8.4 R.

1. Board leadership and company purpose

Company purpose and Business model

The Board supports the Company's purpose set out on pages 1 and 2 of the Strategic report, and oversees implementation of the Group's business model, which it has approved and which is set out on page 12. Pages 2 to 41 show how the business model supported the protection and generation of value in 2020, as well as underpinning our strategy for growth. The Board's consideration of current and future risks to the success of the Group is set out on pages 38 to 40, complemented by the report of the Risk and Capital Committee on pages 66 to 69.

Oversight of culture

The Board and the Nomination and Governance Committee play an important role in overseeing how the Group assesses and monitors the culture evident within the business and how the desired behaviours are embedded across the Group and contribute to its success. 'Building a culture of curiosity and ownership' and the activities to support it are covered on pages 22 and 23. The ELT reviewed the Group's internal culture document – the Blueprint – which was updated to reflect the input of Stephen Bird as incoming CEO – to make sure that it remained aligned with the Company's evolving purpose and strategy, and also some of the lessons learned from different ways of working during the pandemic, such as increased collaboration spaces being available when we are able to return to working in the office. The Nomination and Governance Committee has asked that measures are developed during 2021 to monitor and assess culture consistently across the Group. In addition, page 26 includes a summary of the charitable actions taken to support local communities during the pandemic.

Stakeholder engagement

Recognising their obligations under the Companies (Miscellaneous Reporting) Regulations 2018, the Annual report and accounts explains how the Directors have complied with their duty to have regard to the matters set out in section 172 (1) (a)-(f) of the Companies Act. These matters include 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. The table on pages 50 to 51 sets out the Board's focus on its key relationships and shows how the relevant stakeholder engagement is reported up to the Board or Board Committees. During 2020, the means to deliver effective

engagement needed to be adjusted to reflect the impact of COVID-19, but was done so successfully.

Engaging with investors

The Investor Relations and Secretariat teams support the direct investor engagement activities of the Chairman, CEO, CFO and, as relevant, Committee chairs. During 2020, and within COVID-19 restrictions, there was a programme of domestic and international meetings with investors and analysts. The wide range of relevant issues discussed included CEO succession, progress on transformation, business strategy, financial performance, operational activities and corporate governance, including diversity and inclusion. The Chairman, CEO and CFO bring relevant feedback from this engagement to the attention of the Board. Following his appointment as CEO, Stephen Bird undertook a specific programme of engagement to meet with, and introduce himself to, major institutional investors. Prior to recommending the revised remuneration policy to shareholders at the 2020 Annual General Meeting, the Remuneration Committee Chairman also consulted extensively with major institutional investors regarding the design of the Company's executive remuneration plans.

The Board pays particular attention to the interests of the Company's 1.1 million individual shareholders who hold more than one third of the Company's issued shares. Given the nature of this large retail shareholder base, it is impractical to communicate with all shareholders using the same direct engagement model followed for institutional investors. Shareholders are encouraged to receive their communications electronically and around 410,000 shareholders receive all communications this way. The Company actively promotes self service via the share portal and over 450,000 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 easy 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. The CEO and CFO continue to host formal presentations to support the release of both the full year and half year financial results with the related transcript and webcast available on the Company's Investor Relations website www.standardlifeaberdeen.com/annualreport

The 2020 Annual General Meeting was held in Edinburgh on 12 May 2020. As a consequence of COVID-19 restrictions, no more than two people were permitted to assemble publicly and so shareholders were not able to attend in person. The meeting took place with the CEO and the Company Secretary present as members. Shareholders were invited to submit questions in advance of the meeting and the Chairman recorded a video presentation which addressed the main themes of the questions raised. The CEO also recorded a presentation providing a business update, including an overview of the COVID-19 response planning. Both videos were posted on the Company's website on the day of the AGM. The results were made available on the website the same day. 49% of the shares in issue were voted and all resolutions were supported although resolution 16 did not reach the necessary threshold to pass as a special resolution. Investor feedback made it clear that the lack of support was in relation to the interpretation that the proposed changes to the Company's Articles of Association would allow the Company to hold virtual-only meetings. To emphasise, neither the current nor proposed

Articles would allow the Company to hold a virtual-only AGM. The proposed change was to allow electronic participation in a physical meeting.

Following on from failure to reach the level of support needed to pass the vote on the proposal to amend the Articles (resolution 16), the Board issued, as required by the Code, an updating regulatory announcement on 12 November 2020. The announcement summarised the engagement the Company had had with institutional investors on the specific matter and re-emphasised that it was not the Board's intention to move to hold a virtual-only AGM. Shareholders will be invited to vote on proposed revisions to the Articles at the 2021 AGM.

At present, we do not expect the COVID-19 restrictions to have eased sufficiently to allow shareholders to be able to attend this year's AGM in person. Instead shareholders will be able to view the AGM live by webcast. Questions can be submitted in advance or during the meeting and Directors will respond to as many questions as possible during the meeting.

The AGM guide 2021 will be published online at www.standardlifeaberdeen.com in advance of this year's meeting. The voting results, including the number of votes withheld, will be published on the website at www.standardlifeaberdeen.com after the meeting.

Engaging with employees

Melanie Gee has continued as the designated NED to support workforce engagement. The Board Employee Engagement (BEE) annual plan is designed to access views from all employees across the business, including those located outside the U.K. During 2020, some of the direct engagement plans were disrupted by the need to comply with COVID-19 restrictions but the Board has continued to engage with employees directly and through regular meetings with relevant employee representatives via interactive video conference calls. The various BEE initiatives are covered below.

As the Viewpoints survey was undertaken in 2020, no additional all-employee BEE related surveys were issued. Follow-up to the 2019 survey on diversity and inclusion is included on page 22, and the outputs from the ESG survey continue to inform ESG initiatives.

The BEE group continued to operate and met four times in 2020. Employees attending these meetings included:

- The UK employee representative forum
- Representatives of all the employee networks (Unity, YPDN, Lighthouse, Balance, Armed Forces, Mind Matters)
- Regional HR representatives to discuss local initiatives on employee engagement. During 2020, the BEE group heard about how local activities were targeted to take account of country-specific circumstances. The regions also shared local lockdown experiences with a view to helping each other.
- The Diversity and Inclusion Team to discuss how they are taking forward employee engagement matters, including those arising from the Viewpoints survey

- The Sustainability team, to consider how operational ESG and climate change initiatives and charitable initiatives are being taken forward, and how charitable initiatives were focused on local needs in the light of the COVID-19 pandemic

At these meetings, there was also general discussion of engagement themes and initiatives which the various representatives had been made aware of.

During 2020, Melanie also met the chairs of all of the employee networks on a 1:1 basis. At these meetings, the network chairs responded to her ask of 'one request' which the networks wanted the Board to be aware of from their perspective. The results of these meetings were reported to the Board and the Board was supportive of the resulting actions which included the NEDs giving further masterclasses on their careers and each network being able to present directly to the Board.

As a result of COVID-19, the planned programme of NED engagement dinners had to be changed and although only one physical dinner was held, in February, a 'virtual get together' was held in December, also attended by the Chairman, which looked back at the 2020 BEE programme and identified some objectives for 2021. At the NED engagement dinner in February 2020, the NED attendees heard from employees who support engagement activities in their teams. They shared with the NEDs some of their ideas on communication and innovation.

In further BEE activities, there were three virtual Meet the NEDs sessions covering UK and EMEA, APAC and the Americas. These informal sessions were hosted by Melanie, accompanied by the Chairman and the NEDs, and employees took the opportunity to submit a wide variety of questions to the NEDs in advance of the meeting, and also raise questions during the meeting. While some of the questions were appropriate for the ELT rather than the NEDs, the NEDs committed to having the questions addressed and reported back to the attendees. Feedback from the Meet the NEDs sessions has been positive while recognising the constraints of the virtual process, and they complemented the physical or virtual 'Town Hall' sessions held by the CEO and the ELT throughout the year, all across the Group's operations.

The main general feedback themes which were escalated to the Board during 2020 included the need for continuing focus on comprehensive and quality communications to help employees understand the impact of COVID-19 on our offices; how they would be supported to carry out their roles and how employee interests were being considered in the ELT's initiatives.

At each Board meeting, Melanie gives a formal report on BEE activities, including the issues that have been raised through the discussions, and the Board considers how the ELT, in particular the Chief HR Officer, the Chief Brand, Marketing and Corporate Affairs Officer and the COO, are taking forward the points raised.

The BEE programme will continue in 2021, adjusted to take account of COVID-19.

Summary of Stakeholder engagement activities

Under s.172, the Directors consider their responsibilities to stakeholders in their discussions and decision-making.

Key stakeholders	Direct Board engagement	Indirect Board engagement	Outcomes
 Read more on pages 14 to 19. Clients	- The CEO meets regularly with key clients (virtually when pandemic restrictions are in place) and reports to the Board on such meetings - The CEO has weekly calls with his opposite number at Phoenix Group, our largest client and reports thereon to the Board - The CEO takes part in key client pitches to hear directly from clients on their requirements (again virtually when pandemic restrictions are in place) - The Chairman meets with key clients at international conferences and industry membership boards where he represents the Group - The Board members feed into Board discussions feedback received directly from clients	- The heads of the Growth Vectors report at Board meetings on key client engagement, support programmes and client strategies - Market share data and competitor activity are routinely reported to the Board - Analysis of successes and failures on client proposals is reported to the Board - Results of client perceptions survey/customer sentiment index are reported	- Engagement supported the development of the key client management process, and our client solutions and ESG approaches - The creation of the Growth Vectors was designed to position the business around client needs with performance accountability measured on that basis - Investment processes are driven by understanding client needs and designing appropriate solutions taking into account client risk appetite and sophistication
 Read more on pages 20 to 23. Our people	- Meet the NEDs town hall sessions and NED engagement dinners for a diverse mix of staff at all levels (when permitted) allow direct feedback in informal settings - Employee engagement NED in place and active with the employee diversity networks as well as with all employees through their representatives. Reports from the BEE NED are a standing report at each Board meeting. - Chairman and NEDs all mentor one or two CEO-1 or -2 level emerging talent - CEO and CFO 'Town Hall' sessions	- CHRO reports to each Nomination and Governance Committee meeting on key hires and employee issues - CHRO produces a regular report for the Board drawing out key factors influencing staff turnover, morale and engagement - Viewpoints and Pulse surveys collect aggregate, regional, functional and business group trend data which is reported to the Board	- Engagement feedback recognised in Board discussions on new ways of working - Engagement feedback is a key input to succession planning for key roles and design of reward

Key stakeholders	Direct Board engagement	Indirect Board engagement	Outcomes
Business partners/ supply chain  Read more on pages 24 to 29.	• CEO leads on relationships with key business partners and reports back to the Board • Risk and Capital Committee routinely reviews dependency on critical suppliers and how they are managed • Audit Committee leads on assessment of external audit performance and service provision • The Board received detailed papers supporting the outsourcing of a number of technology services, the renegotiation of the Group's contracts with FNZ in relation to the Platforms business and the revisions made to the Group's relationship with Phoenix	• COO attends each Board meeting and reports on first line key supplier relationships and their role in transition and transformation activities • 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 and Board	• Transformation discussions have included a focus on the quality, service provision, availability and costs of relevant suppliers • The overriding guidelines for business partnerships have been established as working for both parties and creating world-class operations • The Board sought assurance on the ability of key suppliers to continue to operate during the pandemic
Communities  Read more on pages 24 to 29.	• Chairman/NEDs/EDs present at relevant events and conferences • Chairman/EDs represent the Group on public policy and community organisations • Additional provision made for local charitable giving in COVID-19 circumstances	• Stewardship/sustainability teams report regularly to the Board • Feedback on annual Stewardship and TCFD reports • Review of charitable giving strategy • ESG commercialisation presentations to the Board	• Considered as input to the Group's culture and strategic drivers • Engagement drives the expression of our purpose
Regulators/ policymakers/ governments  Read more on pages 24 to 29.	• Regular engagement with CEO, Chairman and Committee Chairs • FCA presents to the Board • 'Dear Board/CEO' letters issued from regulators • Relevant engagement with regulators in overseas territories	• 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
Strategic partners  Read more on pages 30 to 37.	• CEO has taken on detailed handling of the Phoenix relationship with regular meetings with his opposite number • ED representation on HDFC boards during 2020 • ED direct meetings with core supplier relationships	• Specific updates in CEO report • As appropriate, reports to Board/ Committees from representative Directors • One ELT member serves on the Phoenix Board	• The development of our business through our relationships with Strategic partners is a critical element of the Board's strategy
Shareholders  Read more on pages 30 to 37.	• Results, AGM presentations and Q&A • Chairman, CEO and CFO meetings with investors • Remuneration Committee Chair meetings with institutional investors • Chairman/CEO/CFO direct shareholder correspondence	• Regular updates from the EDs/ Investor Relations Director/ Chairman/ Chairman of Remuneration Committee summarising the output from their programmes of engagement • Analyst/Investor reports distributed to the Board • As relevant, feedback from corporate brokers • Publication of Shareholder News • Dedicated mailbox and shareholder call centre team	• Engagement supported various decisions including the proposed remuneration policy approved at the 2020 AGM

Speaking up

The workforce has the means to raise concerns in confidence and anonymously. The Audit Committee's oversight of the whistleblowing policy is covered in the Audit Committee report on page 64.

Outside appointments and conflicts of interest

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. Given their short tenure, Stephen Bird and Stephanie Bruce do not currently have any NED roles. Keith Skeoch did not have any FTSE 100 non-executive roles but continued as a non-executive director of the Financial Reporting Council and was appointed Chairman of the Investment Association on 1 May 2020. Martin Gilbert was 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%. Proposed additional appointments of the NEDs are firstly discussed with the Chairman and then reported to the Nomination and Governance Committee prior to being considered for approval. The register of the Board's collective outside appointments is reviewed annually by the Board. Directors' outside appointments are included in their biographies on pages 44 to 47.

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. As part of the process to approve the appointment of a new Director, the Board considers and, where appropriate, authorises their 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 2021, 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.

2. Division of responsibilities

The Group operates the following governance framework.

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 2020, the Board's key activities included approving, overseeing and challenging:

- The updated strategy and the 2021 to 2023 business plan to implement the strategy
- Capital and management structures including the £400m share buy back programme
- Oversight of culture, our standards and ethical behaviours
- Dividend policy including the recommendation to pay the 2019 final dividend and approval of the 2020 interim dividend
- Financial reporting, including the impact of the amortisation and impairment of intangibles acquired through acquisition
- Risk management, including the Enterprise Risk Management (ERM) framework, risk strategy, risk appetite limits and internal controls and in particular how this was adapted for COVID-19
- Remuneration policy, recommending a revised policy to shareholders at the May 2020 AGM
- Succession planning, in particular the CEO succession process
- Significant corporate and other transactions including sales of shares in our Indian associate businesses, completing the sale of our Hong Kong insurance subsidiary, the agreement to acquire Tritax partners, the agreement to sell our Nordics direct real estate business and announcing the sale of Parmenion
- The quarterly performance of the investment business
- The ESG approach, both as an issuer and as an asset manager
- 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 Officer 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 key business functional leaders.

Chairman

- Leads the Board and ensures that its principles and processes are maintained
- Promotes high standards of corporate governance
- Together with the Company Secretary, sets agendas for meetings of the Board
- Ensures Board members receive accurate, timely and quality 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 Officer (CEO)

The CEO 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 Director 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

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

Growth vectors

Support the CEO to deliver Growth across the business:

- Investments
- Adviser
- Personal

Talent

Support the CEO and Chief Human Resources Officer (CHRO) in developing leading talent management and succession planning.

World-class operations

Support the CEO and Chief Operating Officer (COO) by overseeing global functions and the delivery of functional priorities.

Control

Support the CEO in the first line management of risk, working closely with the Chief Risk Officer (CRO).

The framework is formally documented in the Board Charter which also sets out the Board's relationship with the boards of the key subsidiaries 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 or consultation.



You can read the Board Charter on our website
www.standardlifeaberdeens.com

Board balance and director independence

The Directors believe that at least half of the Board should be made up of independent non-executive Directors. As at 9 March 2021, the Board comprises the Chairman, eight independent non-executive Directors and two executive Directors. The Board is made up of six men (55%) and five women (45%) (2019: men 55%, women 45%).

The Chairman was independent on his appointment in December 2018. 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. None of the NEDs has served on the Board for more than nine years since the date of their first appointment. 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.

Jonathan Asquith served as Senior Independent Director throughout 2020. In this role, he is available to provide a sounding board to the Chairman and serve as an intermediary for the other Directors and the shareholders. He also led the process to review the Chairman's performance.

The roles of the Chairman and the CEO are separate and are summarised on page 53. Each has clearly defined responsibilities, which are described in the Board Charter.

The Directors have access to the governance advice of the Company Secretary whose appointment and removal is a matter reserved to the Board.



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

3. Board composition, succession, diversity and evaluation

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 Board continues to support its Board Diversity statement which states that the Board:

- Believes in equal opportunities and supports the principle that the best person should always be appointed to the role with due regard given to 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 CEO'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 and individuals associated with the Group

Diversity activities and progress to meet our targets are covered in the Investing in talent section of the Strategic report on page 22. The ELT's diversity policy is covered in the Directors' report on page 100.

Board changes during the period

Board changes during the year are covered in the Directors' report on page 98.

Board appointment process, terms of service and role

Board appointments are overseen by the Nomination and Governance Committee and you can read more about this on page 71.

Each non-executive Director is appointed for a three-year fixed term and shareholders vote on whether to elect/re-elect them 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 where relevant, the current average length of service of the non-executive Directors is three years. For those NEDs who have already 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. During 2020, the Committee reviewed and supported the recommendation that Jutta af Rosenberg's appointment should be continued for a third term – taking account of her service on the board of AAM PLC prior to August 2017.

The letter of appointment confirms that the amount of time each non-executive Director is expected 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 will be accessible for the 2021 AGM. Non-executive Directors are required to confirm that they can allocate sufficient time to carry out their duties and responsibilities effectively. Their letters of appointment confirm that their primary roles include challenging and holding to account the executive directors as well as appointing and removing executive directors.

External search consultants may be used to support Board appointments. MWM Consulting was engaged to support the appointment of Stephen Bird. The Group has additionally used the services of MWM Consulting to support other senior management searches.

Director election and re-election

At the 2021 AGM, all of the current Directors will retire. Stephen Bird, having been appointed since the previous AGM, will retire and stand for election. All the other Directors will stand for re-election.

As well as in Section 2, the AGM guide 2021 includes 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.



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

The Board commissions externally facilitated reviews regularly. As the 2018 and 2019 reviews were facilitated externally, the Nomination and Governance Committee agreed that the 2020 review should be conducted internally.

To carry out the review, the Company Secretary met with each Director individually and gathered their views on the Board's performance over the period and their recommendations on how its effectiveness could be strengthened. Progress on implementing the agreed actions from the 2019 review was also discussed. Following this, the Company Secretary prepared a draft report for initial review and discussion with the Chairman. The Board then reviewed and discussed the report.

Outcome

The Board recognised the relevant internal and external factors which it had needed to take account of during the year. These included living with and planning to move beyond COVID-19, regulatory uncertainty arising from matters such as the possible outcome of Brexit negotiations, regulatory change including transitioning away from LIBOR, increasing external expectations on the quality of external reporting, with a particular focus on enhancing ESG, culture and diversity reporting, and the challenges of managing virtual Board meetings, recognising that the Directors had not been able to gather in person since March 2020. Internally, the main factor was the CEO succession and the work Stephen Bird has been leading since his appointment.

Taking all of this into account, the Board believes that it performed effectively during 2020. Arising from the review the Board looks to see continued developments in these areas:

- Increased informal Board interaction between meetings to compensate, partly, for not being able to come together physically at this time
- An increased programme of virtual Board training sessions/deep dives to make sure the Board remains up to date on wider industry and market matters, using external commentators and experts as relevant
- Creating more agenda time to discuss and measure ESG, Culture and Diversity and Inclusion, making sure they have a clear link to corporate strategy and its execution

- Finding more time for the Board to discuss matters beyond fulfilling its statutory reporting and governance requirements
- Continuing to strengthen regular Board reporting, with a particular focus on client and customer perception, key supplier relationships and the appropriate number of informative KPIs

Progress to implement the recommendations is monitored by the Company Secretary and the CEO's office 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. It was based on feedback given in the Company Secretary's individual interviews with each Director as well as focused discussions between the SID and the other Directors.

Through these meetings, Jonathan Asquith sought feedback on: the Chairman's overall leadership role; his relationships with the EDs and the NEDs; Boardroom behaviours; and any development areas to take forward in 2021.

The Company Secretary summarised the feedback into a draft report which was reviewed and agreed 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 second year as Chairman, Sir Douglas had performed his role very effectively and shown strong leadership of the Board. He continued to bring his inclusive yet suitably challenging style to the Boardroom, encouraging, and allowing time for, all Board members to participate fully, and he continued to build strong relationships with the EDs while supporting the NEDs in challenging and holding the ELT to account. All the Directors were looking forward to continuing to work with him, individually and collectively, to deliver continued progress in 2021. Jonathan Asquith met with Sir Douglas to pass feedback from the review directly to him.

Directors

The Chairman met each Director individually to discuss their performance during 2020. These discussions considered individual training, development and engagement opportunities and any agreed development actions are taken forward by the individual Director together with the Company Secretary and the Chairman.

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 and the members of the ELT
- Focused technical meetings with internal experts on specific areas including investments, regulatory reporting, ESG, conduct risk, risk and capital management, and financial reporting
- Visits to business areas (when permitted by Government restrictions) 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

3. Corporate governance statement continued

- 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. This process was particularly relevant in 2020 to support Stephen Bird's induction as CEO.

When Directors are appointed to the Board, they make a commitment to broaden their understanding of the Group's business. The Secretariat, Finance, Risk and Reward teams monitor relevant external governance and risk management, financial and regulatory developments and keep the ongoing Board training and information programme up to date. Specific Board and Committee awareness and deep-dive sessions took place on:

- Platform transformation
- Finance transformation
- Technology strategy
- LIBOR transition
- The activity of the ESG investment team and the broader Enabling ESG programme
- Governance and oversight of investment risk
- Cyber and operational resilience
- External audit reform

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 and presents an assessment of the Company's position and prospects. They also recognise their responsibility to establish procedures to manage risk and oversee the internal control framework. You can read their responsibilities statement on page 103. The reports from the Audit Committee and the Risk and Capital Committee Chairmen show how they have supported the Board in meeting these responsibilities.

The Board's view of its principal and emerging risks and how they are being managed is contained in the risk management section of the Strategic report on pages 38 to 40.

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 2020.

A review of SLA's risk management and internal control systems was carried out drawing on inputs across the three lines of defence. This did not include associates and joint ventures as they do not fall within these systems. The first line conducted Risk Control Self-Assessments (RCSAs) throughout 2020; Risk & Compliance undertook a review of the effectiveness of the Enterprise Risk Management Framework (ERMF) (including RCSAs) and how internal controls were operating within the first line; and, Internal Audit produced a Control Environment Assessment using SLA's risk taxonomy. Collectively these provided a view of the firm's control environment from each of the three lines of defence. The impacts of COVID-19 on SLA's operations (with most staff having worked from home since the start of the pandemic) were reflected in the 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.

The Board's going concern statement is on page 102 and the Board's viability statement is on page 37.

5. Remuneration

The Directors' remuneration report (DRR) on pages 73 to 95 sets out the work of the Remuneration Committee and its activities during the year, the levels of Directors' remuneration and the shareholder approved remuneration policy. The Company's approach to investing in and rewarding its workforce is set out on page 87 of the DRR and in the Reward section of the Directors' report on page 100. The Board believes that its remuneration policies and practices are designed to support strategy and long-term sustainable success. You can read about the policies and practices in the DRR.

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, sometimes, at the offices of one of our overseas locations. 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 and where matters including executive performance and succession and Board effectiveness were discussed. The Board had planned to hold eight formal meetings and a focused strategy meeting in 2020. As the COVID-19 pandemic grew, the Board held additional update calls. When there were recommendations to be decided on, these were structured as formal Board meetings. There were also additional calls which were not constituted as formal Board meetings, but when the Board was able to hear from and question SMEs from the risk, operations, client and HR teams to understand how the organisation was responding to the pandemic. The Board was keen to find the balance between overseeing how the ELT was operating at this time and allowing the ELT time to focus on delivering priorities e.g. the means for the workforce to be able to work from home.

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. 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. Recognising that some Directors may have existing commitments they cannot change at very short notice, 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 once during 2020.

The Chairman is not a member of the Audit, Risk and Capital, or Remuneration Committees. He may attend meetings of all Committees, by invitation, in order to keep abreast of their discussions. The table below reflects the composition of the Board and Board Committees during 2020 and records the number of meetings and members' attendance.

	Board	Group Audit Committee	Nomination and Governance Committee	Remuneration Committee	Risk and Capital Committee
Chairman					
Sir Douglas Flint	12/12	–	5/5	–	–
Executive Directors					
Stephanie Bruce	12/12	–	–	–	–
Stephen Bird ⁴	5/5	–	–	–	–
Non-executive Directors					
Jonathan Asquith	12/12	–	5/5	10/10	–
Brian McBride ¹	9/9	–	–	5/5	–
John Devine ²	12/12	6/6	5/5	5/5	9/9
Melanie Gee ³	12/12	6/6	5/5	–	4/4
Martin Pike	12/12	6/6	5/5	–	9/9
Cathleen Raffaelli	12/12	–	–	9/10	9/9
Cecilia Reyes	12/12	–	–	10/10	9/9
Jutta af Rosenborg	12/12	6/6	–	9/10	–
Former members					
Keith Skeoch (stood down on 31 August 2020)	8/8	–	–	–	–
Martin Gilbert (stood down on 14 May 2020)	4/4	–	–	–	–

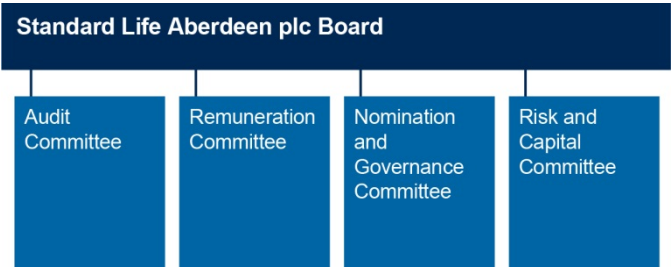
¹ Brian McBride was appointed to the Board and Remuneration Committee on 1 May 2020.

² John Devine stood down from the Remuneration Committee after the 2020 AGM.

³ Melanie Gee stood down from the Risk and Capital Committee after the 2020 AGM.

⁴ Stephen Bird was appointed to the Board on 1 July 2020.

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 each 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.

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.

A major role of the Committee in 2020 was to consider the impact of COVID-19 on financial reporting, particularly on the Half year results 2020, and internal controls.

During the year the Committee also:

- Considered the carrying value of intangible assets, in particular asset management goodwill and customer relationship intangibles
- Considered reports from the Chief Internal Auditor
- Reviewed CRD IV reporting
- Received reports on compliance with the FCA Client Assets Sourcebook (CASS) rules in the Company's CASS permitted regulated legal entities

The Committee also continued to focus on the quality of financial reporting.

The report is structured in four parts:

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

John Devine
Chairman, Audit Committee

3.1.1 Governance

Membership

All members of the Audit Committee are independent non-executive Directors. For their names, the number of meetings and committee member attendance during 2020, please see the table on page 57.

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 Rosenberg is also a qualified accountant. Martin Pike is a fellow of the Institute and Faculty of Actuaries. The Committee members are also members of audit committees related to their other NED roles.

Invitations to attend Committee meetings are extended on a regular basis to the Chairman, the Chief Executive Officer, 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 statement
- 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 skills of the External audit team and their compliance with auditor independence requirements, the approved audit plan, the quality of the firm's execution of the audit, and the agreed audit and non-audit fees

3. Corporate governance statement continued

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 who raise concerns related to 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 each year. The 2020 review was conducted internally by the Company Secretary interviewing each of the Committee members. As well as general observations, the key performance areas considered were:

- The coverage of the Committee's duties in the meeting agendas
- How effectively agenda items were presented and discussed
- The quality and level of detail in the papers
- How well the Committee met its objectives in terms of making decisions and reporting to the Board

The Committee members did not raise any material issues or concerns regarding the above areas or the overall effectiveness of the Committee during 2020. They were very supportive of the Chair's effective role in leading the Committee through the volume of technical papers. The Committee members always aim to find the right balance in their discussion time to make sure that, while they cover technical financial and regulatory reporting to the appropriate level, they are also able to spend enough time considering all of the other matters under their remit. The Committee also recognised the ongoing external changes in relation to audit reform and the provision of audit services and will consider any changes/best practice that may arise from this.

3.1.2 Report on the year

Audit agenda

As well as regular reporting, agenda items were aligned to the annual financial cycle as set out below:



- Annual report and accounts 2019
- Strategic report and financial highlights 2019
- Financial reporting judgements
- Liaison with the Remuneration Committee on targets and measures
- External auditors' review of Full year results
- Financial crime and Whistleblowing



- Internal audit findings
- CASS reporting update
- Pillar 3 regulatory reporting
- Initial financial reporting matters for Half year 2020
- Financial crime and Whistleblowing



- Half year results 2020
- External auditors' review of Half year results
- External auditors' audit strategy, including fees
- Internal audit findings
- Financial crime and Whistleblowing
- MiFID II reporting updates



- Initial financial reporting matters for Full year 2020
- Non-audit services policy
- The Internal audit plan and charter
- Internal audit findings
- Effectiveness of the External auditors and related non-audit services
- Financial crime and Whistleblowing
- Risk management and internal control system annual review

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



- Financial reporting
- External audit
- Internal audit
- Regulatory reporting
- Other controls (including CASS, fraud and anti-financial crime reporting)

Detail of work

The focus of work in respect of 2020 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 2020 Group financial statements. This year there were no new accounting standards which had a significant impact on the Group accounting policies.

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 2020, the Committee reviewed the Annual report and accounts 2019 and the Half year results 2020. For both periods 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.

The Committee discussed the impact of COVID-19 on the Annual report and accounts 2020 and Half year results 2020 production process, and supported the steps put in place by management to ensure that controls were maintained and that the timetables remained appropriate for a remote working environment.

Accounting estimates and judgements

The Audit Committee considered all estimates and judgements that Directors understood could be material to the 2020 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 2020

Intangible assets including goodwill

For all intangible assets including goodwill, an assessment is made at each reporting date as to whether there is an indication that the intangible has become impaired.

At half year 2020 we determined that an impairment of goodwill was required. Significant judgement was required to determine the recoverable amount of the asset management cash-generating unit which determined the goodwill impairment.

Impairment triggers are used to assess whether there are indicators of impairment for other intangibles. The intangibles with material judgements are the customer relationship and investment management contract intangibles. At half year 2020 we determined that an impairment of the segregated and similar customer relationship intangible was required. The determination of the recoverable amount for this segregated and similar intangible required assumptions relating to future fee revenue and expenses.

How the Audit Committee addressed these significant accounting estimates and assumptions

The half year 2020 impairment review of asset management goodwill resulted in the recognition of an impairment of £915m. The Committee spent time at two meetings reviewing and challenging assumptions relating to the fair value, less costs of disposal, of the asset management cash-generating unit. The Committee considered a number of different valuation approaches, and discussed that the key assumptions relating to the earnings multiple valuation approach were projected forecasts of maintainable earnings, price to earnings multiples, and premiums for control and discounts for lack of liquidity. The Committee considered these assumptions were within the range of reasonable outcomes. See Note 15 for further details.

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, other than in relation to the segregated and similar customer relationship intangible where an impairment of £134m was recognised. The Committee challenged the assumptions underlying the value in use for this intangible and concluded that they were reasonable and that related sensitivities were appropriately disclosed. See Note 15.

Significant accounting estimates, judgements and assumptions for the year ended 31 December 2020	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 recent government announcements relating to the future of RPI. 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 During 2020 the Group's associate Phoenix issued new shares relating to the acquisition of ReAssure Group plc, which resulted in the Group's holding in Phoenix of 19.97% becoming 14.4% of the enlarged group. Determining whether Phoenix should continue to be classified as an associate was a critical accounting policy judgement during 2020. As detailed in the 2019 Audit Committee report, HDFC Life was considered to be an associate whilst our shareholding gave us the right to appoint a director to the HDFC Life Board. In relation to the Phoenix associate, judgements were also required relating to the recoverable amount and carrying value of the investment.	The Committee considered whether Phoenix should continue to be classified as an associate, and concluded that this classification remained appropriate, notwithstanding that the holding was significantly less than 20%. The classification as an associate was based on significant influence from the contractual relationships with Phoenix, including the licencing to Phoenix of the Standard Life brand, and the Group's Board representation on the Phoenix board. The Committee noted that if the holding was considered an investment rather than an associate we would no longer report our share of Phoenix's profits but would instead account for Phoenix as an investment at fair value. The Committee noted that following the sale of HDFC Life shares on 3 December 2020 we no longer had the right to appoint a director to the HDFC Life Board and therefore accounting as an investment was appropriate, giving rise to a significant increase in the carrying value (to fair value) and a significant gain in the 2020 income statement. In relation to Phoenix, the Committee noted that at year end 2020 the market value was above the carrying value and therefore that there were no indicators of impairment. See Note 16 for further information. The Committee also discussed the implications of the announcement on 23 February 2021 relating to the simplification and extension of the strategic partnership with Phoenix. The Committee agreed that following the changes to the commercial agreements, in particular in relation to the licensing of the 'Standard Life' brand, Phoenix should no longer be accounted for as an associate with effect from 23 February 2021, and should instead be accounted for as an investment at fair value. Note 47 relating to events after the reporting date provides 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 2020 was ensuring that the Strategic report appropriately explained risks relating to and impact of 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 was developed, which can also act as an organisational definition for each aspect:

Fair <i>'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'</i>	• 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 <i>'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'</i>	• 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 <i>'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'</i>	• 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 2020 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). 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 2020, 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

In H1 2020 the Group published its Standard Life Aberdeen plc Pillar 3 report under CRD IV. 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. This does not extend to associates and joint ventures. 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 via mandatory training modules 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. During 2020, the Committee reviewed the output of an internal audit on the anti-financial crime framework and it has continued to oversee the progress to implement the report's recommendations.

The Committee Chairman is the designated whistleblower's champion and the Committee receives regular updates on the operation of the whistleblowing procedures (Speak Up) 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 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. As a result of COVID-19, the audit plan year was adjusted to support a full programme of COVID-19 related audit work, ahead of a transition to a revised plan. Key areas of focus over the year were operational resilience, conduct and the Group's Transformation programme.

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. Independent external reviews are also undertaken at regular intervals. These have been positive and allow the function to continue to measure itself against best practice. Regular reporting is provided to the Committee to illustrate plan progress, and the status of implementation of recommendations. The Committee's review of 2020 was positive and supports the continuous evolution and enhancement of the function.

The Internal Audit function completed its functional transformation programme in March 2020, subsequently launching an updated strategy focusing on quality, delivery, people, and stakeholders, underpinned by a number of pillars including digital.

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 2021 AGM.

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.

The Senior Statutory Auditor is Jonathan Mills, who, having been appointed since 1 January 2017, is completing his fourth audit as the lead audit partner. Recognising the rotational requirements for the lead audit partner for financial year 2022, the Committee has been meeting with potential candidates to succeed him, and agreeing a plan with KPMG on how to evolve the audit team to ensure a smooth handover.

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, and by setting out which non-audit services are permitted. 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 most non-audit services to FTSE 350 companies which are audit clients. There is a 70% fee cap on non-audit services to audit clients in place.

The services prohibited by the Policy are as set out in the FRC Revised Ethical Standard 2019.

The Policy permits non-audit services to be purchased, following approval, when they are closely aligned to the External audit service 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
- Investment circular reporting accountant engagements
- Attesting to services not required by statute or regulation (e.g. controls reports)
- Other reports required by a regulator or assurance services relating to regulatory returns
- Sustainability reports audits/reviews
- Fund merger assurance engagements, where the engagement is with the manager and the external auditor is also the auditor of the fund

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 2020 was £5.2m (2019: KPMG £4.8m). In addition £2.3m (2019: £2.1m) 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 required.

Non-audit fees amounted to £0.8m (2019: £1.2m) all of which related to other assurance services. Other assurance services in 2020 primarily related to control assurance reports, which are closely associated with audit work. 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 11% (2019: 17%). The total of audit related assurance fees (£2.3m) and non-audit fees (£0.8m) is £3.1m, and the ratio of these audit related assurance fees and non-audit fees to audit fees is 59% (2019: 69%). 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 of the External audit and carries out a formal annual review of its effectiveness. This was particularly relevant in 2020 as both the Finance team and the External audit team had to overcome the challenges of remote working.

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 the lead audit partner to discuss Group developments
- The Committee receives updates on KPMG's work and its findings and compliance with auditor independence requirements
- 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.

The Committee discussed with KPMG how remote working would impact their audit and were satisfied that there would be no impact on audit quality.

We have discussed the accuracy of financial reporting 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. KPMG have set overall audit materiality at £25m (2019: £31m). This equates to approximately 2.7% 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 £1.25m (2019: £1.6m). The aggregated net difference between the reported pre-tax profit and the auditor's judgement of pre-tax profit was less than £3m 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

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

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 so as to ensure that we meet the expectations of our shareholders, regulators and clients.

The overall risk environment for the Group remains at an elevated level as a result of the combination of the difficult market environment and our ongoing business transformation activity.

A key area of focus for the Committee during 2020 was our response to managing the impacts of the global COVID-19 pandemic on our clients, people and business. We successfully established new ways of working to support our customers and the delivery of our business plan and we managed the impacts of the difficult economic environment. In light of the ongoing uncertainty in the political landscape over the year, the Committee monitored developments in relation to the negotiations for the UK's future relationship with the EU and reviewed Standard Life Aberdeen's preparations for a disorderly Brexit scenario which ensured that we would continue to be able to provide our clients with continuity of service, whatever the final outcome.

Throughout 2020 the Committee continued to review and challenge key activities undertaken by the business and advise the Board on these, including:

- Evolution of the Enterprise Risk Management (ERM) framework
- Key components of the Group's ICAAP and the Group's capital and liquidity
- Management of the risks arising from the firm's third party relationships
- Key risks arising from the transformation activity across the Group
- Work to develop our approach to managing cyber resilience in line with the US National Institute of Standards and Technology (NIST) framework
- Our Conduct Risk Framework and the implementation of the Senior Managers and Certification Regime across the UK business
- The Group's exposure to climate change and management of related risks and opportunities

Furthermore the Committee has closely monitored developments from our regulators across the world as they have responded to the challenges brought about by the COVID-19 pandemic and progressed the regulatory agenda including in the areas of operational resilience, liquidity and third party risk management.

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

A handwritten signature in black ink that reads "Martin Pike".

Martin Pike

Chairman, Risk and Capital Committee

Membership

All members of the Risk and Capital Committee are independent non-executive Directors. For their names, the number of meetings and committee member attendance during 2020, please see the table on page 57.

The Committee meetings are attended by the Chief Risk Officer. Others invited to attend on a regular basis include the Chief Executive Officer, 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

The Company's purpose 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 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 2020

Overview

The Committee operates a dynamic 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:



- ERM framework including risk policies and appetites
- Operational risks
- Conduct and compliance risks
- Capital adequacy
- Other controls (including transaction risk assessments)

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 including the firm's stress and scenario testing programme. 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 those non-executive risk committees 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 2020. This included consideration of:



- Advice provided to the Remuneration Committee regarding the delivery of performance in 2019 relative to risk appetites
- Findings included in the 2019 Internal controls report issued for Aberdeen Standard Investments
- Cyber risk and cyber security related matters
- Standard Life Aberdeen's preparations for a disorderly Brexit
- The FCA Focus on Non-financial Misconduct and reviewing Standard Life Aberdeen's approach and activity in relation to the FCA's 5 Conduct Questions

- Aberdeen Standard Investments' approach to fund governance
- Monitoring of risks related to overall transformation and integration activities
- Aberdeen Standard Investments' Investment Platform Integration Plan
- Review of Standard Life Aberdeen's principal risks and risk disclosures for the Annual report and accounts



- Proposed changes to the risk appetite framework
- Aberdeen Standard Investments' approach to Assessment of Value
- Managing and monitoring conflicts of interest
- Aberdeen Standard Investments' product and solutions pipeline and governance
- Planning and preparations for the post lockdown return to office
- Fund liquidity 2020 regulatory change
- LIBOR transition
- Review of the remit of the Risk & Compliance function
- The liquidity risk framework
- The Senior Managers and Certification Regime



- The management of IT obsolescence
- Aberdeen Standard Investments' portfolio advisory proposition
- Climate risk in funds
- Procurement transformation programme
- Cyber resilience
- Review of the roll-out of the Tripartite process to Aberdeen Standard Investments' full fund range



- Aberdeen Standard Investments' disposal of holdings in boohoo as a result of further concerns being raised on the supply chain
- Heng An Standard Life (HASL) product risks
- The risk assessment and due diligence in respect to the proposed acquisition of Tritax Partners
- Assessment of political and reputational risks
- Annual update on operational resilience
- Operational disruption risk from a major cloud service provider or a major outsource arrangement
- Review of Standard Life Aberdeen wind-down plan and triggers
- FNZ global framework agreement
- The 2021 combined second and third line assurance plan
- Update on the Investment Firm Prudential Regulatory Regime

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 and liquidity it requires.

The Committee has received regular reporting through the Views on Risk report on each of the Group's 12 principal risks including risk dashboards, commentary and management information.

The Committee reviewed and proposed updates to the risk appetite framework to ensure that the risk appetites and risk limits reflected changes to the risk profile in view of the external environment and ongoing transformation of the business. In particular additional metrics for Operational Risk and Third Party Management were created to strengthen our management of impacts caused by the COVID-19 pandemic.

Through reviewing this reporting the Committee supports the Board by monitoring risks relative to applicable risk appetites and the resilience of the capital position under current and stressed conditions. Key items that the Committee discussed during the year in this context included:

- Risks that have emerged as a result of the global COVID-19 pandemic
- Risks associated with the delivery of the business plan
- Climate risk in funds
- Enhancements to components of the Group's risk appetite framework
- The Standard Life Aberdeen ICAAP report
- Steps taken to strengthen the conduct risk framework
- The management of cyber risk across the Group
- The approach to management of the Group's liquidity risk framework

Stress testing and scenario analysis performed in 2020 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.

Enterprise Risk Management (ERM) framework

During the year the business continued to evolve 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 by the Executive Leadership Team helps 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 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 developments and compliance

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 global regulatory developments to understand and anticipate potential implications for the Group and the wider financial services sector. In particular the Committee paid close attention to developments in connection to Brexit, COVID-19, Operational Resilience, Environmental Social & Governance Risks, LIBOR transition and the Investment Firm Prudential Regulatory Regime.

Governance arrangements

The Committee has continued to rely on the work of those non-executive risk committees 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 and Elevate Portfolio Services 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 on request.

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. The 2020 review was conducted internally by the Company Secretary meeting with each of the Committee members. As well as general observations, the key performance areas considered were:

- The coverage of the Committee's duties in the meeting agendas
- How effectively agenda items were presented and discussed
- The support the Committee received from the second line of the three lines of defence model
- The quality and level of detail in the papers
- How well the Committee met its objectives in terms of making decisions and reporting to the Board

The Committee members did not raise any material issues or concerns regarding the above areas or the overall effectiveness of the Committee during 2020. The Committee was encouraged by the move of the investment risk team to come under the CRO's remit and were keen to learn more about the work of the investment risk team. Acknowledging the amount of time the Committee spends on regulatory risk, the Committee would welcome the opportunity to spend more time on the inter-connectedness of the holistic business risks the Company runs and manages, as the agendas allow. The Committee would also encourage the Risk Team to make more use of two-way secondment opportunities with business colleagues, so that both the risk team and the business learn from each other, and this business-partnering approach could further strengthen the quality of the information presented to the Committee. The Committee members were supportive of the Chairman's role in managing the challenging number of matters which fall in the Committee's remit.



Sir Douglas Flint

3.3 Nomination and Governance Committee report

The Committee's key governance priorities this year were to support the Board to deliver the CEO succession and to maintain our board governance processes during this time of uncertainty brought about by COVID-19.

Governance Framework

We have continued to review our governance framework against the Code principles and provisions. The Committee did not make any fundamental changes to our governance framework in 2020 but we did approve an updated Board Matters Reserved schedule where we have further clarified the relationship between the SLA plc and subsidiary boards.

Employee engagement

Melanie Gee has continued in her role as the non-executive Director (NED) taking forward employee engagement and you can read about those activities during the year on page 49. Although we had to make some changes to our engagement plans during 2020 as a result of COVID-19, Melanie's direct communication with our employees continues to be both effective and well received.

Board evaluation

Having commissioned externally facilitated reviews in 2018 and 2019, we carried out our Board review internally in 2020 and you can read about the process and its outcomes on page 55.

Culture

Continuing to build on the transformation work across the business, the Committee has received updates on the work to oversee the Group's culture and considered the ELT's initiatives to embed it throughout the organisation.

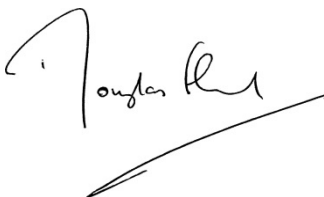
CEO succession

As I covered in my Chairman's report, Keith Skeoch retired as the Group's CEO on 1 September and was succeeded by Stephen Bird. You can read later in this statement about the Committee's oversight of the succession process.

Board developments and diversity

We have welcomed new Directors and said farewell to long-serving Directors over the year. As I have covered already in my Chairman's statement, I am particularly pleased to have welcomed Stephen Bird and Brian McBride to the Board and to thank Keith Skeoch and Martin Gilbert for their many years of service.

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

Membership

The members of the Committee are the Chairman and a number of the independent non-executive Directors. For their names, the number of meetings and committee member attendance during 2020, please see the table on page 57.

Keith Skeoch and Stephen Bird, in their CEO role, were invited to Committee meetings to discuss relevant topics, such as the role and membership of the ELT, 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, guidance and best practice and relevant directors' duties

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 2020

An indicative breakdown as to how the Committee spent its time is shown below:



- Reviewed compliance with the UK Corporate Governance Code for the 2019 ARA
- Considered the diversity and inclusion 2020 priorities
- Reviewed the Board Charter and Committees' terms of reference
- Recommended the appointment of Brian McBride
- Agreed the NED mentoring programme for the GLG



- Reviewed the recommendations to shareholders to re/elect Directors at the AGM
- Reviewed the continued appointment of Jutta af Rosenberg at the end of her second three-year term
- Received the half year update on the Culture, Diversity and Inclusion action plans
- Recommended the CEO succession process
- Reviewed ELT succession planning
- Reviewed progress on the recommendations from the 2019 Board effectiveness review
- Reviewed the revised approach to 2021 ESG external reporting, including the Stewardship Code



- Received the full-year update on the Culture, Diversity and Inclusion action plans
- Approved the process for the 2020 Board Effectiveness Review
- Reviewed ELT and senior leadership succession planning
- Agreed the revised schedule of Matters reserved for the Board
- Reviewed progress on Talent and Change development activities

An indicative breakdown as to how the Committee spent its time is shown below:



- Succession planning and talent development
- Board and committee appointments and composition
- Culture, diversity and inclusion
- Corporate governance

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 and takes account of the Group's commitments to achieve and maintain its published Board diversity target.

An external search consultant is then requested to prepare a list of suitable candidates. From that, the Committee 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 interests to address.

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. Jutta af Rosenberg's continued appointment was reviewed during the year. This was her third term of appointment, taking account of her service on the Aberdeen Asset Management PLC Board and the Committee agreed that she 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 ELT. 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 Talent and Change agenda is led by the CHRO, with input from the CEO and supported by the Global Head of Talent and Change. The programmes cover effective performance management, early careers, talent acquisition organisation design, core capabilities and behaviours.

During 2020, the Committee established a NED mentoring programme which allows each NED to get to know two or three members of the next generation of talent – the Global Leadership Group – through individual meetings which take place over the course of the year and evolve based on the needs of each individual being mentored.

Also during 2020, the non-executive Directors held specific private discussions on Board and executive succession, the results of which fed into the overall plan.

Chief Executive Officer succession

As a result of the ongoing transformation strategy, the Committee recognised the need to plan for change and that the next stage of the Company's evolution put a focus on accelerating delivery from global growth capabilities. Together with Keith Skeoch, the Committee spent time considering the executive leadership and succession planning needed to continue the delivery of this next phase of the Group's strategy. In light of this, and the fact that working practices would need to be reshaped in the aftermath of the pandemic, the Board and Keith agreed that the time was right to hand over to his successor to enable that successor to plan and execute the necessary changes from the outset. With that agreement, the Committee oversaw the process to recruit a new CEO to succeed him. As a first step, the Committee agreed that the skills required of a new CEO included:

- A leader who put the well-being of clients at the heart of what we do and appreciated the criticality of organisational culture in developing the business
- An influential strategic visionary leader who would be viewed as highly credible, particularly with the City and regulators
- A strong financial services and global markets background
- A proven track record in business transformation, in particular to embed digital delivery
- A proven global track record of business success, including expansion across Asia and North America
- Someone ideally experienced in developing strong relationships with institutional and wholesale clients
- Someone who understood the need to deliver strong returns for shareholders

To allow all the non-executive Directors to be involved directly in the selection process the Committee established an Appointments Committee, chaired by the Chairman and comprising all of the non-executive Directors. The Appointments Committee began by considering both internal and external successors – from the global long-list drawn up by MWM – who fitted the above profile. Stephen Bird was identified as the leading candidate with the relevant skill set and who had delivered high performance and results during his career to date.

Taking account of the need to comply with COVID-19 restrictions, the selection process then had the following stages:

- Stephen was invited to meet individually with the members of the Appointments Committee, who challenged him on how he would deliver against the agreed role profile
- This was followed by further meetings of the Appointments Committee to discuss and review the views of its members
- The process to secure regulatory approval for Stephen's candidacy from the PRA and the FCA was begun
- The Remuneration Committee considered the reward package appropriate for the role

The Appointments Committee met three times during the process, reviewed the output from each of the above stages, and, taking account of the recommendation from the Remuneration Committee, agreed to recommend to the Board that Stephen should be appointed to succeed Keith Skeoch as CEO. Stephen's across-the-board eligibility was unanimously endorsed by the Board and was reinforced by his enthusiasm for the role and the ambition he demonstrated to harness the talent within the Group to deliver for all stakeholders. Stephen's appointment as Director and CEO designate was announced on 1 July 2020, subject to regulatory approval, which was obtained.

Board evaluation

The Committee has a key role in supporting the Board evaluation process. You can read about the 2020 review on page 55. During the year, the Committee reviewed the progress to implement the recommendations of the 2019 review.

Diversity and inclusion

The Board's diversity statement is on page 54. The Committee has a key role in supporting this through its oversight of diversity and inclusion activities. 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 recognising the ongoing work to link the Company's Blueprint into daily activity. Colleagues across the Group were building the elements of the Blueprint into their individual objectives; it was forming the structure for CEO regular reporting; and its messages were being reinforced through all communications.

Committee effectiveness

The Committee reviews its remit and effectiveness each year. The 2020 review was conducted internally by the Company Secretary interviewing each of the Committee members. As well as general observations, the key performance areas considered were:

- The coverage of the Committee's duties in the meeting agendas
- How effectively agenda items were presented and discussed;
- The quality and level of detail in the papers
- How well the Committee met its objectives in terms of making decisions and reporting to the Board

The Committee members did not raise any material issues or concerns regarding the above areas or the overall effectiveness of the Committee during 2020. Looking at the Committee's work to oversee talent and succession, the Committee was supportive of the framework developments which had been put in place. However, moving forward in 2021 to deliver their duties, they would be keen to see more evidence of the programmes starting to deliver the next generation of talent, a group which the Committee would be keen to help to develop. Also, recognising the pragmatic challenges of measuring and delivering relevant information, the Committee was keen to spend more time discussing the impact of diversity and culture related matters across the Group.



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 2020 and how we will pay them in 2021, together with an explanation of how the Remuneration Committee reached its recommendations. 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 2020 remuneration outcomes and how we proposed to implement the remuneration policy in 2021
- The annual remuneration report, which sets out in detail how the remuneration policy was implemented in 2020
- A summary of our Directors' Remuneration Policy on pages 92 to 95. The policy was approved at the 2020 AGM. No changes are proposed and so there will be no resolution for a vote on the Directors' Remuneration Policy at the 2021 AGM.

Approval

The Directors' remuneration report was approved by the Board and signed on its behalf by

Jonathan Asquith
Chairman, Remuneration Committee

9 March 2021

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Dear Shareholder

On behalf of the Board I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020. This report sets out what the Directors of Standard Life Aberdeen were paid in 2020 and how we will pay them in 2021, together with an explanation of how the Remuneration Committee reached its recommendations.

Executive Summary

2020 has been a year of change for Standard Life Aberdeen which has taken place against the background of the extraordinary societal and economic impact of COVID-19 and considerable market volatility.

Our new Directors' Remuneration Policy was submitted at the 2020 AGM and approved by shareholders with 92% of the vote. I would like to thank shareholders for the strong level of support given to the policy and their continued dialogue on remuneration matters. The policy was designed to drive delivery of our strategy through a simple and transparent structure for executive remuneration with a focus on sustainable long-term performance.

During 2020, with integration following the merger between Standard Life and Aberdeen Asset Management well progressed, we launched the next phase of evolution of the Group aimed at developing and expanding its revenue base. To lead this next phase Stephen Bird was appointed to the role of Chief Executive Officer (CEO) Designate on 1 July 2020 and was appointed to CEO effective 1 September 2020, replacing Keith Skeoch. The remuneration aspects of this transition were handled in conformity with the new Directors' Remuneration Policy.

This was also the year in which Martin Gilbert, previously joint Chief Executive Officer of the Group, stepped down from the Board and subsequently retired in line with the arrangements announced in 2019.

2020 also brought changes on the non-executive Director front. Brian McBride joined the Board as a non-executive Director and we were happy to welcome him as a member of the Remuneration Committee from 1 May 2020.

In this year of challenge and change, the business has experienced a decline in revenues and adjusted profits, while we have continued to drive forward our strategic agenda. Combined with the executive Director changes, this performance has shaped the remuneration agenda for the year. Year-end processes have incorporated a careful consideration of remuneration outcomes in the context of broader stakeholder interests and the complex political, regulatory and social background engendered by the pandemic. Our pay decisions have focused on encouraging and rewarding contributions to the success and sustainability of our business in a uniquely challenging environment. Aside from the measurement of performance in relation to their personal objectives, the annual bonuses of all those serving as executive Directors for any part of the year have been assessed against the performance criteria and targets set for the business scorecard at the start of the year.

Changes to the executive team and Board succession during 2020

On 30 June 2020 it was announced that Stephen Bird would be appointed as a Director of the Group and as Chief Executive Officer Designate (subject to regulatory approval) with effect from 1 July 2020. As detailed in that announcement Stephen Bird's remuneration package comprises:

- Base salary of £875,000

3. Corporate governance statement continued

- Cash in lieu of pension of 18% of base salary and other benefits in line with the Directors' Remuneration Policy
- Annual bonus opportunity of up to 250% of salary subject to performance and applicable deferrals (pro-rated in 2020 to reflect his joining the Company part way through the performance year)
- Long-Term Incentive Share Plan (LTIP) award of shares to the value of 350% of salary. Stephen's first LTIP award for the period 2020 to 2022 was granted on 14 August 2020 as reported on page 84. It was reduced pro-rata to reflect his joining part way through the performance period. The award will vest (subject to meeting applicable performance conditions) at the end of the period and is required to be held for an additional 2 years.

The structure and quantum of the CEO's remuneration package is consistent with our Directors' Remuneration Policy and falls below the maximum permitted under those rules. In calibrating his package the Committee considered what it would take to attract the unique skillset and talent required to guide our business through its next phase of development and benchmarked the outcome against the remuneration arrangements for similar roles in asset management peer group companies.

The package adopted differed from that of his predecessor in two key respects. First, the basic salary was returned to a level appropriate for a single CEO; at the time of his departure Keith Skeoch's salary was still based on the reduced level introduced when he moved from being sole CEO of Standard Life to Co-CEO of Standard Life Aberdeen following the merger in 2017. Second, while the total maximum variable pay opportunity (comprising annual bonus and LTIP) of 600% of salary remained unchanged, the Committee shifted the balance between the components from 300%:300% to 250%:350% to increase its focus on long-term performance.

Keith Skeoch's 12 month notice period commenced on 1 July 2020. He stepped down from the Board on 1 September 2020 when regulatory approval for Stephen Bird's appointment was received. Keith will serve as non-executive Chairman of Aberdeen Standard Investments Research Institute until the end of his notice period and during this time will continue to receive his base salary of £615,000 per annum as well as his benefits and allowances in line with the terms of his Executive Service Agreement. His bonus for the 2020 performance year has been pro-rated to 1 September 2020. He is not eligible for any further bonus or LTIP awards. His unvested deferred bonus and LTIP awards will continue to vest in line with the relevant plan rules on the original vesting dates and subject to the applicable performance measures. He will be subject to a post-employment shareholding requirement for two years post cessation of employment of 500% of salary.

Martin Gilbert stepped down from the Board on 12 May 2020 and retired from the Company on 30 September 2020. The terms of his retirement were agreed at the time of announcement of his departure in October 2019. Reflecting his reduction to a four day week from 1 January 2020 he received a base salary of £480,000 per annum and benefits and allowances, which included a pension of 20% of salary, until his departure. His bonus for the 2020 performance year has been pro-rated for time served to 30 September 2020. He was not eligible to receive a 2020 long-term incentive award. He is not eligible for any further bonus or LTIP awards. His unvested deferred bonus will continue to vest in line with the relevant plan rules on the original vesting dates and subject to the applicable performance measures. He will be subject to a post-employment shareholding requirement for one year post cessation of employment of 300% of salary. This is in

line with the policy in place at the time of announcement of his departure.

Our performance in 2020 and alignment with remuneration

Against a difficult market background in 2020, the business has experienced a decline in revenues which, alongside a reduced cost base (which still remains high in relation to income), resulted in a fall in adjusted profit before tax. Notwithstanding this, considerable momentum was gained from realigning the business around our three growth vectors, and reduced net outflows, climbing consultant ratings and improved investment performance in the year all set the stage for future growth, while major milestones in our transformation were also met.

How our remuneration policy was applied in 2020

Annual bonus

The 2020 executive Director bonus plan was designed in line with our Remuneration Policy to reward management for the efficient and timely execution of a stretching 12 month plan agreed with the Board, with a majority focus (75%) on financial performance targets. Non-financial performance objectives (20%) made up most of the balance, concentrating on the achievement of desired outcomes in our relationships with our customers and our people. The remaining 5% was reserved to reward the achievement of specific personal targets set for each of the executive Directors.

By the time that Stephen Bird joined us, the market disruptions caused by the pandemic had impacted income and changed the outlook for new business for the year, reducing substantially the chances of meeting a number of the financial and other targets set out in the annual bonus scorecard for the previous management team. He nonetheless elected, as a matter of principle, to be judged by the same scorecard as his new colleagues rather than insisting on a bespoke arrangement; as a result he received a bonus in line with the other Executive Directors despite delivering on all of the personal objectives agreed with the Board at the time of his recruitment.

The Remuneration Committee approved the following outcomes based on performance against targets:

Executive Director	Final outcome (% of max) ¹	Final outcome (% of pro-rated salary)	2020 total bonus (£000s)
Stephen Bird ²	48%	120%	527
Keith Skeoch ²	48%	144%	590
Stephanie Bruce	47%	70%	379
Martin Gilbert ³	47%	96%	344

¹ The same measures and scoring for both the financial (75%) and non-financial (20%) metrics were applied to all executive Directors irrespective of the time period they worked during the year.

² Annual salary has been pro-rated to reflect the period of time spent on the Board.

³ Annual salary has been pro-rated to the date of departure.

The key achievements are set out on pages 79 and 80 and summarised below, together with the range of factors considered by the Remuneration Committee in approving these outcomes.

Financial performance (75%)

- There has been strong investment performance for our clients and customers, as well as effective execution in realisation of value from strategic shareholdings
- The balance of financial metrics in the scorecard has, however, resulted in performance behind target

- In particular, revenue weakness has driven poor results against cost/income ratio targets and shortfalls in annual profit progress in some areas of strategic importance

This has resulted in an overall assessment of 34.21% out of a maximum of 75% on financial measures.

Non-financial performance (25%)

The non-financial measures included objectives around relationships with our People (10%) and our Customers (10%), both of which are important to the sustainability of our business.

- We made good progress in People objectives under our employee engagement target but fell short of our diversity targets
- Customer performance was assessed at threshold, reflecting positive movements in year on year client surveys within what are now the Advisor and Personal Vectors, but targets were not achieved for the Investments Vector

This has resulted in an overall assessment of 8.75% out of a maximum of 20% on non-financial measures.

Details on the Committee's assessment of individual performance against personal objectives, which make up the final 5% of the bonus opportunity, are provided on page 80.

Remuneration Committee assessment

In addition to considering the achievement against the targets under our annual bonus scorecard, the Committee reviewed the individual components which contributed to the delivery of this performance. The Committee also considered the alignment of scorecard outcomes with the experience of a range of stakeholders. This review was undertaken by the Committee to assess whether the awards generated by the scorecard were fair in the broader performance and risk context. The Committee considered:

- The outcome from the perspective of overall company performance including one-off items. The Committee considered that the categories, targets and measurements embedded in the scorecard appropriately captured performance against the Board's plan without the need for discretionary adjustment.
- The impact of the COVID-19 pandemic. This was reflected in reduced revenues for 2020, which directly impacted award outcomes via the scorecard. Note that aside from adapting some personal objectives, no remuneration measures or targets were adjusted as a result of the pandemic; nor was any application made for government support to mitigate the effects of COVID-19, while in the background the company increased its charitable giving and community engagement to support others affected by the pandemic.
- Input from the Risk and Capital Committee and the Audit Committee. There were no items raised by these committees which warranted Remuneration Committee intervention in executive Director outcomes for 2020.
- The mixed shareholder experience during 2020; our 1 year total shareholder return is ahead of all but one of our UK peers, but remains behind the majority of our overseas peers (using the same peer group that applied to the Executive Director 2020 Long Term Incentive Plan). There was a steadily improving share price performance after March 2020.
- The context of incentive funding across the workforce which has reduced from the prior year and been awarded in line with our performance driven policy for variable pay

The Remuneration Committee took these and other considerations into account in its review and concluded that it

would not be appropriate to exercise its discretion to amend the outcomes of the scorecard or override in any other way the annual bonus process.

2020 LTIP Award

The first awards under the LTIP plan to Keith Skeoch and Stephanie Bruce were made following the approval of the remuneration policy at the 2020 AGM in May 2020. An LTIP award was made to Stephen Bird after he joined the Company in August 2020. Details of all awards are set out on page 84. Prior to making the awards in May 2020, the Committee reviewed the award levels in the context of share price performance. The Committee determined that there was no requirement to adjust the award size of the 2020 LTIP from the level disclosed in our 2019 annual report. The Committee retains discretion to review award levels at the end of the period; this is to ensure that outcomes appropriately reflect performance and the experience of stakeholders, and to allow consideration as to whether unjustifiable windfall gains may have accrued to participants.

Coinciding with the publication of these accounts, the Group issued today an RNS announcement dealing with future changes to the reporting of Adjusted Profit and Adjusted Profit per Share. The Committee reviewed the impact of these changes on remuneration measures and targets set for in-flight incentive arrangements and determined that it was appropriate to change both the per Share measure and the associated performance targets of those schemes which currently use Adjusted Diluted Earnings per Share as a performance indicator. The revised measure selected as that most adjacent to the original test was Adjusted Diluted Capital Generation per Share (see definition on page 222 and detail on page 78). In accordance with the rules of the various schemes, the underlying principle applied in setting the revised measures and targets was that they should be neither more nor less difficult to achieve than the original targets. Details of the restated targets can be found on page 84.

Stephanie Bruce – One-Off Deferred Award

The Remuneration Committee assessed the performance condition around the vesting of the first tranche of the one-off deferred award made to Stephanie Bruce on her appointment as Chief Financial Officer (CFO) in 2019 and approved the vesting level at 100% of maximum. Further detail is included on page 82. As part of the due diligence process around this determination, the Remuneration Committee received an independent report from the Chief Internal Auditor prior to making their assessment, in line with previous undertakings to shareholders.

Keith Skeoch - Vesting of the 2018 Executive LTIP

Keith Skeoch participated in the 2018 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. Further details of the 2018 Executive LTIP can be found on page 82.

Policy implementation in 2021

This year the Committee has decided not to increase the salaries for the executive Directors or the fees for the non-executive Directors or the Chairman. This follows a Company-wide decision not to carry out a salary review at the beginning of 2021.

In line with the previous practice, we will continue to set stretching targets for the annual bonus and the LTIP to ensure that the maximum opportunity will only be earned for exceptional performance.

The scorecard for the 2021 annual bonus is detailed on page 78 and the targets, which are commercially sensitive, will be disclosed at the end of this performance year in the Annual report and accounts 2021. The scorecard retains the structure of focusing 75% of opportunity on the achievement of financial targets and 25% on the delivery of non-financial and personal objectives around people, customers, innovation and similar areas.

The threshold and maximum performance targets for the proposed grants under the 2021 Executive LTIP plan are detailed on page 78. In light of the change announced in future reporting of Adjusted Diluted Profit per Share we have changed the earnings based metric for the 2021 grants from that used in 2020.

To help you navigate the report effectively, I would like to draw your attention to the sections on pages 77 and 78 which summarise both the outcomes for 2020 and also how the remuneration policy will be implemented in 2021. Further detailed information is then set out in the rear section of the report for your reference as required.

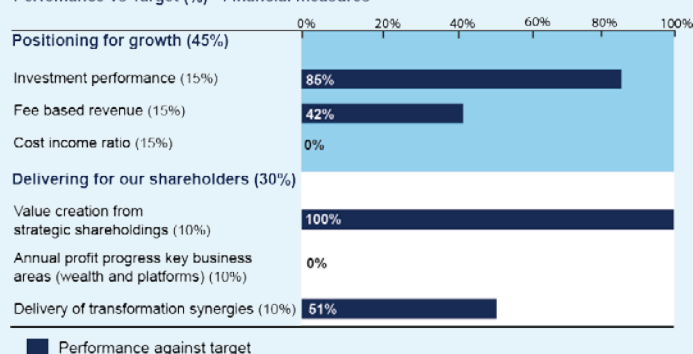
On behalf of the Board, I invite you to read our remuneration report and welcome your feedback.

At a glance – 2020 remuneration policy implementation

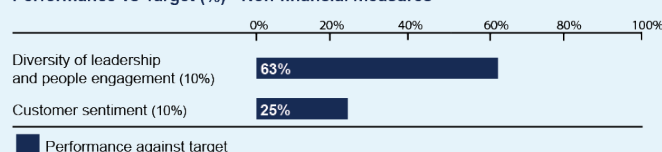
2020 Outcome of the financial and non-financial performance metrics

The following charts show performance against the target range for each of the financial and non-financial metrics which govern the annual bonus. Further detail on the assessment of the performance conditions can be found on pages 79 and 80.

Performance vs Target (%) - Financial measures



Performance vs Target (%) - Non-financial measures



Personal performance measures

The outcome of individual personal performance measures (5% weighting) is set out on page 80.

2020 annual bonus scorecard outcome

The following table sets out the final outcome for the 2020 annual bonus, including the personal performance assessment (noting that the same measures and scoring for both the financial and non-financial metrics have been applied to executive Directors irrespective of the periods during which they worked during the year). A detailed breakdown of performance can be found on pages 79 and 80.

	Bonus Scorecard Outcome				Total Bonus Outcome				
	Financial metrics (maximum 75%)	Non-financial metrics (maximum 20%)	Personal performance (maximum 5%)	Board approved outcome (% of maximum)	Annual salary (£000s)	Period worked in 2020 (days basis)	Maximum opportunity (% of salary)	Total award (% of salary) ¹	Total award (£000s)
Stephen Bird ²	34.21%	8.75%	5.00%	47.96%	875	50%	250%	120%	527
Keith Skeoch ³			5.00%	47.96%	615	67%	300%	144%	590
Stephanie Bruce			4.00%	46.96%	538	100%	150%	70%	379
Martin Gilbert ⁴			4.00%	46.96%	480	75%	204%	96%	344

¹ The % is applied to the pro-rated salary for Stephen Bird, Keith Skeoch and Martin Gilbert.

² Stephen Bird's total opportunity for 2020 was 250% of salary. His award has been pro-rated to reflect his joining date of 1 July 2020.

³ Keith Skeoch stepped down from the Board on 1 September 2020. His award has been pro-rated to reflect the period of time he served on the Board.

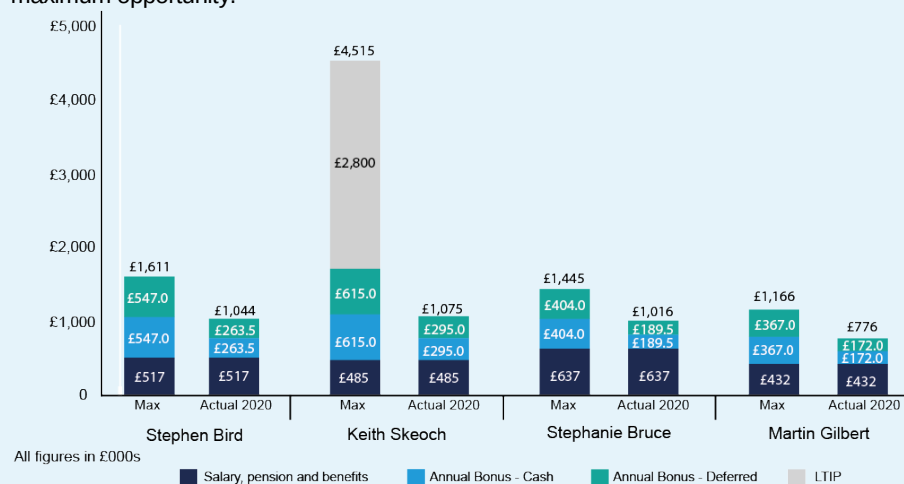
⁴ Martin Gilbert's total opportunity for 2020 was 204% of salary. His award has been pro-rated to reflect his leaving date of 30 September 2020.

Long-term incentive award outcome in 2020

Keith Skeoch was granted an LTIP award in 2018 under the Executive LTIP, with a performance period ending 31 December 2020. Performance did not meet the minimum threshold required to vest and the award lapsed in full. More detail is set out on page 82.

Total remuneration outcomes in 2020

The chart below shows the remuneration outcomes for each executive Director in 2020 based on performance compared to the maximum opportunity.



¹ The figures for Stephen Bird, Keith Skeoch and Martin Gilbert have been pro-rated to reflect time served as set out in the footnotes to the 2020 bonus outcome chart above.

² The maximum opportunity for Keith Skeoch includes his 2018 Executive LTIP which was awarded with a maximum value at grant of £2,800,000. The Committee assessed that performance had not met the minimum threshold required to vest. Details can be found on page 82.

2021 remuneration policy implementation

This section sets out how we propose to implement our remuneration policy in 2021 including the performance measures that will be used to determine outcomes under the annual bonus and the LTIP. A summary of our Directors' Remuneration Policy can be found on pages 92 - 95. The policy for the Chairman's fees and those of the non-executive Directors is set out on page 89.

Salary

No changes proposed.

Pension

No change proposed. A pension of 18% of base salary applies, in line with the maximum available to the wider UK workforce.

2021 annual bonus

At the beginning of each year the Remuneration Committee sets the performance measures for the annual bonus based on strategic priorities. For 2021, 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 reflect a holistic view of overall performance. The discretionary assessment will incorporate, inter alia, consideration of compliance, 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 2021 bonus
Financial	75%	Investment Performance, Adjusted profit before tax, Net flows, Transformation
Non-financial	20%	Performance against People, Customer and ESG objectives
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 2021 LTIP award

Under the Remuneration Policy, LTIP awards are subject to at least two performance metrics which are linked to the achievement of the Company's long-term strategic priorities and the creation of long-term shareholder value, with at least one being absolute in nature and one being a relative metric. Due to changes to the accounting for Adjusted Earnings per Share and their effect on the 2020 LTIP target measure of Compound Annual Growth Rate (CAGR) in Adjusted Diluted Earnings per Share, the Committee has decided to move to a new measure for the absolute element of the LTIP metrics for 2021. The new metric of CAGR in Adjusted Diluted Capital Generation per Share (page 222) captures a broad measure of the rate of increase in the company's ability to generate capital to sustain investment and dividend flows. Adjusted Capital Generation comprises Adjusted Profit after Tax (excluding the Group's share of profit after tax of associates and joint ventures) plus dividends from associates/joint

ventures/significant listed investments less returns relating to pension schemes in surplus; it is closely aligned to the measurement of management's performance in generating sustainable increases in shareholder value from its growth vectors and strategic relationships, while excluding mark-to-market changes in the fair value of significant listed investments, which are beyond management's direct control. The nominal performance targets for this measure are higher than for its predecessor, reflecting the elevated growth in returns expected from the key operating elements of the Group's business.

The Remuneration Committee proposes to grant awards in the form of nil-cost options under the LTIP plan. Targets for the award will be measured for the three-year period ended 31 December 2023 and are set as follows:

Performance measure	Weighting	Threshold performance (25% vesting)	Stretch performance (100% vesting) ¹
CAGR in Adjusted Diluted Capital Generation per Share	50%	8%	20%
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 group¹ to be used for the relative TSR measure consists of the below global asset management peers:

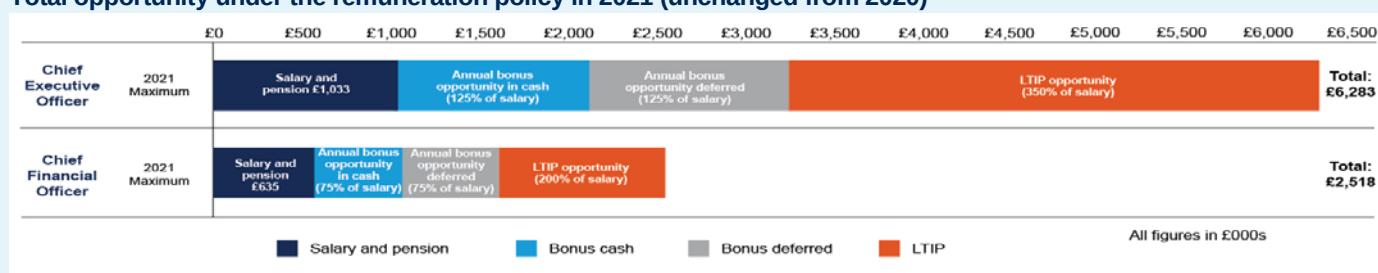
Affiliated Managers	Jupiter Fund Management	Janus Henderson Group
Alliance Bernstein	Man Group	St James's Place
Ameriprise Financial	Schroders	M&G
Amundi	DWS Group	Quilter
Ashmore Group	Franklin Resources	T Rowe Price Group
SEI Investments	Invesco	

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.

² Eaton Vance, which is in a sale process, has been removed from the peer group for 2021 awards. No other changes are proposed to the peer group from 2020.

Following the same logic that led the Committee to select the new performance measure of CAGR in Adjusted Diluted Capital Generation per Share for 50% of the 2021 LTIP, the Committee also decided to use its discretion to redefine the equivalent condition in the in-flight 2020 LTIP. This change, of which further details are available (page 84), was implemented on the basis that the new targets set (subject to rounding) would be no less difficult to achieve than those set at the time that plan was agreed.

Total opportunity under the remuneration policy in 2021 (unchanged from 2020)



Directors' Remuneration in 2020

This section reports remuneration awarded and paid at the end of 2020 in further detail, including 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 individuals who served as an executive Director at any time during the financial year ending 31 December 2020:

Executive Directors		Basic salary for year £000s	Taxable benefits in year £000s ¹	Bonus paid in cash ² £000s	Bonus deferred £000s ³	Long-term incentives with performance period ending during the year £000s ^{4,5}	Pension allowance paid in year £000s	Other payments £000s	Fixed pay sub-total £000s	Variable sub-total £000s	Total remuneration for the year £000s
Stephen Bird⁶	2020	438	–	263.5	263.5	–	79	–	517	527	1,044
	2019	–	–	–	–	–	–	–	–	–	–
Keith Skeoch⁷	2020	406	1	295.0	295.0	0	78	–	485	590	1,075
	2019	600	1	187.5	562.4	0	120	1	722	750	1,472
Stephanie Bruce	2020	535	1	189.5	189.5	–	101	–	637	379	1,016
	2019	308	–	61.5	184.5	–	62	–	370	246	616
Martin Gilbert⁸	2020	360	–	172.0	172.0	–	72	–	432	344	776
	2019	600	1	124.6	373.7	–	120	–	721	498	1,219

¹ This includes the taxable value of all benefits paid in respect of the relevant year. Included for 2020 are medical premiums at a cost to the group of £606 for all executive Directors.

² This figure shows the annual cash bonus paid in respect of the year. In 2020 50% of the annual bonus award will be delivered in cash in line with current policy. In 2019 25% of the total bonus award was paid in cash under the 2019 Directors' Remuneration Policy.

³ This figure shows the annual deferred bonus awarded in respect of the year. In 2020 50% of the annual bonus award will be deferred into shares in line with current policy. In 2019 75% of the total bonus award was deferred into shares under the 2019 Directors' Remuneration Policy.

⁴ For 2019, awards granted under the 2017 Executive LTIP lapsed in full as threshold performance was not achieved.

⁵ For 2020, awards granted under the 2018 Executive LTIP lapsed in full as threshold performance was not achieved.

⁶ Stephen Bird was appointed on 1 July 2020 – all figures reflect amounts paid/awarded since the date of appointment.

⁷ Keith Skeoch stepped down from the Board on 1 September 2020 and remained eligible for an award under the annual bonus plan until that date. The values shown represent the emoluments paid for the period spent on the Board to 1 September 2020.

⁸ Martin Gilbert stepped down from the Board on 12 May 2020 and retired from the company on 30 September 2020. He remained eligible for an award under the annual bonus plan to the date of retirement. The values shown represent the emoluments paid to 30 September 2020.

Base salary (audited)

Keith Skeoch and Stephanie Bruce received a 2.5% salary increase effective 1 April 2020 in line with the wider workforce. Stephen Bird joined on 1 July 2020 on a salary of £875,000. From 1 January 2020, Martin's working commitment to the Company reduced to 4 days a week and, accordingly, his salary reduced by 20% to £480,000 per annum. This was in line with the terms of his retirement.

Pension (audited)

Under the Directors' Remuneration Policy approved at the 2020 AGM, with effect from 1 June 2020 the executive Directors received a cash allowance in lieu of pension contributions of 18% of base salary. The only exception to this was Martin Gilbert, who continued to receive 20% as agreed under the terms of his retirement.

Annual Bonus Plan

The following section contains details on the targets and the Remuneration Committee's assessment of outcomes for the period 1 January 2020 to 31 December 2020 against each of the elements of the executive Director bonus scorecard.

Financial performance metrics – 75% of total scorecard outcome

	Weighting (% of max opportunity)	Threshold (25% of maximum)	Target (50% of maximum)	Stretch (100% of maximum)	Actual	Result (% of max opportunity)
Positioning for growth (45%)						
Investment performance – % AUM > benchmark average of 3 year and 5 year for all asset classes	15%	>50%	60%	>70%	67%	12.75%
Fee based revenue (£m)	15%	1,373	1,449	1,601	1,425	6.32%
Cost/income ratio excluding JVs/Associates %	15%	84.2%	81.1%	78.7%	84.6%	0.00%
Delivering for our shareholders (30%)						
Value creation measured as IFRS gain on sale (PBT) from strategic shareholdings (£m) ¹	10%	380	570	760	803	10.00%
Annual profit progress on key areas – Wealth and Platforms (£m) ²	10%	15	23	30	7	0.00%
Delivery of transformation synergies (£m)	10%	315	350	385	351	5.14%

¹ £760m target is IFRS gain on sale before tax.

² Platforms includes Wrap and Elevate. Wealth includes Aberdeen Standard Capital, Parmenion, Focus, threesixty, Advice (including Digital and SLCM). Profit progress defined as the increase in year on year adjusted profit before tax between 2019 and 2020.

3. Corporate governance statement continued

Non-financial performance metrics – 20% of total scorecard outcome

	Weighting (% of max opportunity)	Threshold (25% of maximum)	Target (50% of maximum)	Stretch (100% of maximum)	Actual	Result (% of max opportunity)
Investing in our people (10%)						
Diversity of leadership and the wider workforce (measured at 31 December 2020):						
% female representation in CEO -1 and CEO-2	2.5%	33%	37%	>=39%	37%	1.25%
% female representation in Global workforce	2.5%	46%	47%	>=49%	45%	0.00%
People engagement: outcome of the Viewpoints full company survey	5%	61%	64%	67%	72%	5.00%
Investing in our customers (10%)						
<i>Highlights from assessment</i>						
Customer Advocacy: improvement from baseline	- Little demonstrable progress overall in customer satisfaction indices in Investments and failure to achieve top 10 ASI NMG Brand Net Promotor score - Within the businesses now positioned under the Advisor and Personal vectors, client surveys evidenced positive year-on-year movement. In addition to core surveys, additional steps were taken to enhance these through the pandemic with timely questions reflecting real-time circumstances.					2.50%

Personal performance metrics – 5% of total scorecard outcome

<i>Highlights from assessment</i>					Result (% of max)
Stephen Bird	- Facilitation of a smooth transition from his predecessor. - Strong performance in addressing organisational re-design (including reconfiguration of the firm around growth vectors), brand re-positioning and cost transformation and the pursuit of top line growth. This was achieved against a backdrop of pandemic restrictions, industry and market disruptions. - Focussed on generating clarity of vision and ambition around the strategic direction of travel, as well as openness on challenges faced in delivery, both internally and externally. - Close attention to the people agenda, developing the senior executive group and building strong support from them, as well as amongst the wider workforce, for the momentum being created. This was alongside establishment of a strong working relationship with the Board. - Progress with Investments towards redesigning how we build around the customer and enhance opportunities through strategic relationships.				5%
Keith Skeoch	- Facilitation of a smooth transition to his successor. - Took a leading role in developing an inclusive and diverse senior executive group. The success of this was evidenced through the resilient response to the pandemic restrictions. - Successful transformation to remote working which facilitated good progress on completion of the Group's integrated operating model. - Enhancement of the value derived from the Group's strategic and non-strategic associated company stakes through positive engagement with Phoenix and HDFC to facilitate further market transactions and realisation of value. - Enhanced public profile as a trusted industry spokesperson as Chairman of the Investment Association and interim chair of the FRC.				5%
Stephanie Bruce	- Support for the new CEO and development of the three year strategic plan and a stretch plan for 2021 which demonstrates a significant inflection to growth in revenues and earnings. - Effective management of the finance transformation program to support strategic changes in Company structure and focus on cost and efficiency targets. - Development of the return on capital framework to support evaluation of growth pathways. - Lead role in working with Phoenix, evaluating costs and benefits of deal configurations which laid the groundwork for the agreement to sell the Standard Life Brand and acquire the Wrap SIPP and Onshore Bond portfolios concluded in February 2021.				4%
Martin Gilbert	- Strong role in succession planning and transition of client relationships and industry body and governmental relationships as well as day to day operational management. - Brand ambassador for SLA/ASI representing the organisation publicly until his date of departure.				4%

Before approving the level of performance in 2020, 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, the Remuneration Committee took into account the feedback received as well as factors including the impact of the COVID-19 pandemic, shareholder experience and pay for the wider workforce. A final determination was made that no adjustment should be made to the bonus outcomes set out above as a result of this review.

Payments to past Directors and payments for loss of office (audited)

Payments made to former executive Directors that have not been previously reported elsewhere are reported if they are in excess of £20,000.

Keith Skeoch stepped down from the Board with effect from 1 September 2020 but remains employed in the role of non-executive Chairman of Aberdeen Standard Investments Research Institute until the end of his notice period on 30 June 2021, at which point he will leave the Company. Details of his pro-rata remuneration until stepping down from the Board are included in the table on page 79. He continues to be eligible for his salary, benefits and pension from 1 September 2020 until his termination date of 30 June 2021 (totalling £605k). Entitlement to an annual bonus ceased on 31 August 2020.

As Keith is retiring from the Company, he will be treated as a good leaver for the purpose of outstanding incentive awards. In line with the respective plan rules, the following treatment will apply:

- Legacy awards under the Standard Life Executive LTIP: The 2018 LTIP award has not met the required performance thresholds and the award lapsed in full as set out on page 82. There are no other unvested awards under this plan.
- Deferred awards under the EIP: Keith holds outstanding deferred awards under the 2018 EIP (138,107 shares) and the 2019 EIP (273,160 shares). The total shares do not include shares to be awarded in lieu of dividend equivalents. These awards will vest at the original vesting dates subject to performance against the Underpin conditions (further details of which can be found in previous Directors' remuneration reports). Vested awards will be subject to a holding period until the fifth anniversary of grant and will accrue dividend equivalents.
- Award under the 2020 LTIP: the 2020 LTIP award will be pro-rated for time in service to 30 June 2021, and therefore a maximum of 429,045 shares will be capable of vesting subject to performance at the end of the performance period. The maximum number of shares does not include shares to be awarded in lieu of dividend equivalents. Vested awards will be subject to a two-year holding period at the end of the performance period and will accrue dividend equivalents.
- Deferred awards to be granted in respect of the 2020 annual bonus (as detailed on page 79) will vest in equal tranches on the first, second and third anniversary of grant.

Martin Gilbert retired from the Company on 30 September 2020, having stepped down from the Board on 12 May 2020. Other than the payments made to Martin until the point he left the Company (as detailed on page 79), no other payments were made.

As Martin 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 will apply:

- Legacy awards under the Aberdeen Asset Management Deferred Share Plan (436,083 shares). Unvested awards will vest in full at the normal vesting date. The dividend equivalent value for these shares will be settled in cash at vesting in accordance with the relevant plan rules.
- Deferred awards under the EIP: Martin holds outstanding deferred awards under the 2018 EIP (138,107 shares) and the 2019 EIP (181,483 shares). The total shares do not include shares to be awarded in lieu of dividend equivalents. These awards will vest at the normal time, subject to performance against the Underpin conditions. Vested awards will be subject to a holding period until the fifth anniversary of grant and will accrue dividend equivalents.
- Deferred awards to be granted in respect of the 2020 annual bonus (as detailed on page 79) will vest in equal tranches on the first, second and third anniversary of grant.

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:

Executive Director	Role and organisation	2020 Fees
Stephen Bird	Not applicable	–
Keith Skeoch	Non-executive Director Financial Reporting Council ¹	£nil
	Director and Chair of the Investment Association ²	£nil
	Member of Takeover Panel ³	£nil
Stephanie Bruce	Board and council member of ICAS ⁴	£nil
Martin Gilbert ⁵	Non-executive Director, Glencore plc	US\$108,197
	Non-executive Director, Old Oak Holdings Limited ⁶	£17,486
	Chairman, Revolut ⁷	£49,590

¹ Stepped down from position on 31 July 2020.

² Served as Deputy Chair up until 30 April 2020 then appointed to Chair from 1 May 2020.

³ Commenced position on 1 May 2020.

⁴ Stepped down from position on 24 April 2020.

⁵ All values have been pro-rated up to 12 May 2020 (the date that Martin stepped down from the Board).

⁶ Appointed 9 March 2020.

⁷ Appointed 1 January 2020.

3. Corporate governance statement continued

Shareholdings and outstanding share awards

This section reports our executive Directors' interests in shares.

Vesting of the 2018 Executive LTIP

Keith Skeoch participated in the 2018 Executive LTIP, the outcome of which was dependent on the achievement of stretching performance conditions by reference to adjusted profit and net flows targets over the three-year period ending 31 December 2020. 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 2018:

Performance condition	Performance measurement period	Threshold	Maximum	Actual	% Vesting
Cumulative Group adjusted profit before tax ¹	1 January 2018 to 31 December 2020	£2,160m	£2,920m	£1,872m	0%
Cumulative Group net flows		£36.5bn	£67.9bn	£(55.7)bn	0%

¹ These are the performance targets after the adjustments in 2018 following the transaction with Phoenix (details of which were provided to shareholders at the time of the adjustment). Further adjustments were made to this target in 2019 as a result of the Lloyds Banking Group withdrawal and in 2019 and 2020 for associate and joint venture share reduction changes. These adjustments resulted in a reduction in the threshold and maximum targets of £135m and £185m respectively.

Vesting of the first tranche of the CFO Deferred Award

The first anniversary of the award was 3 June 2020 and vesting of the first tranche was determined based on performance up to that date. The award had a maximum value at grant of £750,000.

As set out in the announcement made on 30 April 2019 relating to this award, efficiency targets of £350m had previously been disclosed by the Company, of which £230m was still to be realised as of 31 December 2018. The award was structured such that two-thirds would vest to the extent that £175m (baseline target) of the remaining £230m was achieved by 3 June 2022 with the final third vesting if the full £230m was met or exceeded by that date.

The Award is considered for vesting in three tranches on the first, second and third anniversary of the grant of the Award. The vesting level for the first anniversary and second anniversary tranches is based on an assessment made by the Remuneration Committee of the progress made towards the achievement of the efficiency targets, including whether or not the baseline target will be met. The vesting level of the third anniversary tranche will be adjusted by the Remuneration Committee to ensure that the overall vesting of the award is commensurate with the final achievement against the efficiency targets.

The Remuneration Committee reviewed progress made towards the £175m (baseline target) and £230m (maximum target) in June 2020, prior to approving the vesting level of the first tranche of the award. At 31 December 2019, actions had been taken which benefited operating expenses by £234m (2018: £120m) (as published in our 2019 ARA). Progress towards the baseline target therefore represented £114m at 31 December 2019, with further benefits expected in 2020. When the Remuneration Committee undertook its assessment of whether the first tranche of the award should vest in June 2020, this level of efficiency achievement was reported and agreed by the Remuneration Committee to be 'on track' for the purposes of assessing vesting of the first tranche of the award. At the same time, the Remuneration Committee noted the likelihood that the baseline target would be surpassed and the target of £230m (for full vesting) would be achieved by 3 June 2022. Performance was assessed by the Committee with input from the Chief Internal Auditor.

The Remuneration Committee approved the vesting level of the first tranche of the one-off award at 100% and this vested on 22 June 2020. The first tranche of the award remains subject to malus and clawback provisions in line with the Remuneration Policy.

Directors' interests in shares (audited)

Our shareholding requirements for executive Directors are detailed on page 93. The Directors' Remuneration Policy requires executive Directors to accumulate and maintain a material long-term investment in Standard Life Aberdeen plc shares. The Remuneration Committee reviews progress against the requirements annually. Personal investment strategies (such as hedging arrangements) are not permitted for the purposes of reducing the economic exposure arising from the shareholding requirement.

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 2020	Shares acquired during the period 1 January 2020 to 31 December 2020	Total number of shares owned at 31 December 2020	Shares acquired between 31 December 2020 and 8 March 2021
Stephen Bird ¹	–	500,000	500,000	–
Keith Skeoch ²	2,435,226	122,143	2,557,369	Not applicable
Stephanie Bruce	–	133,741	133,741	–
Martin Gilbert ³	431,161	–	431,161	Not applicable

¹ Reflects position from start date of 1 July 2020 until 31 December 2020.

² Reflects position until stepping down from the Board on 1 September 2020.

³ Reflects position until stepping down from the Board on 12 May 2020.

The following table shows the number of qualifying awards included in assessing achievement towards the shareholding requirement, as at 31 December 2020. Qualifying awards include 50% of the value of awards held by the executive Directors that have vested but not been exercised (as a proxy for the economic exposure after payment of tax due on the exercise of the awards).

Executive Directors who have not yet satisfied the shareholding requirement are expected to accumulate shares until they have fully met their shareholding requirement. They are required to hold 100% of vested shares (post-tax) granted under the Company's share plans (including any dividend equivalents) until they have met their shareholding requirement. All other shares acquired and held by the executive Director or owned indirectly by a partner or family trust also count towards the shareholding requirement.

Stephen Bird and Stephanie Bruce, who were appointed during 2020 and 2019 respectively, have not yet met the shareholding requirement. Keith Skeoch and Martin Gilbert complied with the requirements until they stepped down from the Board and are now subject to the post cessation shareholding requirements as detailed below.

	Qualifying awards			Value ¹ of holding	Shareholding requirement (as % salary)	Basic Salary	Total of the value of shares held (from table above and 50% of the value of qualifying awards at 31 December 2020) as a % of salary	Shareholding requirement met?
	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)					
Stephen Bird ²	—	—	500,000	£1,406,500	350%	£875,000	161%	No
Keith Skeoch ³	—	—	2,557,369	£7,193,879	500%	£615,000	1,170%	Yes
Stephanie Bruce	—	—	133,741	£376,213	300%	£538,125	70%	No
Martin Gilbert ⁴	1,529,596	—	1,195,959	£3,364,233	300%	£480,000	701%	Yes

¹ The closing market price at 31 December 2020 used to determine the value of each holding was 281.30 pence.

² Reflects position from start date of 1 July 2020 until 31 December 2020.

³ Reflects position until stepping down from the Board on 1 September 2020.

⁴ Reflects position until stepping down from the Board on 12 May 2020.

During 2021 the Committee will be reviewing the processes in place in order to ensure maximum enforceability of the post-employment shareholding requirement.

As set out on page 93, under the Directors' Remuneration Policy an executive Director is required to hold shares up to the value of their shareholding requirement for 24 months post departure from the Board. Accordingly, Keith Skeoch is required to hold 500% of his final basic salary in shares until 31 August 2022.

In line with the previous shareholding policy, which was in place at the time of the announcement relating to Martin Gilbert's departure, Martin Gilbert is required to hold 300% of his final basic 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 2020:

	Unvested options with performance measures ¹	Unvested options without performance measures ²	Vested but unexercised options at 31 December 2020 ³	Total options at 31 December 2020	Exercised during the year ⁴	Aggregate gains made on awards exercised during the year ⁵
Stephen Bird	945,765	—	—	945,765	—	—
Keith Skeoch	2,032,456	102,833	—	2,135,289	329,705	£730,496
Stephanie Bruce	778,775	7,944	—	786,719	103,859	£275,538
Martin Gilbert	319,590	436,083	1,529,596	2,285,269	—	—

¹ Includes: LTIP awards made in 2018 (awards subject to performance targets over the three-year period ending 31 December 2020), 2019 deferred bonus awards and the 2020 LTIP awards granted in 2020 disclosed below (awards subject to performance targets over the three-year period ending 31 December 2022), excluding, in each case, shares to be awarded in lieu of dividend equivalents.

² This comprises 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 Keith Skeoch this comprises of awards made under the LTIP in 2015 and deferred bonus awards, for Stephanie Bruce this comprises the first tranche of the one-off award granted in 2019. Includes dividend equivalent shares awarded in accordance with the plan rules.

⁵ The aggregate gains have been calculated using the share price at the date of exercise of each underlying award. The range for the year of Standard Life Aberdeen plc shares was 170.30 pence to 336.90 pence.

3. Corporate governance statement continued

Awards granted in 2020 (audited)

The table below shows the key details of the LTIP and EIP deferred awards granted in 2020:

Participant	Type of award	Basis of award	% of salary	Face value at grant	Number of shares awarded	% payable for threshold performance	Details on performance conditions
Stephen Bird	Nil-cost option	LTIP ¹	350%	£2,553,946	945,765		Awards are subject to performance against targets measured over three years as set out on page 84 of the Annual report and accounts 2019 and subject to the restatement below
Keith Skeoch	Nil-cost option	LTIP ²	300%	£1,845,000	859,658	25%	
Stephanie Bruce	Nil-cost option	LTIP ²	200%	£1,076,250	501,467		
Keith Skeoch	Nil-cost option	Deferred Bonus ³	Not applicable	£562,410	273,160	Not applicable	EIP deferred awards are subject to performance Underpins measured over three years as set out on page 87 of the Annual report and accounts 2019
Stephanie Bruce	Nil-cost option			£184,466	89,594		
Martin Gilbert	Nil-cost option			£373,656	181,483		

¹ The share price used for the LTIP award was 270.04p. The award was reduced pro-rata to reflect the fact Stephen Bird joined part way through the performance period.

² The share price used for the LTIP awards was 214.62p.

³ The share price used for the deferred bonus awards was 205.89p.

2020 LTIP Target Restatement

Coinciding with the publication of these accounts, the Group issued an RNS announcement dealing with future changes to the reporting of Adjusted Profit and Adjusted Diluted Profit per Share. The Committee reviewed the impact of these changes on remuneration measures and targets set for in-flight incentive arrangements and determined that it was appropriate to change both the per Share measure and the associated performance targets of those schemes which currently use CAGR in Adjusted Diluted Earnings per Share as a performance indicator. The revised measure selected as that most adjacent to the original test was CAGR in Adjusted Diluted Capital Generation per Share (see definition on page 222 and detail on page 78). In accordance with the rules of the various schemes, the underlying principle applied in setting the revised measures and targets was that (subject to rounding) they should be neither more nor less difficult to achieve than the original targets. The Remuneration Committee considered the projections that underpinned the targets set for CAGR in Adjusted Diluted Earnings per Share (as then defined) when the performance conditions for the 2020 LTIP awards were agreed, and how the new measure would have been expected to perform based upon the same assumptions. Based on this analysis it set the threshold and maximum levels for CAGR in Adjusted Diluted Capital Generation per Share of 11% and 23% respectively (previous measure 5% and 15%). As with the previous measure, performance below threshold will result in a nil vesting, rising to 25% of opportunity at threshold and 100% of opportunity at or above maximum; straight line vesting will continue to be applied between threshold and maximum.

Details of the 2020 awards made to Directors can be found on page 84 of the Annual report and accounts 2019. The table below shows the original performance targets for the 2020 LTIP award and the amended performance targets. The higher target range in this section compared to that set for the 2021 LTIP reflects, inter alia, the substantial completion of the company's share buyback plan in 2020.

Performance Measures ¹	Original Target: Adjusted diluted EPS Compound Annual Growth Rate (CAGR)	Amended Target: CAGR in Adjusted Diluted Capital Generation per Share
Threshold target (25% vesting)	5%	11%
Maximum (100% vesting)	15%	23%

¹ No change has been made to the original Relative TSR target which is set out on page 84 of the Annual report and accounts 2019.

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 2020, the Company's standing against these dilution limits was: 1.07% where the guideline is no more than 5% in any 10 years under all discretionary share plans in which the executive Directors participate and 1.55% 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 2020 the trusts held 67,735,805 shares acquired to satisfy these awards. Of these shares, 9,309,281 are committed to satisfying vested but unexercised awards. The percentage of share capital held by the employee trusts is 3.09% of the issued share capital of the Company – within the 5% best practice limit endorsed by the IA.

Promoting all-employee share ownership

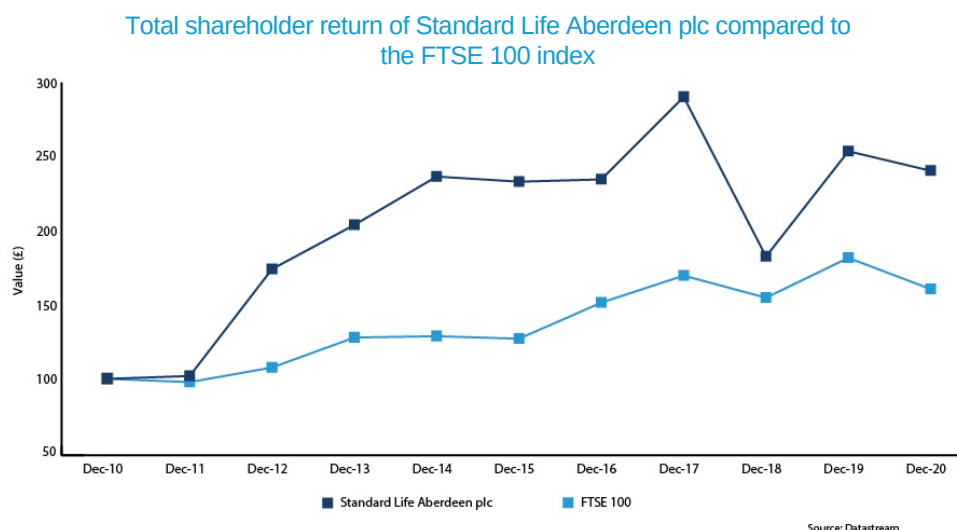
The Company promotes employee share ownership with a range of initiatives, including:

- 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 2020, 1,949 individuals in the UK and Ireland were actively making monthly contributions averaging £69. At 31 December 2020, 2,424 individuals were Standard Life Aberdeen plc shareholders through participation in the Plan.
- The Sharesave Plan which was offered in 2020 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% of the market price. At 31 December 2020, 2,298 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 2020 if, on 1 January 2010, £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.



The following table shows the single figure of total remuneration for the Director in the role of Chief Executive Officer 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 Officer	Chief Executive Officer single figure of total remuneration (£000s)	Bonus outcome/ Annual incentive rates against maximum opportunity (%)	Long-term incentive plan vesting rates against maximum opportunity (%)
2020	Stephen Bird	1,044	48	—
	Keith Skeoch	1,075	48	—
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

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:

	2020	% change	2019
Remuneration payable to all Group employees (£m) ¹	625	-3.25%	646
Dividends paid in respect of financial year (£m)	313	-36.5%	493
Share buybacks and return of capital (£m) ²	359	-30.29%	515
Adjusted profit before tax (£m)	487	-16.61%	584

¹ In addition staff costs and other employee-related costs of £91m (2019: £131m) are included in restructuring and corporate transaction expenses. See Note 7 of the Group financial statements for further information.

² Excludes unsettled purchases of shares, expenses and the irrevocable contractual obligation with a third party to purchase the Company's own shares. See Note 26 of the Group financial statements for further information on the buybacks.

3. Corporate governance statement continued

Annual percentage change in remuneration of Directors 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 2019 and the year ended 31 December 2020 for the executive Directors, along with any percentage change in fees for the non-executive Directors, compared to the average UK-based Group employee. The Remuneration Committee considers this the most appropriate comparison given the location of the executive Directors and that the Group does not operate a harmonised salary and benefits structure across its global operations.

Percentage change in remuneration between 2019 and 2020		% Base salary/fee ¹	Annual bonus outcome ¹	% Benefits ¹
Executive Directors ^{2,3}	Stephen Bird	—	—	—
	Keith Skeoch	-32%	-21%	0%
	Stephanie Bruce	74%	54%	100%
	Martin Gilbert	-40%	-31%	-100%
Non-executive Directors ^{4,5}	Sir Douglas Flint ⁶	0%	—	2,600%
	Jonathan Asquith	202%	—	—
	John Devine	-2%	—	-100%
	Melanie Gee	-3%	—	-100%
	Brian McBride	—	—	—
	Martin Pike	-3%	—	-100%
	Cathleen Raffaeli	0%	—	-100%
	Jutta af Rosenborg	0%	—	—
	Cecilia Reyes	292%	—	—
UK-based employees		2.5%	-52.5%	17%

¹ The data in the table has been calculated in accordance with reporting requirements and reflects the percentage change in base salary, bonus outcome and benefits on an earned basis for executive Directors and non-executive Directors. This is compared to the average UK-based Group employee.

² Stephen Bird was appointed 1 July 2020; Keith Skeoch stepped down from the Board on 1 September 2020; Stephanie Bruce was appointed to the Board on 1 June 2019; Martin Gilbert stepped down from the Board on 12 May 2020 and retired from the company on 30 September 2020. Details of any changes in base salary for executive Directors calculated on a full time year-on-year basis can be found on page 79.

³ The change in benefits figures for employees (including executive Directors) are based on the change in medical premium paid by the Group on their behalf. Benefits do not include pension contributions for these purposes.

⁴ Remuneration for non-executive Directors and the Chairman is disclosed on page 88.

⁵ Jonathan Asquith was appointed to the Board on 1 September 2019, Cecilia Reyes was appointed to the Board on 1 October 2019. Details of any changes to the fees paid to non-executive Directors and the Chairman on a full time year-on-year basis can be found on page 93 of the of the Annual report and accounts 2019.

⁶ 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 2019 which was the relevant period that cover was in place. He received a full year of this benefit in 2020.

Pay ratio

The table below sets out the ratio of CEO pay (based on Stephen Bird's pay from the date of his appointment on 1 July 2020 plus Keith Skeoch's pro-rata pay up to 30 June 2020) to the median, 25th and 75th percentile total remuneration of full-time equivalent UK employees in accordance with 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 5 April 2020) and updated the figures for remuneration received in respect of the 2020 performance year ending 31 December 2020 (methodology B). This was chosen by the Remuneration 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 in line with the regulations due to the number of individuals employed by these entities being less than 250. 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 each of the individuals identified under methodology B was reviewed against other individuals within the quartile both above and below. The individuals in the 25th and 75th percentile were considered representative of the quartiles and the trends seen across the Company on remuneration in respect of both the salary and bonus. The individual in the 50th percentile was replaced by the next identified in that quartile as bonus was considered to be higher than representative for the quartile. Benefits figures were based on the medical premium paid by the Company on behalf of employees. All individuals identified were full time employees so no adjustment to annualise total compensation was required.

The ratio has increased from 2019, which reflects the outcome of the Committee's assessment of performance in each of the relevant years as well as greater differentiation for performance and reward which was applied across the organisation in 2020. The Committee is comfortable that the pay ratio reflects the pay and progression policies across the Company. Further detail on workforce pay is set out below.

	Year	Method	25 th percentile	50 th percentile	75 th percentile
Stephen Bird/Keith Skeoch	2020	Option B	49	30	18
Keith Skeoch	2019	Option B	34	23	13
Keith Skeoch	2018	Option B	30	19	12

	Base salary (£000s)	Total pay (£000s)
CEO remuneration ¹	741	1,847
25 th percentile employee	32	38
50 th percentile employee	51	61
75 th percentile employee	85	102

¹ Values shown include Stephen Bird's pay from the date of his appointment on 1 July 2020 plus Keith Skeoch's pro-rata pay up to 30 June 2020.

How pay was set across the wider workforce in 2020

Our principles for setting pay across the wider workforce are consistent with those for our executive Directors, in that the proportion of the remuneration package which is linked to performance increases for more senior roles within the Company as responsibility and accountability increases.

Base salaries are targeted at an appropriate level in the relevant markets in which the Group competes for talent. The Remuneration 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. A Company-wide decision was made not to carry out a salary review at the end of 2020 and the same approach was applied to executive Directors.

In 2020, all employees were eligible to be considered for performance related variable remuneration but not all employees received a bonus. Entitlement to be considered for performance related variable remuneration is 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.

As part of transformation of our performance culture, in 2020 variable remuneration has been directed to those who have made an outstanding contribution in the key areas of driving improved fund performance and client service, managing through the global pandemic and delivering on our transformation objectives. This has created the required momentum in these areas in 2020 to position our business to deliver against our plan in 2021.

The Group engaged with its employees in 2020 through the annual Viewpoints full company survey. The survey included an opportunity for employees to provide feedback to the Board on pay and benefit matters. The CEO has engaged directly with employees in relation to the 2020 remuneration cycle. The areas discussed in these communications include: economic factors, employee expectations, congruence of pay across the workforce and market data.

The Group operates a Compensation Committee comprising the Chief HR Officer (Chair), Chief Financial Officer and Chief Risk Officer, the role of which is to consider the implementation of the remuneration policy across the Group. The terms of reference of the Compensation Committee are set by the Remuneration Committee and the Chair of the Compensation Committee formally reports to the Remuneration Committee on all matters which fall within the Compensation Committee's remit.

3. Corporate governance statement continued

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 2020. Non-executive Directors do not participate in bonus or long-term incentive plans and do not receive pension funding:

		Fees for year ended 31 December £000s	Taxable benefits in year ended 31 December £000s ¹	Total remuneration for the year ended 31 December £000s
Non-executive Directors				
Sir Douglas Flint²	2020	475	27	502
	2019	475	1	476
Jonathan Asquith	2020	139	–	139
	2019	46	–	46
John Devine	2020	128	–	128
	2019	131	3	134
Melanie Gee	2020	113	–	113
	2019	117	4	121
Brian McBride^{3,4}	2020	76	–	76
	2019	–	–	–
Martin Pike	2020	124	–	124
	2019	128	3	131
Cathleen Raffaelli⁵	2020	149	–	149
	2019	149	3	152
Jutta af Rosenborg	2020	94	–	94
	2019	94	–	94
Cecilia Reyes	2020	94	–	94
	2019	24	–	24

¹ We have reviewed the approach to disclosure of taxable benefits for non-executive Directors in 2020. This has resulted in removal of certain expenses, in line with reporting requirements.

² Sir Douglas Flint is eligible for life assurance of 4x his annual fee. For 2020 this figure relates to the full year.

³ Appointed to the Board with effect from 1 May 2020.

⁴ Total fees include subsidiary Board fees of £30,000 per annum as a member of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards.

⁵ Total fees include subsidiary Board fees of £55,000 per annum as Chair of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards.

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 of the Annual report and accounts 2019.

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 238) and at the 2020 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	AGM 2020
Non-executive Directors		
John Devine	4 July 2016	AGM 2017
Melanie Gee	1 November 2015	AGM 2016
Brian McBride	1 May 2020	AGM 2020
Martin Pike	27 September 2013	AGM 2014
Cathleen Raffaelli	1 August 2018	AGM 2019
Jutta af Rosenborg	14 August 2017	AGM 2018
Cecilia Reyes	1 October 2019	AGM 2020

Implementation of policy for non-executive Directors in 2021

The following table sets out Standard Life Aberdeen plc non-executive Director fees to be paid in 2021. No increases were made to the level of fees from 2020.

Role	2021 fees ¹	2020 fees
Chairman's fees²	£475,000	£475,000
Non-executive Director fee³	£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 2021 (2020: £662k). 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 £1,407k for 2021 (2020: £1,408k).

² The Chairman's fees are inclusive of the non-executive Directors' core fees and no additional fees are paid to the Chairman where he chairs, or is 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 the core 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 2020 or date of appointment if later	Shares acquired during the period 1 January 2020 to 31 December 2020	Total number of shares owned at 31 December 2020 or date of cessation if earlier ²
Sir Douglas Flint	89,024	345	89,369
Jonathan Asquith	20,000	50,000	70,000
John Devine	28,399	—	28,399
Melanie Gee	67,500	—	67,500
Brian McBride ¹	—	—	—
Martin Pike	69,476	—	69,476
Cathleen Raffaeli	9,315	—	9,315
Jutta af Rosenborg	8,750	—	8,750
Cecilia Reyes	—	—	—

¹ Appointed 1 May 2020.

² There were no changes to the number of shares held by Directors between 31 December 2020 and 8 March 2021.

Sir Douglas Flint, as Chairman, is subject to a shareholding guideline 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 2020 the Remuneration Committee was made up of independent non-executive Directors. For their names, the number of meetings and committee member attendance during 2020, please see the table on page 57.

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 2020



- Development of 2020 Directors' Remuneration Policy
- Review stakeholder commentary on draft Remuneration Policy
- 2019 Directors' remuneration report
- 2019 bonus payments and 2017 LTIP outcomes
- 2020 annual bonus scorecard targets and 2020 LTIP targets
- Review remuneration outcomes for executive Directors and the Material Risk Taker population



- Review of COVID-19 impact on remuneration
- Update on the external environment and feedback from AGM
- Remuneration decisions for the Executive Leadership Team and other senior employees within Remuneration Committee's remit
- Review of Stephen Bird appointment and Keith Skeoch departure



- Consider anticipated impact of regulatory changes on remuneration
- Mid-year review of performance against target for annual bonus and LTIP awards



- Review of Group Remuneration Policy
- Material Risk Takers and related 2020 disclosures
- Update on the regulatory position of Standard Life Aberdeen and the Remuneration Committee's Terms of Reference
- Review gender pay gap data
- Review 2021 remuneration proposals

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, accounting support, 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 2020 for professional advice to the Remuneration Committee were £171,165.

Where appropriate, the Remuneration Committee receives input from the Chairman, Chief Executive Officer, 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 Committee reviews its remit and effectiveness each year. The 2020 review was conducted internally by the Company Secretary, who interviewed each of the Committee members. As well as general observations, the four key performance areas considered were:

- The coverage of the Committee's duties in the meeting agendas
- How effectively agenda items were presented and discussed
- The quality and level of detail in the papers
- How well the Committee met its objectives in terms of making decisions and reporting to the Board

The Committee members did not raise any material issues or concerns regarding the above areas or the overall effectiveness of the Committee during 2020. They were very supportive of the Chair's effective role in leading the Committee through its sometimes challenging discussions. The main area where the Committee wanted to see continued improvement in 2021 was in relation to the clarity of the presentation of some of the more technical and regulatory-related remuneration matters. In addition to overseeing the annual remuneration cycle, Committee members would like to spend more time in their meetings considering the structure and elements of the future remuneration principles and strategy across the Group, and how they might support the executive team in their implementation.

Shareholder voting

We remain committed to ongoing shareholder dialogue and take an active interest in voting outcomes.

The remuneration policy was subject to a vote at the 2020 AGM on 12 May 2020 and the following table sets out the outcome.

Policy 2020 AGM	For	Against	Withheld
% of total votes	91.66%	8.34%	
No. of votes cast	1,003,905,073	91,323,405	10,346,991

The Directors' remuneration report was subject to a vote at the 2020 AGM on 12 May 2020 and the following table sets out the outcome.

2019 Directors' remuneration report	For	Against	Withheld
% of total votes	98.05%	1.95%	
No. of votes cast	1,067,884,391	21,284,114	16,406,965

Summary of the Directors' Remuneration Policy

This section sets out the remuneration policy which was approved by shareholders at the 2020 AGM and how it will be implemented in 2021. Given the changes to the Board during the year, summaries of the relevant extracts from the remuneration policy for new appointments and for service contracts and loss of office have also been provided.

Remuneration policy summary – executive Directors

Purpose and link to strategy	Operation	Implementation in 2021
Base salary		
To provide a core reward for undertaking the role, commensurate with the individual's role, responsibilities and experience.	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.	No changes are proposed to base salaries this year. Stephen Bird: £875,000 Stephanie Bruce: £538,125
Pension		
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.	Stephen Bird: 18% of salary Stephanie Bruce: 18% of salary
Benefits		
To provide market competitive and cost effective benefits.	Benefits 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 and are provided with a health screening assessment.	Benefits to be provided as per policy.
Annual Bonus		
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 clients.	The maximum award opportunity is up to 300% of salary. Annual performance is assessed against a range of key financial (at least 75% weighting), non-financial and personal performance measures (no more than 10% weighting). At least 50% of any award will be deferred into shares vesting in equal tranches over a three-year period. A retention period may be applied. Deferred awards accrue dividend equivalents. Awards subject to clawback for a period of five years from the date of the award. Any unvested awards will be subject to malus during the deferral period.	Stephen Bird: 250% of salary Stephanie Bruce: 150% of salary Details on the performance metrics for to 2021 annual bonus are set out on page 78. Due to commercial sensitivity, actual targets and ranges will be disclosed at the end of the performance period.

Purpose and link to strategy	Operation	Implementation in 2021
Long-Term Incentive Plan		
To align with our shareholders and promote sustainability by rewarding the delivery of long-term growth in shareholder value.	The maximum award opportunity is up to 500% of salary. Combined incentive opportunity capped at 700% of salary. Awards are subject to a three-year performance period, with a subsequent two-year holding period. Performance targets are set annually for each three-year cycle by the Remuneration Committee. Awards are subject to at least two performance metrics which are linked to the achievement of the Company's long-term strategic priorities and the creation of long-term shareholder value, with at least one being absolute in nature and one being a relative metric. Awards accrue dividend equivalents over the performance and holding period. Awards will be subject to clawback for a period of five years from the date of the award. Any unvested awards will be subject to malus during the deferral period.	Stephen Bird: 350% of salary Stephanie Bruce: 200% of salary Details on performance metrics for 2021 LTIP awards are set out on page 78.

Share ownership		
To ensure appropriate long-term alignment with the interest of our shareholders.	Executive Directors are required to build up a substantial interest in Company shares. For new joiners the shareholding requirement aligns with the higher of maximum LTIP opportunity or 200%. The shareholding requirement for Stephanie Bruce remained at 300% of salary in line with the policy in place at the time of her recruitment. The post cessation of employment share ownership policy for executive Directors requires shares up to the value of the shareholding requirement to be held for a period of two years following departure from the Board.	Stephen Bird: 350% of salary Stephanie Bruce: 300% of salary

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.

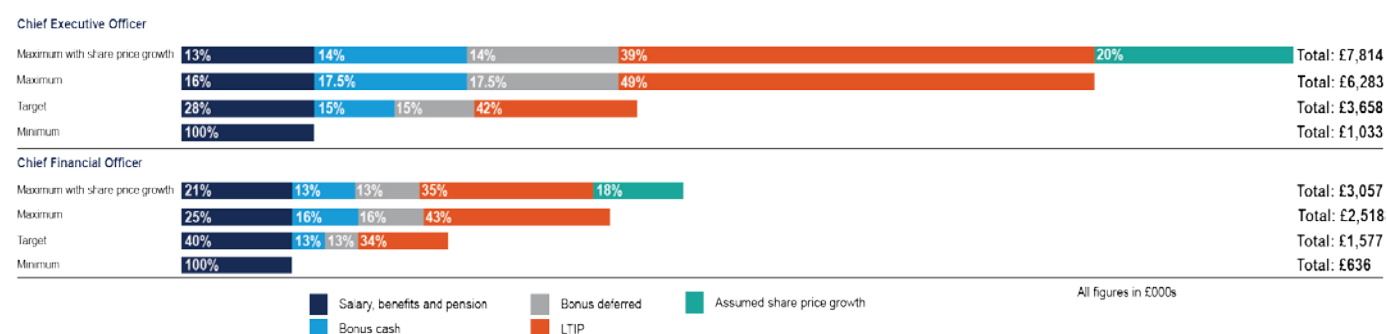
The circumstances in which malus or clawback would apply, include but are not limited to:

- A material misstatement of the Company's audited financial statements
- 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

The Remuneration Committee believes that the Remuneration Policy takes into account the factors under Provision 40 of the Corporate Governance Code (details of which can be found in the 2019 Directors' Remuneration Report).

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:



3. Corporate governance statement continued

Outcomes for the 2021 scenario chart are based on the following:

- Minimum – fixed pay, comprising salary and pension effective 1 April 2021 (18% of salary), and benefits (the value of taxable benefits are as shown in the Single Total Figure of Remuneration table for 2020 on page 79)
- 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 extract – 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 Remuneration 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 will not exceed the maximum level of variable remuneration of 700% of salary. This limit excludes buyout awards which are in line with the policy as 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 relatives.
Buyouts	To facilitate recruitment, the Committee may make an award to buy out remuneration terms forfeited on leaving a previous employer. Awards will be made in accordance with regulatory guidance. The buyout award will reflect the foregone award in amount and terms (including any deferral or retention period) as closely as possible.

Remuneration policy extract – Service Contracts and loss of office for executive Directors

Area	Policy
Notice period	– 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.
Non-compete clauses	Apply during the contract and for up to 12 months after leaving, at the Company's choice.

Area	Policy
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 the period of employment to the date of termination, and will be paid at the normal time in the normal manner, unless in very limited circumstances (such as death), the Committee determines that payments should be accelerated. For other leavers, rights to awards under the annual bonus will be forfeit. 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 pro-rating 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 Committee. Unvested awards granted to good leavers will typically vest in full at the normal vesting date, unless the Committee decides that they should vest on termination. For other leavers, rights to deferred awards will be forfeited.
Other payments	The Committee reserves the right to make any other payments (including appropriate legal fees) in connection with an executive Directors' 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 Directors' office or employment.
Change of control	Outstanding awards will be treated in line with the terms of the respective plans.

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 2020.

For clarity, some of the matters that would otherwise have been included in the Directors' report have been included in the Strategic report on pages 1 to 41, as the Board considers they fit better within that report. Specifically, these are:

- Future business developments
- Risk management
- Total global greenhouse gas emissions
- Information on how the Directors have had regard for the Company's stakeholders (also covered in the Corporate governance statement on pages 50 and 51)

Reporting for the year ended 31 December 2020

During 2020, the Group operated primarily in the UK, rest of Europe, Asia and the Americas. You can find out about the relevant activities of the Company's principal subsidiary undertakings and their overseas branches in the Strategic report on pages 1 to 41.

In his overview section of the Strategic report, Stephen Bird our Chief Executive Officer outlines the main trends and factors likely to affect the future development, performance and position of the Group. Reviews of the operating and financial performance of the Group for the year ended 31 December 2020 are also given in the Strategic report.

The Chairman's statement, the Directors' responsibility statement and the Corporate governance statement form part of this Directors' report. The Corporate governance statement on pages 48 to 95 is submitted by the Board.

The results of the Group are presented in the Group financial statements on pages 115 to 210. A detailed description of the basis of preparation of the IFRS results (including adjusted profit) is set out in the Group financial statements section. The Group uses derivative financial instruments in the normal course of its business and information covering these instruments and related financial risk management matters can be found in Note 20 and Note 38 to the Group financial statements. These notes are incorporated into this report by reference.

This report was prepared by the executive leadership team together with the Board and forms part of the management report for the purposes of the Disclosure Guidance and Transparency Rules (DTR 4.1.8R) of the Financial Conduct Authority (FCA).

Dividends

The Board recommends paying a final dividend for 2020 of 7.30p per ordinary share. This will be paid on 25 May 2021 to shareholders whose names are on the register of members at the close of business on 16 April 2021.

The total payment is estimated at £154m for the final dividend and together with the interim dividend of 7.30p per share totalling £159m paid on 29 September 2020, the total dividend for 2020 will be 14.60p per share (2019: 21.60p) totalling £313m (2019: £493m).

Share capital

The Company's issued share capital as at 31 December 2020 comprised a single class of ordinary share. 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, which is incorporated into this report by reference. You can also find an analysis of registered shareholdings by size, as at 31 December 2020, in the Shareholder information section on page 238

On 7 February 2020, the Company announced the commencement of a share buyback programme of the Company's ordinary shares up to a maximum aggregate consideration of £400m. This programme completed on 10 February 2021. The purpose of this programme was to return value to shareholders and reduce the share capital of the Company. All shares purchased have been cancelled. In total 158,003,158 shares were cancelled through this programme, of which 144,610,296 were purchased and cancelled between 10 February 2020 and 31 December 2020.

As at 31 December 2020, there were 2,194,115,616 ordinary shares in issue held by 97,591 registered members. The Standard Life Aberdeen Share Account (the Company-sponsored nominee) held 665,021,873 of those shares on behalf of 994,615 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 2020 and the date this report was signed, the Company received no notifications in respect of major shareholdings and major proportions of voting rights in accordance with the Disclosure Guidance and Transparency Rules of the FCA.

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 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 2020 Annual General Meeting (AGM), shareholders granted the Directors limited powers to:

- Allot ordinary shares in the Company up to a maximum aggregate amount of £108,085,497
- Disapply, up to a maximum total nominal amount of £16,212,824 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 232,139,068 of its issued ordinary shares

During 2020, under the authorities granted at the 2019 and 2020 AGMs, the Company purchased 144,610,296 of its ordinary shares of 13 61/63 pence each, paying an aggregate amount of £359,028,587. As at 31 December 2020, the percentage of share capital represented by these purchased shares was approximately 6.6%.

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 and refinanced on 12 February 2021 (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.

Brian McBride was appointed as a non-executive Director on 1 May 2020 and Martin Gilbert resigned from the Board following the conclusion of the AGM on 12 May 2020. Stephen Bird joined the Board on 1 July 2020 as Director and CEO Designate and succeeded Keith Skeoch as CEO following Keith's resignation from the Board on 1 September 2020.

Having been appointed since the 2020 AGM, Stephen Bird will retire and stand for election at the 2021 AGM.

All remaining Directors as at the date of the 2021 AGM will retire and stand for re-election.

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)	John Devine
Keith Skeoch ⁴	Melanie Gee
Martin Gilbert ²	Martin Pike
Stephen Bird ³	Cathleen Raffaeli
Stephanie Bruce	Cecilia Reyes
Jonathan Asquith	Jutta af Rosenborg
Brian McBride ¹	

¹ Appointed 1 May 2020.

² Resigned 12 May 2020.

³ Appointed 1 July 2020.

⁴ Resigned 1 September 2020.

 Biographies of the current Directors can be found on pages 44 to 47

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)

Ordinarily, 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 are 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

Given the ongoing COVID-19 situation, this is not practicable at the moment. Copies can be obtained by request from the Company Secretary.

Directors' liability insurance

During 2020, 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.

Colleague engagement

This year, our Viewpoints employee attitude survey recorded a meaningful increase in the overall engagement score from 56% in 2018 to 72%. While this improvement is welcome in what was a very difficult year for all our employees, given the impact of the pandemic on working practices, we strive to do better. Colleagues fed back some clear areas of focus such as greater clarity on our strategic direction, more leadership visibility, and minimising barriers to delivery. These areas of focus are understandable given the change of Chief Executive Officer and are all priority areas for attention by the Executive leadership team. We are pleased that, in this difficult year, colleagues were complimentary about the skills of managers as measured against four key criteria and evidencing the importance of management skills, colleague engagement was highest among those who scored their manager well against all four criteria.

Employees fed back that they value spending time with leaders and each other to understand and discuss Company priorities and progress, but in a year when the majority of colleagues worked from home due to the pandemic, connecting with each other has been even more critical. To support this, we increased the frequency and interactivity of communications with leaders and across teams, via digital collaboration platforms, question and answer applications, and the social media functionality of the intranet. With home schooling affecting many, we also recorded leader updates and events to allow playback at times that worked for colleagues. From senior leaders, including our non-executive Directors, hosting interactive town halls for colleagues globally through to local line managers keeping their colleagues updated and involved on a day-to-day basis, our Viewpoints' feedback and communications channel metrics evidenced that this approach supported colleagues during a very difficult year. Regular Board Employee Engagement (BEE) activities continued throughout the year. You can read more about this in the Corporate governance statement on page 49.

Talent

Attracting, nurturing and retaining high quality people is critical to meeting our strategic objectives and future prosperity. We are fully committed to attracting and developing the required pools of talent at all levels of the organisation to meet both current and anticipated needs. We aim to create an environment where people can achieve their full potential at every stage of their career.

The Viewpoints survey highlighted the strong link between leadership effectiveness and colleague engagement and, taking this into account, we have recently developed a new Leadership Framework, which clearly articulates what good leadership looks like at different levels in the organisation. This framework provides a backbone for the core people processes – Succession, Recruitment, Development and Performance.

As indicated in the Strategic report, we continued the focus on Early Careers talent by taking on 22 new trainees in the UK and 37 new graduates across our global programmes, in spite of the challenges of doing this in the midst of a global pandemic. We took the opportunity to innovate our approach to recruitment and onboarding, notably through the Early Careers Chat Bot which provided candidates with 24/7 access to answers to key questions while supporting the navigation of the application process. Success of the new approach to trainee marketing materials, including a remotely-created Trainee video, profiling current trainees, and increased use of social media platforms and key inclusion partners, led to a 400% increase in applications for the Trainee programme.

In 2020 we were recognised for our early careers provision, as covered in the Strategic report – through a Top 50 Ranking for both the Undergraduate and Apprenticeships programmes at the 'Rate My Placement' awards. The Rate My Placement awards are based on feedback from individuals who participated in the programme. We believe this success is underpinned by our focus on supporting managers to ensure they deliver a positive experience for all participants on programmes. This includes inter-generational awareness training, a new hub with helpful resources and key dates, monthly development updates and line manager skills training.

Developing our people

Our new learning and development system – My Development – has been established now for a year. The system uses artificial intelligence to recommend resources and development opportunities to our people based on the topics they are interested

in. It is 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 people managers. In 2020, over 500 line managers attended courses and the global pandemic meant that we had to quickly adapt our learning delivery, through the introduction of virtual classrooms which have proved successful and popular.

All employees can benefit from the courses in the Learning Academy and in 2020 over 1,200 people attended courses involving technology skills, industry-specific training, and personal effectiveness solutions.

This year we have also launched two new career development programmes, Ambition and Accelerate. Ambition is primarily aimed at colleagues in the early stages of their career (first three to five years) and focuses on core skills that are fundamental to future career success, including confidence, future fit and personal brand. Accelerate is aimed at colleagues at mid-career stage, likely to be in management or more senior specialist roles, and aims to enhance existing skills, including decision making, confidence and maximising personal brand. In total, 260 colleagues signed up for the courses.

Mentoring supports personal development and professional growth across generations, functions and regions and, in 2020, we launched a global mentoring programme following a successful pilot. Everyone in the company can request to have an internal mentor or become a mentor to others with support offered in building the mentoring relationship. We are also using mentoring relationships to explore and understand different cultural experiences, through a Reverse Mentoring programme that forms part of the overall mentoring approach. All members of the Executive leadership team and selected other senior leaders are mentored by someone from our Unity network.

Structured succession planning helps to ensure that we have a strong pipeline of talent, with both technical expertise and leadership capabilities assessed to support the growth agenda and enable smooth succession into the most critical roles. We actively monitor diversity within succession pipelines and take necessary actions to ensure that we have balanced representation at all levels in our workforce. The Board, through its Nomination and Governance Committee and the Executive leadership team work together to ensure the talent and succession agenda is effective in delivering the talent needed for future success.

In 2020, we enhanced our succession processes by supporting named successors through an independent external assessment to provide additional insight into the strengths and gaps in pipelines, and to provide the individuals involved with tailored development plans. All external candidates for executive roles are assessed in the same way, ensuring we have a consistent means of identifying the best candidates for senior roles.

Colleague wellbeing

2020 was a year when we needed to support colleagues flexibly and empathetically in dealing with the global pandemic. There is no single way of doing this so managers were empowered to work with their teams to come up with flexible solutions which balanced issues arising from personal circumstances, with the needs of our clients. We have been proud of the way colleagues supported each other during this time. We maintained a strong focus on wellbeing during this period of personal disruption and partnered with external experts to provide a broad range of professional advice and support to colleagues and their families.

In order to ensure the guidance and support made available was meeting the needs of our colleagues, we ran a series of very short surveys to understand whether colleagues were feeling well supported by the Company. Responses were consistently positive and this view was reinforced in our Insights survey, where we asked how people were feeling about work and their personal lives in the light of the pandemic. We also gathered views on a future return to the office in order to help with our ongoing planning.

Inclusion and diversity

To complement the Board's formal diversity statement, the Executive leadership team put in place an internal Global Diversity and Inclusion policy in 2019. It affirms that diversity and inclusion remain as fundamental pillars supporting all our decisions. We have always considered diversity in the broadest sense – in backgrounds, experience, strengths and thinking – with the aim that everyone can be themselves as they perform and progress, regardless of their background. By valuing diverse talent and enabling people to reach their potential in an inclusive culture, we provide global clients with the diversity of thought and creativity required to bring long-term value.

The 2020 Diversity and Inclusion report includes a refreshed diversity and inclusion framework, which drives outcomes in four priority areas of both diversity and inclusion. The framework reflects the expectations of clients, regulators, colleagues (including feedback from Board engagement work) and best practice. Progress against this is reviewed by the Nomination and Governance Committee biannually.

Achieving gender balance at all levels remains a priority. We achieved the published Board and senior level (CE-1 and CE-2) gender targets this year and have set new gender targets running to the end of 2025. In our fourth gender equality update, we reported a 5% reduction in mean gender pay gap in 2020 and the actions we are taking to continue to improve this. The Board comprises 45% female members, while at Executive level (CE-1 and CE-2) representation levels are 37% (as at 31 December 2020) with women in the most senior CE-1 population having increased by 10% since 2019 to 28%. Improving gender balance at all levels continues to be a focus, as our gender pay gap primarily reflects the more significant number of men in senior and more highly-remunerated roles, as well as by the larger number of women in more junior roles.

We remain confident that the actions we are taking will meaningfully improve representation of women at all levels and so improve gender balance. For example, our UK parent leave policy introduced in January 2020, is seen as market-leading and was designed as a tangible step to ensuring that becoming a parent does not limit anyone's career progression.

As evidence of our commitment to ethnic diversity, we published an ethnicity target for the first time this year, following the recommendations of the Sir John Parker review. We already meet the Parker recommendation to have at least one qualifying Board member and have set our target to have one additional qualifying Board member by 2025. The Board Charter mandates appointments to be based on merit, with due consideration given to the Board's gender and ethnicity balance.

As one of the inaugural signatories to the Race at Work Charter, and CEO signatory to an open letter on black and ethnic minority actions, we are committed to tackling barriers that people who identify as ethnic minority face. We continue to deliver against the ethnicity action plan published in 2018, developed with the ethnicity and multicultural network, Unity, and the executive sponsor for ethnicity.

Through the Reverse Mentoring programme, senior leaders are building a deeper understanding of lived experiences of minority ethnic colleagues, which will flow through the decisions they make. The Black Lives Matter movement heightened focus and discussion on racial diversity throughout the company this year, and the approach remains to focus on actions which will have a sustainable and systemic impact and will improve outcomes for black and ethnic minority colleagues.

We all have a role to play in creating an inclusive environment and we empower people to take individual and collective action. The employee network groups and regional inclusion forums support members and allies of the diverse groups they represent, raising awareness of issues that affect them. This was used to good effect in understanding the impact of COVID-19 on working lives. With around 2,000 members, the networks continue to expand globally. They focus on gender, LGBT+, ethnicity, mental health, young people and the armed forces.

We have specific policies to ensure that colleagues with disabilities face no discrimination or obstacles in relation to job applications, training, promotion and career development. Reasonable adjustments are also made to train and enable employees who become disabled to allow them to continue and progress in their career.

Reward

At the end of 2019 in the UK we introduced a new, unified, set of terms and conditions of employment. These were designed to be fair and consistent amongst those who had become part of the Group from different heritages, and to help us continue to attract and retain talented people. Implementing these terms and conditions represented an important step towards unifying colleagues as a single team, with consistent and competitive benefits, including pension, life assurance, group income protection and private healthcare.

As a consequence of the pandemic, we adjusted benefits offered to take account of lack of availability due to restrictions imposed as well as allowing for one-off changes to certain benefits. We also worked with suppliers to offer solutions to some of the key issues colleagues were facing, including remote GP appointments and access to counselling for colleagues and families.

As we contemplate a return to work in more normal conditions, we continue to look for ways to innovate employee benefits and look for new offerings that fit with changes to the way people live and work and our business purpose. As an example, from early 2021, colleagues will be able to lease an electric car as part of their flexible benefits package, which would offer them potential savings on tax, running costs and fuel, as well as being a greener, more sustainable choice. In 2020, we introduced a new service which offers access to mental and physical wellbeing support – such as counselling, nutritionists and a pin prick health check – and supplements our existing wellbeing resources which include financial wellbeing. This comprises regular educational seminars on a range of personal finance topics as well as the opportunity for a free consultation with an in-house adviser.

We believe that when 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 2020 and 1,243 (26%) employees accepted the invitation. They have the opportunity to acquire Standard Life Aberdeen plc shares for £1.888 (UK) and €2.113 (Ireland) with their accumulated savings when their savings contracts end in three or five years' time. At 31 December 2020, 2,298 employees in UK and Ireland were saving towards the purchase of Standard Life Aberdeen plc shares through the

current Sharesave plans, and 2,424 individuals were shareholders through participation in the Standard Life Aberdeen (Employee) Share Plan. 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.

Sustainability

The commercial aims of our business are linked to its environmental, social and governance responsibilities. You can find out more about how the business is run sustainably throughout the Strategic report. The non-financial information statement on page 29 summarises where you can find key information on the approach. For details of greenhouse gas emissions, please see page 28.

Political donations

The Company has 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 9, 2020 AGM). This is requested 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 2021 AGM.

Disclosure of information to the auditors

The Directors who held office at the date of the approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting

The 2021 AGM is scheduled to take place on 18 May 2021. At present, we do not expect the COVID-19 restrictions to have eased sufficiently to allow shareholders to be able to attend this year's AGM in person. Instead shareholders will be able to view the AGM live by webcast. Questions can be submitted in advance or during the meeting and Directors will respond to as many questions as possible during the meeting. Please visit www.standardlifeaberndeen.com for more information.

Details of the meeting content can be found in our AGM guide 2021. The AGM guide and other materials will be published online at www.standardlifeaberndeen.com in advance of this year's AGM.

Post balance sheet events

(a) Acquisition of Tritax Management LLP

On 9 December 2020, the Group announced the proposed acquisition of 60% of the equity of Tritax Management LLP, a specialist logistics real estate fund manager. The initial cash consideration payable at completion for the acquisition is £64m. Subject to the satisfaction of certain conditions, an additional contingent deferred earn-out is expected to be payable to acquire the remaining 40% of equity in Tritax Management LLP via three

exercisable put options in each of years ended 31 March 2024, 2025 and 2026. The Group will also have the right to purchase any outstanding equity interests at the end of the five-year period through exercising a call option. The amount payable under the contingent deferred earn-out is dependent on the growth in future profitability of the business and is a maximum of £140m. Completion is subject to certain conditions including relevant regulatory approvals. The assets under management of Tritax Management LLP at 31 December 2020 were approximately £5.5bn.

(b) Simplification and extension of the strategic partnership between the Group and Phoenix

On 23 February 2021, the Group announced the purchase of certain products in the Phoenix Group's savings business offered through the Standard Life Aberdeen Wrap platform, comprising a self-invested pension plan (SIPP) and an onshore bond product; together with the Phoenix Group's trustee investment plan (TIP) business for UK pension scheme clients. The assets relating to these Phoenix Group-administered businesses at 31 December 2020 are £38bn and are currently included in Group AUMA. The transaction will be effected through a Part VII transfer which is targeted to complete in late 2022. The upfront consideration paid by the Group in February 2021 was £62.5m, which will be offset in part by expected payments from Phoenix to the Group relating to profits of the business prior to completion of the legal transfer. The transaction will result in the Group earning adjusted profit in relation to the acquired businesses post completion.

The Group have also agreed to sell the 'Standard Life' brand to Phoenix by mid-2021, replacing the existing agreement to licence the brand for no fee to Phoenix, and to transfer related employees to Phoenix. In addition the Group will pay £32m to Phoenix later in 2021 in return for Phoenix bearing the costs of workplace pensions marketing staff, who are currently employed by the Group but provide services to Phoenix. The sale of the brand and transfer of related marketing staff is not expected to materially impact on our results.

The strategic asset management partnership (under which the Group manages £171.5bn of Phoenix assets at 31 December 2020) will be extended and will now operate for at least 10 years up to February 2031.

The Group have also resolved legacy issues with Phoenix relating to the operation of certain aspects of the agreements that were entered into at the time of the sale of Standard Life Assurance Limited to Phoenix and which impacted the value of certain indemnities and other payments under the transaction terms. The impact of the resolution of these legacy matters is included in the 2020 results and resulted in the Group receiving a cash inflow of £34m in February 2021.

The Group's shareholding in Phoenix remains at 14.4%. Following the changes to the commercial agreements set out above, in particular in relation to the licencing of the 'Standard Life' brand, our judgement is that Phoenix should no longer be accounted for as an associate with effect from 23 February 2021, and should instead be accounted for as an investment at fair value. The primary impact of this reclassification is that the Group will recognise changes in fair value of the investment in the consolidated income statement rather than the Group's share of Phoenix profits under the equity method.

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.

Topic	Location		
	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. The Group financial statements include additional information relating to going concern in the basis of preparation section.

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 2024. 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 and Company have and will maintain sufficient resources to enable them 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. There are no material uncertainties relating to this going concern conclusion. 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
Company Secretary

9 March 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 *Reduced Disclosure Framework*. In addition the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('IFRSs as adopted by the EU').

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 Company and of the Group's profit or loss for that period. In preparing each of the Group and 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('IFRSs as adopted by the EU')
- For the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements
- For the Group 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 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 control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and 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 complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

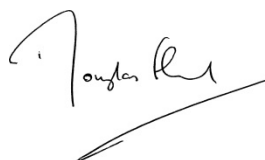
Responsibility statement of the Directors in respect of the annual financial report

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 Strategic report and Directors' report include a fair review of the development and performance of the business and the position of the Company and the 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

9 March 2021



Stephanie Bruce
Chief Financial Officer

9 March 2021

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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 2020 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, Reconciliation of consolidated adjusted profit before tax to IFRS profit for the year, and the related notes, including 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 2020 and of the Group's profit for the year then ended
- The Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 to the extent applicable

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 four financial years ended 31 December 2020. 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	£25m (2019: £31m) 2.7% (2019: 4.4%) of normalised profit before tax	
Coverage	90% (2019: 97%) of profits and losses that made up Group profit before tax	
Key audit matters		vs 2019
Recurring risks (Group and Parent Company)	Recoverability of goodwill and of certain of the parent's investment in subsidiaries	▲
Recurring risk (Group)	Carrying value of investment in Phoenix and the related share of profit	▲
New risk (Group)	Impairment of Intangible Assets	▲
Recurring risk (Group)	Valuation of UK 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 judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We 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 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 goodwill and of certain of the parent's investments in subsidiaries: <i>(Goodwill: £85m (2019: £1000m); goodwill impairment losses recognised: £915m (2019: £1,569m))</i> <i>(Parent Company: certain investments in subsidiaries: included within the total investments in subsidiaries balance of £4,013m (2019: £6,027m); Impairment of investment in subsidiaries: £1,873m (2019: £795m))</i> <i>Refer to page 59 (Audit Committee Report), page 143 (goodwill accounting policy and financial disclosures), page 214 (investment in subsidiaries accounting policy) and page 215 (investment in subsidiaries financial disclosures).</i>	Subjective estimate: The goodwill recognised at 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 projected adjusted profits and determining the applicable price to earnings multiples (including appropriate premiums for control and discounts for lack of liquidity) and expected costs of disposals which are the key assumptions of the fair value less costs of disposal (FVLCD). The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the goodwill and certain of the parent's investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (Note 15) disclose the range estimated by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: Our valuation expertise: We engaged our own valuation specialists to assist us in assessing the appropriateness of the Group's primary valuation methodology and its application in the valuation of the goodwill and certain of the parent Company's investment in subsidiaries, and the appropriateness of the input assumptions to the analyses. Our sector expertise: We also used our sector experience to evaluate the appropriateness of assumptions applied in key inputs such as deriving maintainable earnings, assessing the comparability of companies used by management for the purpose of deriving an appropriate price to earnings multiple along with adjustments made to that market data in deriving an asset management specific multiple. Sensitivity analysis: We performed our own sensitivity analysis which included assessing the effect of reasonably possible changes in projected adjusted profits and reasonable alternative assumptions in respect of applicable price to earnings multiples and applied premiums and discounts to evaluate the impact on the carrying value of the goodwill and investment in subsidiaries. Assessing transparency: We assessed whether the Group's disclosures (in respect of goodwill) and the parent Company's disclosures (in respect of investment in subsidiaries) reflect the risks inherent in the impairment assessment performed. Our findings: We found the carrying value of goodwill and the related impairment charge to be cautious (2019: balanced) and the parent Company's carrying value of certain of the investments in subsidiaries and the related impairment charge to be cautious (2019: balanced) with proportionate (2019: proportionate) disclosures of the related assumptions and sensitivities.



	The risk	Our response
Carrying value of investment in Phoenix and the related share of profit <i>(Carrying value of investment in Phoenix: £1,008m (2019: £961m); Share of Phoenix profit: £110m (2019: £(5)m))</i> <i>Refer to page 59 (Audit Committee Report), and page 147 (accounting policy and financial disclosures).</i>	The value of the investment in Phoenix Group Holdings plc (Phoenix) is impacted by a number of judgemental factors and accounting estimates. Accounting treatment and application On 22 July 2020 Phoenix acquired ReAssure Group plc "ReAssure"; as part of this transaction the Group's shareholding was diluted. This resulted in a risk that Phoenix should subsequently be accounted for as an equity investment rather than an associate. It additionally resulted in a risk associated with the acquisition accounting, in particular the valuation of the opening balance sheet (including intangible assets), and the determination of the bargain gain on purchase (recognised as part of the share of Phoenix profit). Subjective estimate As a result of any declines in Phoenix's share price there is a risk of impairment of the carrying value of the investment. In addition, and consistent with previous years, the calculation of Phoenix's profit, (with a resulting impact on the carrying value of the investment), is dependent on a number of Phoenix management's 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 profit of the enlarged Phoenix group 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 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.	Our procedures in respect of the accounting treatment and application included: Assessing principles: We assessed the nature of the relationship with Phoenix following the ReAssure transaction and subsequent SLA plc shareholding dilution and evaluated this against the indicators of significant influence in the accounting standards. Assessing principles: Our component auditor critically assessed the acquisition accounting approach adopted by Phoenix against the principles of IFRS 3 <i>Business Combinations</i>, including the identification and valuation of intangible assets in the business combination against the principles of accounting standards. Our procedures in respect of the share of Phoenix profit, and its corresponding impact on the carrying value of Phoenix: Control design and operation: Our component auditor tested the design and operating effectiveness of key controls including over Phoenix management's process for modelling insurance contract liabilities and for setting and updating actuarial assumptions. Our actuarial experience: Our component auditor used actuarial specialists to review and challenge the rationale for key assumptions adopted, including in respect of acquired businesses. Our procedures in respect of any impairment to the carrying value include: Tests of detail: We performed an assessment of the carrying value of the investment in Phoenix by comparing to its market value at 31 December 2020. The work performed by the component auditor was under the direction, oversight and review of the Group team, as described in section 3. Our findings: In determining that Phoenix should continue to be treated as an associate there is room for judgement and we found that, within that, the Group's judgement was balanced. We found the Group's carrying value of the investment in Phoenix and the related share of profit to be balanced (2019: balanced) with proportionate (2019: proportionate) disclosure of the related assumptions.

	The risk	Our response
Impairment of Intangible Assets <i>(Customer relationships and investment management contracts: £314m (2019: £534m); Impairment of customer relationships and investment management contracts intangibles: £134m (2019: £0m))</i> <i>Refer to page 59 (Audit Committee Report), page 143 (accounting policy) and financial disclosures).</i>	Subjective estimate: The Group's customer related intangible assets include customer relationships and investment management contracts. There is a risk of impairment to the carrying value of these intangible assets. Management need to make subjective judgements when assessing whether there are any indicators of impairment to these intangible assets. Where there is an indicator of impairment, the estimated recoverable amount of these intangible assets is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of these intangible assets 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 15) disclose the sensitivity estimated by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: Our valuation expertise: We evaluated whether for all of the Group's customer relationships and management contract intangible assets there were indicators of impairment that would trigger an impairment review. This included a critical assessment of the business performance, such as outflows of assets under management and / or reduction of revenue relating to each intangible asset. Where indicators were identified, 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. Our sector experience: Where there was an indicator of impairment, we used our sector experience to evaluate the appropriateness of assumptions applied in key inputs such as revenue from contracts with customers, operating costs and discount rates. Sensitivity analysis: Where there was an indicator of impairment we performed our own sensitivity analysis which included assessing the effect of reasonably possible changes in forecast cash flows and discount rates to evaluate the impact on the carrying value of the intangible assets. Assessing transparency: We considered whether the Group's disclosures in relation to the assumptions used in the value in use of customer relationships and investment management contracts intangible assets appropriately represent the sensitivities of the asset's value in use to the use of alternative assumptions. Our findings: We found the carrying value of intangible assets and the related impairment charge to be balanced (2019: balanced) with proportionate (2019: proportionate) disclosures of the related assumptions and sensitivities.



	The risk	Our response
Valuation of the UK defined benefit pension scheme present value of funded obligation (£3,015m, 2019: £2,852m) <i>Refer to page 59 (Audit Committee Report), page 170 (accounting policy) and page 171 (financial disclosures).</i>	Subjective valuation: The present value of the Group's funded obligation for the UK defined benefit (DB) 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 determine 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 sensitivity estimated by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: Test of detail and our sector experience: Our component auditor considered, with the support of internal actuarial specialists, the appropriateness of the base mortality assumption by reference to scheme and industry data on historical mortality experience and the outcome of the latest triennial report. Our component auditor considered, with the support of internal actuarial specialists, the appropriateness of the mortality improvement assumptions by reference to industry based expectations of future mortality improvements. The component auditor considered the appropriateness of the discount rate and inflation assumptions by reference to industry practice. Benchmarking assumptions and our sector experience: Our component auditor utilised the results of KPMG benchmarking of base mortality, mortality improvement, discount rate and inflation assumptions and our actuarial specialists' knowledge of industry practice to inform our challenge of the Group's assumptions in these areas. Assessing transparency: In conjunction with internal actuarial specialists, 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. The work performed by the component auditor was under the direction, oversight and review of the Group team, as described in section 3. Our findings: We found the estimated valuation of the UK defined benefit pension scheme obligation to be balanced (2019: balanced) with proportionate (2019: proportionate) disclosures of the related assumptions and sensitivities.

We have summarised below the changes to our key audit matters from the 31 December 2019 year end audit.

In our 31 December 2019 year end audit, we identified a significant risk around the share of profit from Phoenix. In considering the current market conditions and the ReAssure acquisition made by Phoenix in the period, we consider that these result in a range of additional factors for us to consider which will impact the carrying value of the investment. As such, we consider our key audit matter to be broader than the share of profit, and have updated this to include both the carrying value of the investment and the share of profit.

We did not consider the impairment of intangible assets to be a key audit matter in the 31 December 2019 year end audit, as there were no impairment triggers identified. Given impairment triggers (and resulting impairments) were identified in the year to 31 December 2020, we consider this to be a key audit matter for the year.

We continue to perform procedures over the provision for separation costs. However, ongoing progress in relation to the separation process has provided a greater level of certainty over the separation costs and so the level of estimation uncertainty associated with this provision has reduced in the year to 31 December 2020, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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 £25m (2019: £31m), 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 or past associate shareholdings. This equates to 2.7% (2019: 4.4%) of reported Group profit normalised on a consistent basis and to 2.9% (2019: 12.7%) of Group IFRS profit before tax from continuing operations of £853m (2019: £243m).

Materiality of £8.8m (2019: £19m), as communicated by the Group audit team, has been applied to the audit of the parent Company. This is lower than the materiality we would otherwise have determined by reference to total assets, and represents 0.1% of the Company's total assets (2019: 1.08% of normalised profit before tax). We changed the benchmark to total assets as we consider it to be the most appropriate benchmark for the Company in its capacity as the Group holding company.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the Group and parent Company was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £18.75m (2019: £23.25m) for the Group and £6.6m (2019: £14.3m) for the parent Company.

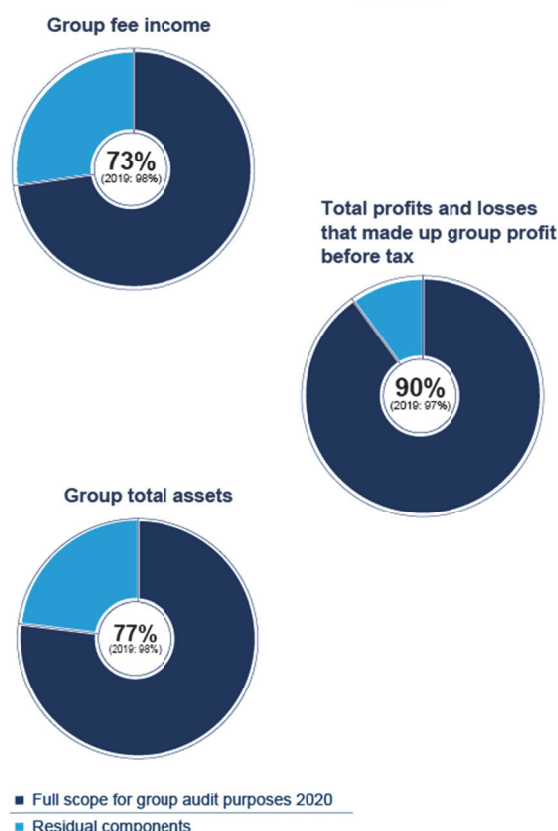
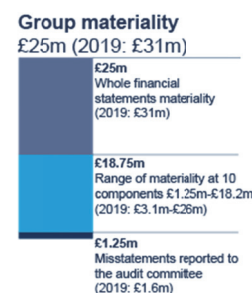
We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.25m (2019: £1.6m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

During the year the Group changed its consolidation process with a consequential increase in the number of reporting components identified. Of the Group's 295 (2019: 28) reporting components, we subjected 15 (2019: 8) to full scope audits for Group purposes and none (2019: 2) to specified risk-focused audit procedures. In the year to 31 December 2019, 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.

As a result of the previous and ongoing structural changes in the Group, we considered it appropriate to change those benchmarks we use to determine the scope of our work. The comparatives presented opposite represent the coverage obtained on the new benchmarks under the previous consolidation process

The components within the scope of our work accounted for the percentages illustrated opposite. The remaining 27% (2019: 2%) of total Group fee income, 10% (2019: 3%) of the total profits and losses that made up Group profit before tax and 23% (2019: 2%) of net Group assets is represented by 280 (2019: 18) reporting components, none of which individually represented more than 5% of any of total Group fee income, Group profit before tax or of net Group assets.



For those items excluded from Group fee income, the component teams performed procedures on items relating to their components. The Group team performed procedures on the remaining excluded items. 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 £1.25m to £18.2m (2019: £3.1m to £26m), having regard to the mix of size and risk profile of the Group across the components.

The work on 5 of the 15 components (2019: 8 of the 10 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 had planned to visit component locations in the United States, Luxembourg and the UK. However, all but one of these visits were prevented by movement restrictions relating to the COVID-19 pandemic. Instead video conferences were held to discuss the audit risk and strategy and the component audit findings reported to the Group team. The Group team visited 1 (2019: 6) component location in the UK (2019: UK and Singapore), to assess the audit risk and strategy and the findings reported to the Group team were discussed in more detail. Video and telephone conference meetings were also held with this component auditor. Any further work required by the Group team was then performed by the component auditor.

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (the going concern period).

We used our knowledge of the Group, its industry and operating model, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's available financial resources over this period was market volatility, including any associated with COVID-19.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumptions that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test).

We critically assessed the assumptions in the base case and downside scenarios in particular in relation to market volatility assumptions by comparing to published growth and economic forecasts and overlaying our knowledge of the entity's plans, based on approved budgets, and of the sector in which it operates.

We considered whether the going concern disclosure in note (a) (v) to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period
- We have nothing material to add or draw attention to in relation to the directors' statement in Note (a) (v) 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 the going concern period, and we found the going concern disclosure in Note (a) (v) to be acceptable

- The related statement under the Listing Rules set out on page 102 is materially consistent with the financial statements and our audit knowledge

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (fraud risks) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the Group Audit Committee, Group Internal Audit and the Group's Legal team and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud
- Reading Board minutes and attending Group Audit Committee and Risk and Compliance Committee meetings
- Considering the findings of Group Internal Audit's reviews in the period
- Considering remuneration incentive schemes and performance targets for management and directors

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment and pension assumptions. We requested component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

On this audit we do not believe there is a fraud risk related to revenue recognition, given the relative simplicity of the most significant revenue streams and the separation of duties between management and third party service providers.

We did not identify any additional fraud risks other than those professional standards require us to consider.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts, as well as those which comprised unexpected posting combinations.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements, how they analyse identified breaches and assessing whether there were any implications of identified breaches on our audit.

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 the Group level, and a request for component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

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 and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have assessed the disclosure of provisions in Note 37 and contingent liabilities in Note 42 in light of our understanding gained through the procedures above, and consider that these are appropriate.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual report and Accounts

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

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation within the Viability Statement and Risk Management report that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity



- The Principal Risks disclosures describing these risks and how emerging risks are identified, 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

We are also required to review the Viability Statement, set out on page 37 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- The directors' statement that they consider that the Annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy
- The section of the Annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed
- The section of the Annual report that describes the review of the effectiveness of the Group's risk management and internal control systems

We are required to review the part of Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in this respect.

7. 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 103, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

9. 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. 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.

Jonathan Mills (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
9 March 2021

7. Group financial statements

Consolidated income statement

For the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Income			
Investment return	3	163	464
Revenue from contracts with customers	4	1,527	1,743
Insurance contract premium income	31	31	66
Profit on disposal of interests in associates	1	1,858	1,542
Other income	5	30	178
Total income from continuing operations		3,609	3,993
Expenses			
Insurance contract claims and change in liabilities	31	17	156
Change in non-participating investment contract liabilities	25	56	265
Administrative expenses			
Restructuring and corporate transaction expenses	9	297	374
Impairment of goodwill – asset management	15	915	1,569
Other administrative expenses	6	1,608	1,651
Total administrative expenses		2,820	3,594
Change in liability for third party interest in consolidated funds		(3)	21
Finance costs		30	36
Total expenses from continuing operations		2,920	4,072
Share of profit from associates and joint ventures	16	194	79
(Loss on)/reversal of impairment of interests in associates and joint ventures	16	(45)	243
Profit before tax from continuing operations		838	243
Tax (credit)/expense attributable to continuing operations	10	(15)	28
Profit for the year from continuing operations		853	215
(Loss)/profit for the year from discontinued operations	11	(15)	56
Profit for the year		838	271
Attributable to:			
Equity shareholders of Standard Life Aberdeen plc			
From continuing operations		848	210
From discontinued operations		(15)	56
Equity shareholders of Standard Life Aberdeen plc		833	266
Non-controlling interests			
From continuing operations – preference shares	30	5	5
		838	271
Earnings per share from continuing operations			
Basic (pence per share)	12	38.5	8.9
Diluted (pence per share)	12	37.9	8.8
Earnings per share			
Basic (pence per share)	12	37.8	11.2
Diluted (pence per share)	12	37.2	11.1



The Notes on pages 123 to 210 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income**For the year ended 31 December 2020**

	Notes	2020 £m	2019 £m
Profit for the year		838	271
Less: loss/(profit) from discontinued operations	11	15	(56)
Profit from continuing operations		853	215
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gains/(losses) on defined benefit pension plans	34	280	(23)
Share of other comprehensive income of associates and joint ventures	16	(13)	(17)
Equity holder tax effect of items that will not be reclassified subsequently to profit or loss	10	2	–
Total items that will not be reclassified subsequently to profit or loss		269	(40)
Items that may be reclassified subsequently to profit or loss:			
Fair value losses on cash flow hedges	20	(3)	(10)
Exchange differences on translating foreign operations		(8)	(46)
Share of other comprehensive income of associates and joint ventures	16	13	7
Items transferred to the consolidated income statement			
Fair value losses on cash flow hedges	20	13	22
Realised foreign exchange losses	1	6	–
Equity holder tax effect of items that may be reclassified subsequently to profit or loss	10	(2)	(2)
Total items that may be reclassified subsequently to profit or loss		19	(29)
Other comprehensive income for the year from continuing operations		288	(69)
Total comprehensive income for the year from continuing operations		1,141	146
(Loss)/profit from discontinued operations	11	(15)	56
Other comprehensive income from discontinued operations	11	–	–
Total comprehensive income for the year from discontinued operations		(15)	56
Total comprehensive income for the year		1,126	202
Attributable to:			
Equity shareholders of Standard Life Aberdeen plc			
From continuing operations		1,136	141
From discontinued operations		(15)	56
Non-controlling interests			
From continuing operations – preference shares		5	5
		1,126	202



The Notes on pages 123 to 210 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 2020

	Notes	2020			2019		
		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		284	–	284	395	–	395
Insurance associates and joint ventures		203	–	203	189	–	189
Adjusted profit before tax	2	487	–	487	584	–	584
Adjusted for the following items							
Restructuring and corporate transaction expenses	9	(355)	–	(355)	(407)	–	(407)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	2	(1,287)	–	(1,287)	(1,844)	–	(1,844)
Profit on disposal of interests in associates	1	1,858	–	1,858	1,542	–	1,542
(Loss on)/reversal of impairment of interests in associates and joint ventures	16	(45)	–	(45)	243	–	243
Change in fair value of significant listed investments	13	65	–	65	–	–	–
Investment return variances and economic assumption changes	13	46	–	46	(25)	–	(25)
Other ¹	13	86	(15)	71	158	56	214
Total adjusting items	2	368	(15)	353	(333)	56	(277)
Share of associates' and joint ventures' tax credit/(expense)	2	(17)	–	(17)	(8)	–	(8)
Profit/(loss) before tax expense		838	(15)	823	243	56	299
Tax credit/(expense) attributable to							
Adjusted profit	2	(38)	–	(38)	(69)	–	(69)
Adjusting items	2	53	–	53	41	–	41
Total tax credit/(expense)		15	–	15	(28)	–	(28)
Profit/(loss) for the year		853	(15)	838	215	56	271

¹ The Other adjusting item in 2020 relating to continuing operations includes £66m relating to our share of Phoenix gains relating to the acquisition of ReAssure and the completion of the Part VII transfer of the Legal and General mature savings business. 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.

The Group's key alternative performance measure is adjusted profit before tax. Refer Note 13 for further details.



The Notes on pages 123 to 210 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2020

	Notes	2020 £m	2019 £m
Assets			
Intangible assets	15	501	1,707
Pension and other post-retirement benefit assets	34	1,474	1,163
Investments in associates and joint ventures accounted for using the equity method	16	1,371	1,509
Property, plant and equipment	17	236	266
Deferred tax assets	10	131	74
Financial investments	19	3,110	2,115
Receivables and other financial assets	19	621	560
Current tax recoverable	10	9	9
Other assets	22	46	55
Assets held for sale	23	19	767
Cash and cash equivalents	19	1,519	1,615
		9,037	9,840
Assets backing unit linked liabilities (excluding held for sale)	25		
Financial investments		1,395	1,528
Receivables and other unit linked assets		8	10
Cash and cash equivalents		38	44
		1,441	1,582
Total assets		10,478	11,422



The Notes on pages 123 to 210 are an integral part of these consolidated financial statements.

	Notes	2020 £m	2019 £m
Liabilities			
Third party interest in consolidated funds	32	77	119
Subordinated liabilities	32	638	655
Pension and other post-retirement benefit provisions	34	55	55
Deferred income	35	73	67
Deferred tax liabilities	10	66	87
Current tax liabilities	10	15	19
Derivative financial liabilities	20	13	3
Other financial liabilities	32	1,177	1,315
Provisions	37	93	102
Other liabilities	37	6	5
Liabilities of operations held for sale	23	11	747
		2,224	3,174
Unit linked liabilities (excluding held for sale)	25		
Investment contract liabilities		1,042	1,152
Third party interest in consolidated funds		388	416
Other unit linked liabilities		11	14
		1,441	1,582
Total liabilities		3,665	4,756
Equity			
Share capital	26	306	327
Shares held by trusts	27	(170)	(134)
Share premium reserve	26	640	640
Retained earnings	28	4,970	2,886
Other reserves	29	1,064	2,845
Equity attributable to equity shareholders of Standard Life Aberdeen plc		6,810	6,564
Non-controlling interests			
Ordinary shares	30	3	3
Preference shares	30	–	99
Total equity		6,813	6,666
Total equity and liabilities		10,478	11,422



The Notes on pages 123 to 210 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 115 to 210 were approved by the Board and signed on its behalf by the following Directors:

Sir Douglas Flint
Chairman
9 March 2021

Stephanie Bruce
Chief Financial Officer
9 March 2021

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Notes							Non-controlling interests		Total equity £m
		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	Ordinary shares £m	Preference shares £m	
1 January 2020		327	(134)	640	2,886	2,845	6,564	3	99	6,666
Profit for the year from continuing operations		–	–	–	848	–	848	–	5	853
Loss for the year from discontinued operations		–	–	–	(15)	–	(15)	–	–	(15)
Other comprehensive income for the year from continuing operations		–	–	–	282	6	288	–	–	288
Other comprehensive income for the year from discontinued operations		–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	28,29	–	–	–	1,115	6	1,121	–	5	1,126
Issue of share capital	26	–	–	–	–	–	–	–	–	–
Dividends paid on ordinary shares	14	–	–	–	(479)	–	(479)	–	–	(479)
Dividends paid on preference shares	30,33	–	–	–	–	–	–	–	(3)	(3)
Reclassification of preference shares to liability	30,33	–	–	–	(1)	–	(1)	–	(101)	(102)
Share buyback	26	(21)	–	–	(402)	21	(402)	–	–	(402)
Reserves credit for employee share-based payments	29	–	–	–	–	64	64	–	–	64
Transfer to retained earnings for vested employee share-based payments	28,29	–	–	–	38	(38)	–	–	–	–
Transfer between reserves on impairment of subsidiaries	28,29	–	–	–	1,834	(1,834)	–	–	–	–
Shares acquired by employee trusts		–	(54)	–	–	–	(54)	–	–	(54)
Shares distributed by employee and other trusts and related dividend equivalents	28	–	18	–	(21)	–	(3)	–	–	(3)
31 December 2020		306	(170)	640	4,970	1,064	6,810	3	–	6,813

	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		Total equity £m
								Ordinary shares £m	Preference shares £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)
Share buyback	26	(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		–	–	–	1	–	1	–	–	1
31 December 2019		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.



The Notes on pages 123 to 210 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows**For the year ended 31 December 2020**

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Profit before tax from continuing operations		838	243
(Loss)/profit before tax from discontinued operations	11	(15)	56
		823	299
Change in operating assets	41	817	158
Change in operating liabilities	41	(991)	(291)
Adjustment for non-cash movements in investment income		6	4
Other non-cash and non-operating items	41	(646)	(28)
Dividends received from associates and joint ventures	16	80	93
Taxation paid ¹		(33)	(34)
Net cash flows from operating activities		56	201
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(13)	(28)
Proceeds from sale of property, plant and equipment		–	2
Acquisition of subsidiaries and unincorporated businesses net of cash acquired		–	(40)
Disposal of subsidiaries net of cash disposed of	41	(8)	–
Acquisition of investments in associates and joint ventures	16	(5)	(51)
Proceeds in relation to contingent consideration	40	3	63
Payments in relation to contingent consideration	40	(48)	(18)
Disposal of investments in associates and joint ventures	1	914	1,720
Taxation paid on disposal of investments in associates and joint ventures ¹		(33)	(22)
Purchase of financial investments		(521)	(590)
Proceeds from sale or redemption of financial investments		737	800
Purchase of intangible assets		(12)	(15)
Net cash flows from investing activities		1,014	1,821
Cash flows from financing activities			
Repayment of subordinated liabilities and preference shares		(100)	(455)
Payment of lease liabilities		(35)	(32)
Shares acquired by trusts		(54)	(50)
Interest paid		(30)	(39)
Share buyback	26	(361)	(516)
Preference dividends paid		(5)	(5)
Ordinary dividends paid	14	(479)	(518)
Net cash flows from financing activities		(1,064)	(1,615)
Net (decrease)/increase in cash and cash equivalents		6	407
Cash and cash equivalents at the beginning of the year		1,347	957
Effects of exchange rate changes on cash and cash equivalents		5	(17)
Cash and cash equivalents at the end of the year	24	1,358	1,347
Supplemental disclosures on cash flows from operating activities			
Interest paid		2	5
Interest received		30	34
Dividends received		122	143
Rental income received on investment property		3	3

¹ Total taxation paid was £66m in 2020 (2019: £56m).



The Notes on pages 123 to 210 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 accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 International Financial Reporting Standards (IFRSs), interpretations and amendments to existing standards, which are effective by EU endorsement for annual periods beginning on or after 1 January 2020.

Amendments to existing standards

- Amendments to IFRS 3 *Definition of a business*
- Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest rate benchmark reform*
- Amendments to IAS 1 and IAS 8 *Definition of material*

The Group's accounting policies have been updated to reflect these amendments. Management considers the implementation of the above 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 2020. 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 2023)

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.

The Group has no 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 associate, Phoenix and the Group's joint venture HASL, are expected to be significantly impacted by IFRS 17. The standard has not yet been endorsed by the EU nor by the UK Endorsement Board.

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) 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.

7. Group financial statements continued

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	Note 15
Provisions	Determining whether a provision is required for separation costs	Note 37

Determining the group of cash-generating units to which goodwill acquired in a business combination should be allocated is no longer considered a critical judgement in applying accounting policies following the impairment of goodwill in 2020. Additionally, our judgement relating to the classification of Phoenix and HDFC Life as associates has considered the reductions in these shareholdings during the year ended 31 December 2020. There are no other changes to critical judgements in applying accounting policies 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
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 the segregated and similar customer relationship intangible asset	Note 15
Investments in associates	Determination of the recoverable amount in relation to the impairment assessment of investments in associates	Note 16

The following changes have been made to the Group's critical estimates and assumptions:

- As a result of market and revenue movements, the determination of the recoverable amount in relation to the impairment assessment of the segregated and similar customer relationship intangible asset is now considered a critical estimate
- The Group's asset management goodwill was fully impaired at 30 June 2020. While there was significant judgement relating to the recoverable amount at 30 June (refer Note 15), this is no longer a source of estimation uncertainty at the end of the reporting period.
- The determination of the fair value of contingent consideration assets and liabilities relating to the sale of the UK and European insurance business to Phoenix is no longer considered to be a critical area of estimation uncertainty following the settlement of certain indemnities

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)(iv) 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:

	2020		2019	
	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	1.127	1.117	1.142	1.180
US Dollar	1.292	1.367	1.280	1.325
Indian Rupee	95.602	99.880	90.106	94.563
Chinese Renminbi	8.905	8.940	8.830	9.228
Hong Kong Dollar	10.024	10.599	10.030	10.322
Singapore Dollar	1.778	1.807	1.745	1.781

(a)(v) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial 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 including the impact of COVID-19 on these principal risks. In addition, these financial statements 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).

In preparing these financial statements on a going concern basis, the Directors have considered the following matters and have taken into account the uncertainty created by COVID-19.

- The fundamental basis of our business has not been impacted by COVID-19, although fee based revenue has been reduced as a result of the fall in global equity markets and the shift in client preferences to assets with lower fees. We consider that COVID-19 will accelerate the key global trends already underway in our industry and already factored into our strategy which are discussed further in the Strategic report on pages 10 to 11, and that the Group is well placed to manage its business risks successfully.
- The Group has robust cash and liquid resources of £2.5bn at 31 December 2020. In addition the Company has a revolving credit facility of £400m as part of our contingency funding plans which is due to mature in 2024 and remains undrawn.
- The Group's indicative regulatory capital surplus was £2.3bn in excess of capital requirements at 31 December 2020. The regulatory capital surplus does not include the majority of the value of the Group's listed associates or the listed investment in HDFC Life which were £2.3bn and £1.2bn respectively at 31 December 2020.
- The Group performs regular stress and scenario analysis as described in the Annual report and accounts 2020 Viability statement. The market stresses considered in these analyses are considerably more severe than experienced as a result of COVID-19, and the diverse range of management actions available meant the Group was able to withstand these extreme stresses.
- In addition, the Group has performed specific scenario analysis in the period taking into account COVID-19 impacts on revenue, asset mix, flows and listed associates. These scenarios assumed that key equity market indexes held at the lowest levels witnessed during the COVID-19 outbreak, with only modest growth during 2021. Liquidity and capital remained robust over the going concern period in these scenarios.
- The Group's operational resilience processes have operated effectively during the period including the provision of services by key outsource providers. We have put in place additional processes to monitor key outsource providers during this remote working environment.

Based on a review of the above factors the Directors are satisfied that the Group and Company have and will maintain sufficient resources to enable them to continue operating for at least 12 months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis. There were no material uncertainties relating to this going concern conclusion.

(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.

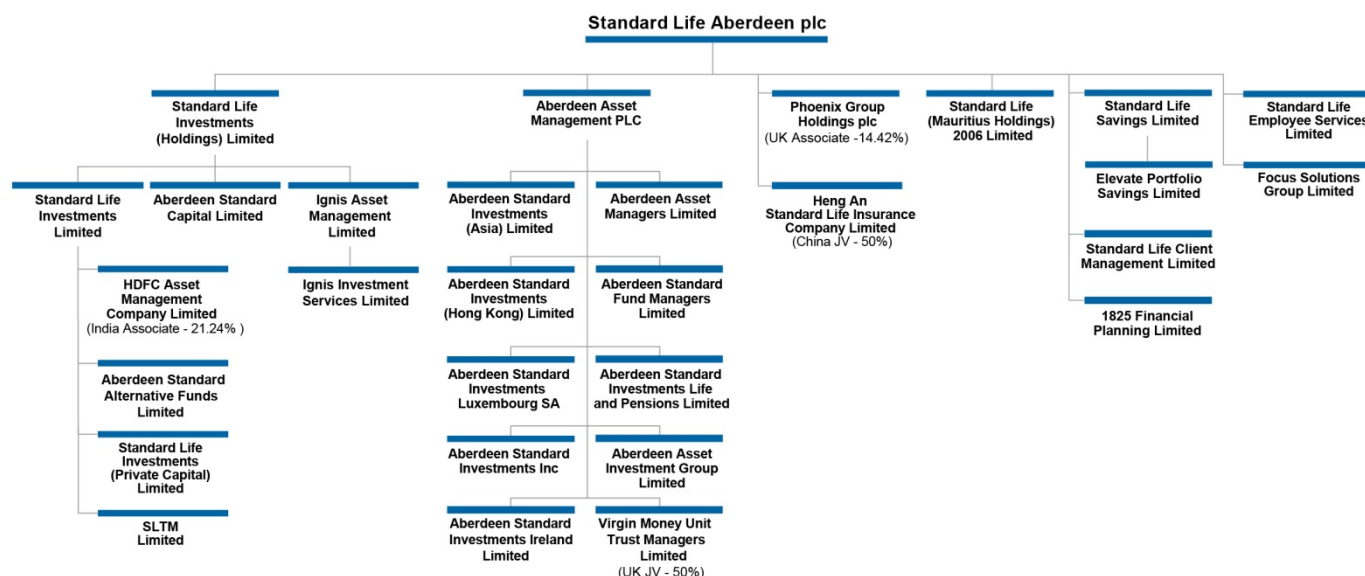
When the Group sells a subsidiary to an associate, the gain on sale of the subsidiary is recognised in full, with no elimination being made for the continuing interest in the subsidiary.

Notes to the Group financial statements

1. Group structure

(a) Composition

The following diagram is an extract of the Group structure at 31 December 2020 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) Prior year acquisitions of 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. 1825 Financial Planning and Advice also purchased the wealth management business of BDO Northern Ireland through a similar business acquisition agreement on 1 July 2019.

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.

(b)(ii) Prior year acquisitions of 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.

(c) Disposals

(c)(i) Subsidiaries

Standard Life (Asia) Limited (SL Asia)

On 29 March 2017, the Group announced the proposed sale of its wholly owned Hong Kong insurance business, SL Asia, to the Group's Chinese joint venture business, Heng An Standard Life Insurance Company Limited (HASL). SL Asia is reported in the Asset management, platforms and wealth segment and HASL is reported within the Insurance associates and joint ventures segment. The sale to HASL of the entire issued share capital of SL Asia was completed on 30 June 2020.

Total consideration received comprised cash of £19m and the Group recognised a gain on disposal of £8m in respect of the sale within continuing operations in the consolidated income statement for the year ended 31 December 2020. On disposal a gain of £8m was recycled from the translation reserve and was included in determining the gain on sale.

Prior to the completion of the sale, SL Asia was classified as an operation held for sale (refer Note 23).

(c)(ii) Associates

Profit on disposals of interests in associates of £1,858m includes £1,591m of gains in relation to the sale of equity shares in HDFC Life and its reclassification from an investment in associate, £263m of gains in relation to the sale of equity shares in HDFC Asset Management and a £4m dilution gain in Phoenix.

HDFC Life Insurance Company Limited (HDFC Life)

During 2020, the Group completed sales of equity shares in HDFC Life on the National Stock Exchange of India Limited and BSE Limited. The gains on sales and the gain on reclassification from an associate to an equity investment can be summarised as follows:

	2020 £m
Gain on sale of 50,000,000 equity shares in HDFC Life sold through a Bulk Sale on 27 March 2020	206
Gain on sale of 40,000,000 equity shares in HDFC Life sold through a Bulk Sale on 4 June 2020	182
Gain on sale of 27,772,684 equity shares in HDFC Life sold through a Bulk Sale on 3 December 2020	152
Gain on reclassification of remaining 179,539,209 equity shares in HDFC Life from an associate to equity investment on 3 December 2020 (Refer Note 16)	1,051
Gains on disposals and reclassification of HDFC Life	1,591

In total, 5.83% of the issued equity share capital of HDFC Life was sold for a combined total consideration net of taxes and expenses of Rs 58,561m (£616m). The combined gain on sale of £540m was calculated using the weighted-average cost method. On disposal a loss of £5m was recycled from the translation reserve and was included in determining the gain on sale.

Following the 3 December 2020 sale, the Group's shareholding in HDFC Life was 179,539,209 equity shares or 8.89% and HDFC Life is no longer considered to be an associate of the Group. The Group's investment in HDFC Life has been reclassified from an investment in associates accounted for using the equity method to equity securities measured at fair value. Refer Note 16 for further details of this reclassification. A reclassification gain of £1,051m is included in the profit on disposal of interests in associates for the year ended 31 December 2020 as the fair value on 3 December 2020 of £1,168m is higher than the previous carrying value as an associate of £111m. On reclassification a loss of £6m was recycled from the translation reserve and was included in determining the gain.

HDFC Asset Management Company Limited (HDFC Asset Management)

During 2020, the Group completed the following sale of equity shares in HDFC Asset Management on the National Stock Exchange of India Limited and BSE Limited:

- 12,000,000 equity shares in HDFC Asset Management sold through an Offer for Sale on 17 and 18 June 2020

Through the sale, 5.64% of the issued equity share capital of HDFC Asset Management was sold for a total consideration net of taxes and expenses of Rs 25,404m (£265m). The gain on sale of £263m before tax was calculated using the weighted-average cost method. On disposal a loss of £3m was recycled from the translation reserve and was included in determining the gain on sale. The Group's shareholding in HDFC Asset Management at 31 December 2020 is 45,228,305 equity shares or 21.24%.

Phoenix Group Holdings (Phoenix)

On 22 July 2020 the Group's associate, Phoenix, announced the completion of its acquisition of ReAssure Group plc. Under the terms of the transaction, Phoenix issued 277,277,138 new ordinary shares as part consideration for the acquisition. Completion of the transaction resulted in the Group's holding in Phoenix becoming 14.43% of the enlarged Phoenix Group (31 December 2020: 14.42%). A dilution gain of £4m was recognised within the Profit on disposal of interests in associates in the consolidated income statement as a result of the transaction.

(c)(iii) Prior year disposal of associates

HDFC Life

During 2019, 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.

HDFC Asset Management

During 2019, 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.

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' which for the Group is the executive leadership team.

(a) Basis of segmentation

The Group's reportable segments for 2020 and 2019 were as follows:

Continuing operations:

Asset management, platforms and wealth

This segment primarily relates to our asset management, platforms and wealth activities. The Investments, Adviser and Personal vectors are all part of this segment. 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 include 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; 1825 which undertakes our financial planning and advice activity; Parmenion which undertakes activities for clients and intermediaries; and our strategic joint venture with Virgin Money (VMUTM). 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 the UK (Phoenix) and China (HASL) and our life insurance business in India (HDFC Life), which was classified as an associate until 3 December 2020. These businesses offer a range of pension, insurance and savings products to the UK, European, Chinese and Indian markets.

The Group's reportable segments will be revised in 2021 to align with the growth vectors.

7. Group financial statements continued

(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 2020	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		1,425	–	1,425	–	–	1,425
Adjusted operating expenses		(1,206)	–	(1,206)	–	–	(1,206)
Adjusted operating profit		219	–	219	–	–	219
Capital management		21	–	21	–	–	21
Share of associates' and joint ventures' profit before tax ¹		44	203	247	–	–	247
Adjusted profit before tax		284	203	487	–	–	487
Tax on adjusted profit		(38)	–	(38)	–	–	(38)
Share of associates' and joint ventures' tax expense	10	(12)	(26)	(38)	–	–	(38)
Adjusted profit after tax		234	177	411	–	–	411
Adjusted for the following items							
Restructuring and corporate transaction expenses	9	(326)	(29)	(355)	–	–	(355)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts ²		(1,180)	(107)	(1,287)	–	–	(1,287)
Profit on disposal of interests in associates	1	263	1,595	1,858	–	–	1,858
Impairment of associates and joint ventures	16	(45)	–	(45)	–	–	(45)
Change in fair value of significant listed investments	13	–	65	65	–	–	65
Investment return variances and economic assumption changes	13	–	46	46	–	–	46
Other		22	64	86	(15)	–	71
Total adjusting items		(1,266)	1,634	368	(15)	–	353
Tax on adjusting items		53	–	53	–	–	53
Share of associates' and joint ventures' tax expense on adjusting items		20	1	21	–	–	21
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		(964)	1,812	848	(15)	–	833
Profit attributable to non-controlling interests							
Preference shares				5	–	–	5
Profit for the year				853	(15)	–	838

¹ Share of associates' and joint ventures' profit before tax comprises the Group's share of results of HDFC Asset Management, Phoenix, HASL, VMUTM and HDFC Life (until 3 December 2020).

² Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts includes £1,180m included in administrative expenses and set out in Note 15, and £107m 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 and relates to revenues generated from external customers. Refer Note 4 for a reconciliation of fee based revenue to revenue from contracts with customers.

All interest income, interest expense, depreciation and amortisation from continuing operations relates to the Asset management, platforms and wealth segment.

In the year ended 31 December 2020, transactions with one external customer amounted to more than 10% of fee based revenue. This fee based revenue of £195m is included in the Asset management, platforms and wealth 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	16	–	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							
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.

7. Group financial statements continued

(b)(ii) Total income and expenses

The following table provides a reconciliation of fee based revenue 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.

	2020		2019	
	Income £m	Expenses £m	Income £m	Expenses £m
Fee based revenue and adjusted operating expenses as presented in the analysis of Group adjusted profit by segment from continuing operations	1,425	(1,206)	1,634	(1,333)
Insurance and participating investment contract claims and change in liabilities	17	(17)	156	(156)
Change in non-participating investment contract liabilities	56	(56)	265	(265)
Change in liability for third party interest in consolidated funds	(3)	3	21	(21)
Other presentation differences	144	(144)	177	(177)
Profit on disposal of interests in associates	1,858	–	1,542	–
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	–	(1,180)	–	(1,733)
Other adjusting items included in income and expenses	91	(320)	161	(387)
Capital management	21	–	37	–
Total income and expenses as presented in the IFRS consolidated income statement from continuing operations	3,609	(2,920)	3,993	(4,072)

This reconciliation includes a number of reconciling items which arise due to presentation differences between IFRS reporting requirements and the determination of fee based revenue 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, 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 and other cost of sales 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.

(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:

	2020 £m	2019 £m
UK	1,399	1,862
Europe, Middle East and Africa	180	265
Asia Pacific	1,880	1,708
Americas	150	158
Total	3,609	3,993

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

	2020 £m	2019 £m
UK	629	1,700
Europe, Middle East and Africa	15	60
Asia Pacific	17	71
Americas	76	142
Total	737	1,973

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.

	2020 £m	2019 £m
Interest and similar income		
Cash and cash equivalents	10	18
Debt securities measured at amortised cost	9	10
	19	28
Gains on financial instruments at fair value through profit or loss		
Equity securities and interests in pooled investment funds (other than dividend income)	137	365
Debt securities	5	21
Derivative financial instruments	(30)	1
	112	387
Dividend income	41	52
Gains on financial instruments at amortised cost	–	1
Foreign exchange losses on financial instruments other than those at fair value through profit or loss	(9)	(4)
Investment return from continuing operations	163	464

Included in investment return from continuing operations of £163m (2019: £464m) is £49m (2019: £392m) in relation to unit linked business including (£13m) (2019: £107m) 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.

Following the reclassification of HDFC Life from an associate to an equity security on 3 December 2020 gains of £65m have been included in equity securities and interests in pooled investment funds (refer Note 16 for further details of the reclassification).

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 highly probable that a significant reversal will not occur. 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:

	2020 £m	2019 £m
Asset management		
Management fee income – Insurance ¹	216	312
Management fee income – Other clients ¹	1,008	1,122
Performance fees	30	37
Revenue from contracts with customers for asset management	1,254	1,471
Fund platforms		
Fee income	193	204
Other revenue from contracts with customers	80	68
Total revenue from contracts with customers from continuing operations	1,527	1,743

¹ In addition to revenues earned as a percentage of AUM, management fee income includes certain other revenues such as registration fees.

7. Group financial statements continued

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 and carried interest arrangements. Performance fees and carried interest are earned from some investment mandates when contractually agreed performance levels are exceeded within specified performance measurement periods. Performance fees and carried interest are only recognised once it is highly probable that a significant reversal will not occur in future periods. Given the unpredictability of future performance, the risk of a significant reversal occurring will typically only be considered low enough to make recognition appropriate upon the crystallisation event occurring.

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.

	2020 £m	2019 £m
Revenue from contracts with customers from continuing operations as presented in the consolidated income statement	1,527	1,743
Presentation differences		
Commission expenses	(77)	(89)
Other cost of sales	(27)	(26)
Other differences	2	6
Fee based revenue from continuing operations as presented in the Asset management, platforms and wealth segment	1,425	1,634

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.

(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 2020 £m	31 December 2019 £m	1 January 2019 £m
Amount receivable from contracts with customers	21	115	130	112
Accrued income from contracts with customers	21	221	227	214
Cost of obtaining customer contracts	15	49	60	80
Deferred acquisition costs	22	4	6	6
Total contract receivables and assets		389	423	412

	Notes	31 December 2020 £m	31 December 2019 £m	1 January 2019 £m
Deferred Income	35	73	67	75
Accruals	36	–	3	5
Total contract liabilities		73	70	80

5. Other income

The Group's other income for the year ended 31 December 2020 of £30m (2019: £178m) includes the £8m gain on the sale of SL Asia (refer Note 1). Other income for the year ended 31 December 2019 included £140m in relation to the settlement of arbitration with Lloyds Banking Group.

6. Other administrative expenses

	Notes	2020 £m	2019 £m
Interest expense		2	5
Commission expenses		77	89
Other cost of sales		27	26
Staff costs and other employee-related costs		625	646
Short-term and low value lease rentals		3	2
Auditors' remuneration	8	8	8
Depreciation of property, plant and equipment	17	46	47
Amortisation of intangible assets	15	152	184
Impairment losses on intangible assets ¹	15	149	2
Impairment losses on disposal group classified as held for sale	23	1	–
Impairment losses on property right-of-use assets	17	2	16
Other		514	626
		1,606	1,651
Acquisition costs deferred during the year		–	(2)
Amortisation of deferred acquisition costs		2	2
Total other administrative expenses from continuing operations		1,608	1,651

¹ Impairment losses on intangible assets excludes a goodwill impairment charge of £915m (2019: £1,569m) recognised separately as an individual item on the consolidated income statement. Refer Note 15.

In addition to interest expense of £2m (2019: £5m) set out above, interest expense of £24m (2019: £29m) was incurred in respect of subordinated liabilities and the related cash flow hedge (refer Note 20) and interest expense of £6m (2019: £7m) 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	2020 £m	2019 £m
The aggregate remuneration payable in respect of employees:			
Wages and salaries		465	531
Social security costs		55	63
Pension costs			
Defined benefit plans		(19)	(40)
Defined contribution plans		58	58
Employee share-based payments and deferred fund awards	44	66	34
Total staff costs and other employee-related costs		625	646

In addition, wages and salaries of £28m (2019: £40m), social security costs of £4m (2019: £4m), pension costs – defined benefit plans of less than £1m (2019: less than £1m), pension costs – defined contribution plans of £1m (2019: £1m), employee share-based payments and deferred fund awards of £27m (2019: £19m) and termination benefits of £31m (2019: £67m) have been included in restructuring and corporate transaction expenses. Refer Note 9.

The average number of staff employed by the Group during the year was 6,029 (2019: 6,268). All staff were employed within the asset management, platforms and wealth segment.

Information in respect of Directors' remuneration is provided in the Directors' remuneration report on pages 73 to 95.

8. Auditors' remuneration

The following table shows the auditors' remuneration aggregated for both continuing and discontinued operations.

	2020 £m	2019 £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	4.1	3.7
Audit related assurance services	2.3	2.1
Total audit and audit related assurance fees	7.5	6.9
Other assurance services	0.8	1.2
Other non-audit fee services	–	–
Total non-audit fees	0.8	1.2
Total auditors' remuneration	8.3	8.1

7. Group financial statements continued

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 2020 no audit fees were payable in respect of defined benefit plans to the Group's principal auditor (2019: £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 £297m (2019: £374m). The expenses mainly relate to ongoing transformation costs for integration, separation from Phoenix and implementing our simplified operating model. 2019 expenses also included £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 2020 were £1m (2019: £2m).

The table below reconciles restructuring and corporate transaction expenses in the consolidated income statement with restructuring and corporate transaction expenses used to determine adjusted profit before tax.

	2020 £m	2019 £m
Restructuring and corporate transaction expenses	297	374
Asset management joint venture and insurance associate restructuring and corporate transaction expenses	39	33
Impairment of internally generated software and right-of-use assets as a result of restructuring, which are included in Other administrative expenses	19	–
Restructuring and corporate transaction expenses used to determine adjusted profit before tax	355	407

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 and is calculated using tax rates and laws substantively enacted at the balance sheet date.

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 balance sheet date that are expected to apply when the deferred tax asset or liability are realised.

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.

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.

(a) Tax charge in the consolidated income statement**(a)(i) Current year tax expense**

	2020 £m	2019 £m
Current tax:		
UK	(1)	6
Overseas	55	49
Adjustment to tax expense in respect of prior years	9	(1)
Total current tax attributable to continuing operations	63	54
Deferred tax:		
Deferred tax credit arising from the current year	(76)	(26)
Adjustment to deferred tax in respect of prior years	(2)	–
Total deferred tax attributable to continuing operations	(78)	(26)
Total tax (credit)/expense attributable to continuing operations	(15)	28

The share of associates' and joint ventures' tax expense is £17m (2019: £8m) and is included in profit before tax in the consolidated income statement in 'Share of profit from associates and joint ventures'.

In 2020 unrecognised tax losses from previous years were used to reduce the current tax expense by £1m (2019: £nil). Unrecognised tax losses and timing differences were used to reduce the deferred tax expense by £1m (2019: £1m).

Current tax recoverable and current tax liabilities at 31 December 2020 were £9m (2019: £9m) and £15m (2019: £19m) respectively. In addition current tax recoverable and current tax liabilities in relation to unit linked business were £1m (2019: £nil) and £1m (2019: £2m) respectively. Current tax assets and liabilities at 31 December 2020 and 31 December 2019 are expected to be recoverable or payable in less than 12 months.

(a)(ii) Reconciliation of tax expense

	2020 £m	2019 £m
Profit before tax from continuing operations	838	243
Tax at 19% (2019: 19%)	159	46
Remeasurement of deferred tax due to rate changes ¹	9	1
Permanent differences	(20)	(4)
Tax effect of accounting for share of profit from associates and joint ventures	(37)	(15)
Impairment losses on intangible assets	174	298
Impairment/ (reversal of impairment) of investment in associates and joint ventures	9	(46)
Differences in overseas tax rates ¹	(21)	(16)
Adjustment to current tax expense in respect of prior years	9	(1)
Recognition of previously unrecognised tax credit	(2)	(1)
Deferred tax not recognised	7	13
Adjustment to deferred tax expense in respect of prior years	(2)	–
Write down of deferred tax asset	–	6
Non-taxable profit on sale of subsidiaries and associates	(303)	(254)
Other	3	1
Total tax (credit)/expense from continuing operations for the year	(15)	28

¹ 2019 figures were previously disclosed as a single line – different tax rates (£15m).

The standard UK corporation tax rate for the accounting period is 19%. In the Spring Budget 2020, the government announced that the standard UK corporation tax rate would remain at 19% from 1 April 2020 rather than reducing to 17% as previously enacted. This new legislation was substantively enacted on 17 March 2020 to repeal the planned reduction in the standard UK corporation tax rate and maintain the rate at 19%. This will impact both current tax in the UK going forward and also the valuation of deferred tax assets and liabilities in the UK, which have been revalued at the balance sheet date to take account of this change.

On 3 March 2021, the UK Government announced its intention to increase the rate of UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The proposed increase in the rate of UK corporation tax is expected to be enacted in Finance Act 2021. As the rate change was not substantively enacted as at 31 December 2020, it has not been taken account of in computing the UK deferred tax assets and liabilities which are reflected in the statement of financial position for that date. However, the rate change is expected to be substantively enacted during 2021. The effect of this change in the rate of UK corporation tax if it had been substantively enacted at 31 December 2020 would have been to increase the deferred tax assets and deferred tax liabilities in the statement of financial position by £19m and £9m respectively and increase the tax credit in the income statement by £10m.

7. Group financial statements continued

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 2020 include expenses and accounting losses which are not deductible for tax purposes. It also includes the difference between the tax basis and accounting value for employee share-based awards. Notably, within permanent differences, is a (£12m) tax adjustment for non-taxable fair value movements that arose following reclassification of the investment in HDFC Life.
- 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 impairments of both the goodwill intangible asset and investment in associates and joint ventures are not tax deductible
- Certain profits are taxed at rates which differ from the UK corporation tax rate (such as the profit attributable to our Asian business) and, in 2020, mainly comprises a non-recurring reconciling item associated with the gain arising on a sale of shares in our associate HDFC Asset Management being taxed at a rate of less than 19%. This arose because the Indian rate of tax on long-term capital gains is less than the UK corporate tax rate.
- An additional £9m tax charge arises on the revaluation of deferred tax assets and liabilities in the UK following the reversal of a proposed tax rate reduction in the UK
- The ability to value tax losses and other tax assets also affects the tax charge. We have not recognised a deferred tax asset of £7m on tax losses arising in the year due to uncertainty as to when these losses will be utilised. In addition, we have recognised £2m of previously unrecognised deferred tax assets due to evidence of their current or future utilisation.
- 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
- A deferred tax liability of £10m has been recognised in the period in relation to our share of the unremitted earnings of HDFC AMC. This results from a change to the taxation of dividends from Indian companies under Indian tax law that took effect from 1 April 2020. The corresponding charge forms part of the tax expense in the consolidated income statement. The change also gives rise to the release of a deferred tax liability of £18m attributable to our holdings in HDFC AMC and HDFC Life that related to the taxation of undistributed reserves under the preceding Indian tax rules. This release gives rise to the recognition of an £18m credit to the Share of profit from associates and joint ventures line item in the consolidated income statement.

(b) Tax relating to components of other comprehensive income

Tax relating to components of other comprehensive income is as follows:

	2020 £m	2019 £m
Tax relating to defined benefit pension plan deficits	(2)	—
Equity holder tax effect relating to items that will not be reclassified subsequently to profit or loss	(2)	—
Tax relating to fair value losses recognised on cash flow hedges	(1)	(2)
Tax relating to cash flow hedge losses transferred to consolidated income statement	3	4
Equity holder tax effect relating to items that may be reclassified subsequently to profit or loss	2	2
Tax relating to other comprehensive income from continuing operations	—	2

All of the amounts presented above are in respect of equity holders of Standard Life Aberdeen plc.

(c) Deferred tax assets and liabilities

(c)(i) Movements in net deferred tax asset/(liability)

	2020 £m	2019 £m
Opening balance carried forward	(13)	(39)
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	(13)	(37)
Reclassified as held for sale during the year	—	—
Acquired through business combinations	—	(2)
Amounts credited to the consolidated income statement	78	26
Amounts credited directly to equity in respect of employee share-based payments	—	—
Tax on defined benefit pension plan deficits	2	—
Tax on cash flow hedge	(2)	(2)
Other	—	2
Net deferred tax asset/(liability) at 31 December	65	(13)

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.

(c)(ii) Analysis of recognised deferred tax

	2020 £m	2019 £m
Deferred tax assets comprise:		
Losses carried forward	89	40
Depreciable assets	12	12
Employee benefits	28	22
Provisions and other temporary timing differences	2	1
Gross deferred tax assets	131	75
Less: Offset against deferred tax liabilities	–	(1)
Deferred tax assets	131	74
Deferred tax liabilities comprise:		
Unrealised gains on investments	4	2
Employee benefits	–	3
Temporary timing differences	–	2
Deferred tax on intangible assets acquired through business combinations	52	78
Other	10	3
Gross deferred tax liabilities	66	88
Less: Offset against deferred tax assets	–	(1)
Deferred tax liabilities	66	87
Net deferred tax asset/(liability) at 31 December	65	(13)

A deferred tax asset of £89m (2019: £40m) 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. The deferred tax asset recognised on losses primarily relates to UK entities where there is currently no restriction on the period of time over which losses can be utilised. Recognition of this deferred tax asset requires that management must consider if it is more likely than not that this asset will be recoverable in future periods against future profits arising in the UK. In making this assessment management have considered future operating plans and forecast taxable profits and are satisfied that, following completion of transformation activities, forecast taxable profits will be sufficient to enable recovery of the UK tax losses. Based upon the level of forecast taxable profits management do not consider there is significant risk of a material adjustment to the carrying amount of the deferred tax asset on UK tax losses within the next financial year.

Deferred tax assets and liabilities are expected to be recovered or settled after more than 12 months.

(d) 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 £287m overseas (2019: £80m, £301m respectively)

Of these unrecognised deferred tax assets, certain losses have expiry dates as follows:

- US losses of £164m with expiry dates between 2027-2037 (2019: £164m)
- Other overseas losses of £26m with expiry dates before 2024 (2019: £19m)
- Other overseas losses of £22m with expiry dates between 2025 and 2030 (2019: £9m)

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.

The consolidated income statement loss and cash flows from discontinued operations relate solely to the UK and European insurance business which was sold in 2018 to Phoenix. For the year ended 31 December 2020, the loss from discontinued operations was £15m (2019: profit of £56m) which reflected changes in the value of contingent consideration relating to the sale. The 2020 loss includes the impact of the resolution of certain legacy issues with Phoenix, refer Note 47. For the year ended 31 December 2020, net cash flows from discontinued operations of (£42m) (2019: £63m) are included in net cash flows from investing activities. There was no other comprehensive income from discontinued operations for the year ended 31 December 2020 (2019: £nil).

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 37.8p (2019: 11.2p) and diluted earnings per share was 37.2p (2019: 11.1p) for the year ended 31 December 2020. The following table shows details of basic, diluted and adjusted earnings per share.

	2020			2019		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Adjusted profit before tax	487	–	487	584	–	584
Tax on adjusted profit	(38)	–	(38)	(69)	–	(69)
Share of associates' and joint ventures' tax expense	(38)	–	(38)	(46)	–	(46)
Adjusted profit after tax	411	–	411	469	–	469
Dividend paid on preference shares	(5)	–	(5)	(5)	–	(5)
Adjusted profit after tax attributable to equity shareholders of the Company	406	–	406	464	–	464
Adjusting items	368	(15)	353	(333)	56	(277)
Tax on adjusting items	53	–	53	41	–	41
Share of associates' and joint ventures' tax expense on adjusting items	21	–	21	38	–	38
Profit attributable to equity shareholders of the Company	848	(15)	833	210	56	266
	Millions			Millions		
Weighted average number of ordinary shares outstanding	2,202			2,374		
Dilutive effect of share options and awards	37			32		
Weighted average number of diluted ordinary shares outstanding	2,239			2,406		
	Pence	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	38.5	(0.7)	37.8	8.9	2.3	11.2
Diluted earnings per share	37.9	(0.7)	37.2	8.8	2.3	11.1
Adjusted earnings per share	18.4	–	18.4	19.5	–	19.5
Adjusted diluted earnings per share	18.1	–	18.1	19.3	–	19.3

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 accounted for using the equity method
- Impairment loss/reversal of impairment loss recognised on investments in associates and joint ventures accounted for using the equity method
- Change in fair value of significant listed investments
- 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 as described further below.

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

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 described below.

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 both owner and policyholder funds, with consistent allowance for the corresponding expected movement in liabilities, as well as the impact of changes in economic assumptions on liabilities, are excluded from adjusted profit. The impact of strategic asset allocation activities, such as investment in higher yielding illiquid assets, is also excluded from adjusted profit.

The expected return on investments backing both owner and policyholder funds is based on opening economic assumptions applied to the funds under management at the beginning of the reporting period. Expected investment return assumptions are derived actively based on market yields on risk-free fixed interest assets at the start of each financial year. Investment return variances, including those relating to owners' funds, also include gains and losses on derivatives held to hedge life company Solvency II surplus positions.

Adjusted profit includes the effect of variance in experience for non-economic items, for example mortality, persistency and expenses, and the effect of changes in non-economic assumptions. It also incorporates the impacts of significant management actions where such actions are consistent with Phoenix's core operating activities (for example, actuarial modelling enhancements and data reviews).

Wholly owned insurance entities

The Group's wholly owned insurance business, SL Asia, was sold on 30 June 2020 (refer Note 1). The policy applied to wholly owned insurance entities is similar to that used by Phoenix as described above. The main difference relevant to SL Asia is that Phoenix recognises charges on unit linked business based on expected investment returns, whereas wholly owned insurance entities use actual investment returns.

(b) Significant listed investments

Following the reclassification of HDFC Life from an associate to an equity security on 3 December 2020 fair value gains of £65m have been included in investment return in the consolidated income statement but excluded from adjusted profit (refer Note 16 for further details of the reclassification). These gains represent the impact of movements in the market value of our remaining 8.89% holding in HDFC Life from 3 December 2020 to 31 December 2020. Excluding fair value movements on significant listed investments for the purposes of adjusted profit is aligned with our treatment of gains on disposal for these holdings when they were classified as an associate, and reflects that the fair value movements are not indicative of the long-term operating performance of the group.

(c) Other

In the reconciliation of consolidated adjusted profit before tax to profit for the period the other adjusting item sub-total of £71m (2019: £214m) includes £66m which predominantly relates to our share of Phoenix gains on the acquisition of ReAssure (Refer Note 16) and the completion of the Part VII transfer of their Legal and General mature savings business. Also included is the gain on disposal of SL Asia of £8m. Net fair value movements in contingent consideration were (£10m) (2019: £61m) including (£15m) (2019: £56m) relating to discontinued operations.

The other adjusting items in 2019 included £140m relating to the settlement of arbitration with Lloyds Banking Group.

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.

	2020		2019	
	Pence per share	£m ¹	Pence per share	£m
Prior year's final dividend paid	14.3	320	14.30	345
Interim dividend paid	7.3	159	7.30	173
Total dividends paid on ordinary shares		479		518
Current year final recommended dividend	7.3	154	14.30	320

¹ Estimated for current year final recommended dividend.

The final recommended dividend will be paid on 25 May 2021 to shareholders on the Company's register as at 16 April 2021, subject to approval at the 2021 Annual General Meeting. After the current year final recommended dividend, the total dividend in respect of the year ended 31 December 2020 is 14.60p (2019: 21.60p).

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. These costs primarily relate to the cost of acquiring existing investment management contracts from other asset managers and commission costs for initial investors into new closed end funds where these are borne by the Group. 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							Total £m
	Notes	Goodwill £m	Brand £m	Customer relationships and investment management contracts £m	Technology £m	Internally developed software ¹ £m	Purchased software and other £m	
Gross amount								
At 1 January 2019		3,438	93	1,019	67	121	4	4,838
Additions		37	—	13	—	10	3	65
Other		—	—	(1)	—	—	(4)	(7)
At 31 December 2019		3,475	93	1,031	67	131	3	4,896
Reclassified as held for sale during the year		—	—	—	(3)	(2)	—	(5)
Additions		—	—	—	—	2	2	12
At 31 December 2020		3,475	93	1,031	64	131	5	4,903
Accumulated amortisation and impairment								
At 1 January 2019		(906)	(26)	(386)	(41)	(59)	—	(1,434)
Amortisation charge for the year		—	(19)	(111)	(13)	(20)	(1)	(184)
Impairment losses recognised ²		(1,569)	—	—	(1)	(1)	—	(1,571)
At 31 December 2019		(2,475)	(45)	(497)	(55)	(80)	(1)	(3,189)
Reclassified as held for sale during the year		—	—	—	2	1	—	3
Amortisation charge for the year	6	—	(18)	(86)	(7)	(21)	(1)	(152)
Impairment losses recognised ²	6	(915)	—	(134)	(1)	(14)	—	(1,064)
At 31 December 2020		(3,390)	(63)	(717)	(61)	(114)	(2)	(4,402)
Carrying amount								
At 1 January 2019		2,532	67	633	26	62	4	3,404
At 31 December 2019		1,000	48	534	12	51	2	1,707
At 31 December 2020		85	30	314	3	17	3	501

¹ Included in the internally developed software of £17m (2019: £51m) is £8m (2019: £6m) relating to intangible assets not yet ready for use.

² For the year ended 31 December 2020, goodwill impairment losses of £915m (2019: £1,569m) were recognised on asset management goodwill and presented separately in the consolidated income statement.

At 31 December 2020 £85m of goodwill (2019: £85m) is attributable to a number of smaller cash-generating units in the Asset management, platforms and wealth segment. At 31 December 2020, there was no goodwill (2019: £915m) attributable 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.

7. Group financial statements continued

On the acquisition of Aberdeen Asset Management PLC (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.

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 intangible asset for Lloyds Banking Group had a carrying value of £nil at the end of 2019. The description of the remaining two 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 2020 £m	Carrying value 2019 £m
Open ended funds	Separate vehicle group – open ended investment vehicles	11 years	223	87	111
Segregated and similar	All other vehicle groups dominated by segregated mandates which represent 75% of this group	12 years	427	107	280

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 7.6 years and the residual life of the Segregated and similar customer relationship intangible asset is 8.6 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

For all intangible assets including goodwill, an assessment is made at each reporting date as to whether there is an indication that the goodwill or 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 of disposal (FVLCD) and the value in use (VIU) 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.

In 2020, an impairment of goodwill of £915m (2019: £1,569m) and an impairment of customer relationships and investment management contracts of £134m (2019: £nil) have been recognised. Both impairments relate to assets included in the Asset management, platforms and wealth segment. The impairments are included within administrative expenses in the consolidated income statement.

Goodwill

The impairment of £915m was recognised at 30 June 2020 and relates to an impairment of asset management goodwill, the group of cash-generating units for which is our asset management business excluding HDFC Asset Management and VMUTM (2019: £1,569m). The impairment resulted from the impact on reported revenue and future revenue projections of global equity market falls and a shift in asset mix towards lower margin assets. Both the fall in equity markets and the shift in asset mix were global market impacts primarily resulting from COVID-19. Additional projections were prepared to take into account these COVID-19 impacts, and uncertainties over future financial markets, and these projections were a key input to the impairment review process. The asset management goodwill recognised is now fully impaired.

The recoverable amount of this group of cash-generating units at 30 June 2020 was £1,654m, which is based on FVLCD. This is also the carrying value at 30 June 2020. The FVLCD considered a number of valuation approaches, with the primary approach being a price to earnings multiple approach. This is a level 3 measurement as it is measured using inputs which are not based on observable market data. Key assumptions used in the earnings multiples valuation approach were:

- Projected adjusted profits which were based on management forecasts of maintainable earnings and market consensus views. Revenues in the management forecasts reflected past experience and modelling based on assets under management and fee revenue yields by asset class. Equity markets in 2020 were assumed to stay broadly in line with 30 June levels. Expenses in the management forecasts were based on past experience adjusted for planned expense savings.
- Price to earnings multiples which were determined based on market data on multiples of a peer group of comparable European asset managers as at 30 June 2020
- Premiums for control and discounts for lack of liquidity which were determined based on comparable transactions adjusted to remove strategic control premiums
- The expected cost of disposal, which was based on past experience of previous transactions

In addition to the price to earnings multiple approach, other valuation approaches were considered including discounted cash flows and deriving the valuation from the market capitalisation of the Group, which gave a range of reasonable outcomes. The primary valuation approach was within this range of reasonable outcomes and reflected market conditions and uncertainties at 30 June 2020, including significant uncertainties relating to the impact of COVID-19 at that point. Under IFRS requirements an impairment of goodwill recognised in an interim period cannot be reversed due to changes in circumstances during the second half of the financial year.

The recoverable amount of this group of cash-generating units at 31 December 2019 was £2,603m based on VIU, which was assessed by management as being higher than the FVLCD. The VIU continues to be significantly reduced by the IFRS requirement to add back certain expense savings to management's expectation of the level of future operating expenses, as was also the case at 31 December 2019. Considering this, and as a result of the increased market uncertainty in the COVID-19 environment and the impact of reduced reported revenue and future revenue projections, management has now assessed that the FVLCD is higher.

For the remaining goodwill of £85m (2019: £85m), which is attributable to a number of smaller cash-generating units in the Asset management, platforms and wealth segment, we concluded that no impairment was required.

Customer relationship and investment management contract intangibles

The recoverable amount for customer relationship intangible assets for which there were indicators of impairment is VIU. In assessing VIU, 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.

The impairment of £134m (2019: £nil) relates to the Segregated and similar customer relationship intangible asset which was recognised on the acquisition of AAM PLC. The impairment resulted from the impact of markets, net outflows and a fall in revenue yield on future earnings expectations. The impairment was recognised at 30 June 2020. The recoverable amount of this asset which is its VIU at 30 June 2020 was £119m and was calculated using a pre-tax discount rate of 14.8%.

The other key assumptions in the VIU were:

- Future assets under management which were modelled based on past experience of attrition rates and assumed market growth rates tapered to 2% in the longer term
- Fee revenue yields based on past experience adjusted to assume a decline due to changes in asset mix over the projection period
- Operating expense margins based on past experience and management forecasts

At 31 December 2020, there is no indication that the Segregated and similar customer relationship intangible asset has become further impaired. The following table shows the consequence of illustrative downside sensitivities of key assumptions on the carrying amount of the Segregated and similar customer relationship intangible balance at 31 December 2020. An increase in the discount rate of two percentage points would not lead to a further impairment loss.

	£m
30% increase in attrition	(2)
25% one-off decrease in AUM at 1 January 2021	(12)
Operating expense margin decreased by five percentage points	(11)

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 12 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.

The impairment of internally developed software of £14m recognised during the year to 31 December 2020 related to software made obsolete as a result of the development of the new investment platform in the Asset management, platforms and wealth segment.

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. Where the Group holds less than 20% of voting rights, consideration is given to other indicators and entities are classified as associates where it is judged that these other indicators result in significant influence.

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.

On partial disposal of an associate, a gain or loss is recognised based on the difference between the proceeds received and the equity accounted value of the portion disposed of. Indicators of significant influence are reassessed based on the remaining voting rights. Where significant influence is judged to have been lost, the investment in associate is reclassified to interests in equity securities and pooled investment funds measured at fair value. If an entity is reclassified, the difference between the fair value and the remaining equity accounted value is accounted for as a reclassification gain or loss on disposal.

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

	2020			2019		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
At 1 January	1,257	252	1,509	1,260	184	1,444
Exchange translation adjustments	(11)	8	(3)	(16)	(11)	(27)
Additions	–	5	5	–	51	51
Disposals	(102)	–	(102)	(178)	–	(178)
Profit after tax	177	17	194	63	16	79
Other comprehensive income	–	–	–	(22)	12	(10)
Dilution gains	4	–	4	–	–	–
(Impairment)/Reversal of impairment	–	(45)	(45)	243	–	243
Distributions of profit	(80)	–	(80)	(93)	–	(93)
Reclassified to equity securities and interests in pooled investments funds	(111)	–	(111)	–	–	–
At 31 December	1,134	237	1,371	1,257	252	1,509

7. Group financial statements continued

The following associates and joint ventures are considered to be material to the Group as at 31 December 2020.

Name of associate	Nature of relationship	Principal place of business	Measurement Method	Interest held by the Group at 31 December 2020	Fair value of interest held by the Group at 31 December 2020	Interest held by the Group at 31 December 2019	Fair value of interest held by the Group at 31 December 2019
Phoenix Group Holdings plc (Phoenix)	Associate	United Kingdom	Equity Accounted	14.42%	1,010	19.97%	1,079
HDFC Asset Management Company Limited (HDFC Asset Management)	Associate	India	Equity Accounted	21.24%	1,321	26.91%	1,937
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.

The Group's investment in the following company was considered to be a material associate at 31 December 2019 but was reclassified to equity securities and interest in pooled investment funds during 2020. Refer Section (b) below for further details.

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
HDFC Life Insurance Company Limited (HDFC Life)	Associate	India	Equity Accounted	14.73%	1,968

(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.

	2020		2019		
	Phoenix £m	HDFC Asset Management ¹ £m	Phoenix £m	HDFC Life ² £m	HDFC Asset Management ¹ £m
Summarised financial information of associate:					
Revenue	4,704	220	4,182	3,617	276
Profit after tax (all from continuing operations)	690	132	28	128	170
Other comprehensive income	25	–	(110)	–	–
Total comprehensive income	715	132	(82)	128	170
Total assets ³	334,193	474	242,666	14,607	388
Total liabilities ³	326,441	28	237,043	13,818	27
Net assets	7,752	446	5,623	789	361
Attributable to NCI and other equity holders	835	–	808	–	–
Attributable to investee's shareholder	6,917	446	4,815	789	361
Interest held	14.42%	21.24%	19.97%	14.73%	26.91%
Share of net assets	998	95	962	116	97

	2020				2019				
	Phoenix £m	HDFC Asset Management £m	Other ⁴ £m	Total £m	Phoenix £m	HDFC Life ² £m	HDFC Asset Management £m	Other £m	Total £m
Carrying value of associates accounted for using the equity method	1,008	116	10	1,134	961	167	120	9	1,257
Dividends received	67	13	–	80	67	9	17	–	93
Share of profit/(loss) after tax ⁴	110	48	19	177	(5)	26	42	–	63

¹ Revenue and profit after tax for HDFC Asset Management are presented for the 12 months to 31 December 2020 and total assets and total liabilities are presented as at 31 December 2020. For 2019, revenue and profit after tax for HDFC Asset Management presented were for the 15 months to 31 December 2019 (refer below for details of accounting period alignment) and total assets and total liabilities presented were as at 30 September 2019 as the statement of financial position at 31 December 2019 was not made publicly available.

² As noted above, the Group's investment in HDFC Life was reclassified to equity securities and interests in pooled investment funds in 2020 so HDFC Life was not a material associate at 31 December 2020 (refer below for further details of the reclassification).

³ 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.

⁴ For the year ended 31 December 2020 the share of profit/(loss) after tax of £19m for Other relates to HDFC Life for the period from 1 January 2020 to 3 December 2020 prior to its reclassification to equity securities and interests in pooled funds (refer below for further details of the reclassification).

Phoenix

Phoenix is the largest life and pensions consolidator in Europe. Our investment in Phoenix supports our strategic partnership. On 23 February 2021, the Group announced a simplification and extension of the strategic partnership between the Group and Phoenix. Refer Note 47.

Following the completion of the Sale of the Group's UK and European insurance business 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. While our interest was less than 20%, being the threshold where significant influence is presumed, our judgement was that Phoenix should be classified as an associate. This judgement took into account other key indicators of significant influence from the contractual relationships with Phoenix, including the licensing to Phoenix of the Standard Life brand, and the Group's representation on the Phoenix Board.

On 22 July 2020 the Group's associate, Phoenix, announced the completion of its acquisition of ReAssure Group plc. Under the terms of the transaction, Phoenix issued 277,277,138 new ordinary shares as part consideration for the acquisition. Phoenix have recognised a gain on acquisition of £372m reflecting the excess of the fair value of the net assets acquired over the consideration paid and the Group's share of this gain is recognised in our share of profit from Phoenix. Completion of the transaction resulted in the Group's holding in Phoenix becoming 14.4% of the enlarged Phoenix Group. A dilution gain of £4m was recognised within the Profit on disposal of interests in associates in the consolidated income statement as a result of the transaction. Refer Note 1 for further details. Although our interest in Phoenix has reduced to 14.4%, taking into account our continued representation on Phoenix's board and, in particular, the contractual relationships with Phoenix, including the licensing to Phoenix of the Standard Life brand, our judgement was that Phoenix should continue to 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 Standard Life Assurance Limited (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.

Following the completion of the ReAssure transaction, the Group's current share of Phoenix's intangible assets recognised at the date of acquisition has reduced from 19.98% to 14.4%. The notional partial disposal of these intangible assets results in a reduction in the corresponding amortisation recognised in the Group's share of profit under the equity method.

	Useful life at acquisition date Years	Fair value at acquisition date £m	Group's share at acquisition date ¹ £m
Intangible asset:			
SLAL AVIF	24	2,931	586
Existing Phoenix AVIF	15	1,503	300

¹ Based on Group's share at the date of acquisition (19.98%).

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 2020 are 21.7 years and 12.7 years respectively.

The determination of longevity and persistency actuarial assumptions, and the determination of the bargain purchase gain in relation to the acquisition of ReAssure are also key judgements in the determination of the Phoenix profits for 2020 and therefore the Group's carrying value of Phoenix at 31 December 2020 and share of profits for the year ended 31 December 2020.

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 2020 the market value of the Group's interest in Phoenix was £1,010m which was above the carrying value so no impairment was identified.

At 31 December 2019 the market value of the Group's interest in Phoenix was £1,079m and this was used as the value in use at this date. On this basis, a reversal of a previously recognised impairment of £243m was 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.

Refer Note 47 for disclosure regarding the reclassification of Phoenix from an associate to an equity investment subsequent to the year end date of 31 December 2020.

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.

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 2020 £m	Fair value as at 31 December 2019 £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	13,436	6,197
Financial assets other than those above ¹	298,176	218,355
Total	311,612	224,552

¹ The change in fair value in the year to 31 December 2020 of all other financial assets that are FVTPL is a gain of £11,087 (2019: gain of £20,231m).

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:

Carrying value	AAA		AA		A		BBB		BB and below		Non-rated		Unit linked		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Loans and deposits	–	–	6	21	195	47	–	164	–	–	368	284	78	–	647	516
Cash and cash equivalents	30	295	1,728	733	7,035	3,105	193	23	–	–	4	142	2,008	40	10,998	4,338
Accrued income	–	–	–	–	–	–	–	–	–	–	251	160	–	–	251	160
Other receivables	–	–	–	–	–	–	–	–	–	–	1,540	1,183	–	–	1,540	1,183
	30	295	1,734	754	7,230	3,152	193	187	–	–	2,163	1,769	2,086	40	13,436	6,197

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.

During 2020 the Group further reduced its interest in HDFC Asset Management to 21.24% (2019:26.91%). 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. Prior to 2019, financial information for the 12 months to 30 September was used for HDFC Asset Management and 2019 included the Group's share of HDFC Asset Management's profits for the 15 months to 31 December 2019. £42m, which included £7m relating to the three months to 31 December 2018 (£12m net of tax of £5m), was recognised in the consolidated income statement for 2019. Profits for the three months to 31 December 2018 were excluded from 2019 adjusted profit.

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 2020 the Group further reduced its interest in HDFC Life to 8.89% (2019:14.73%). Refer Note 1 for further details of the sales during 2020. While the Group's remaining interest at 31 December 2019 was less than 20%, being the threshold where significant influence is presumed, our judgement was that HDFC Life should continue to be classified as an associate. This judgement took 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 final sale on 3 December 2020 reduced the Group's interest from 10.27% to 8.89% and the Group is no longer entitled to representation on the board of HDFC Life and, from this date, HDFC Life is no longer considered to be an associate of the Group.

On 3 December 2020, the Group's investment in HDFC Life was reclassified to equity securities and interests in pooled investment funds measured at fair value. The equity accounted value of the investment at this date was £111m. The fair value of the Group investment in HDFC Life at this date was £1,168m based on the HDFC Life share price on the date of the reclassification and a reclassification gain of £1,051m has been recognised in the consolidated income statement. On reclassification a loss of £6m was recycled from the translation reserve and was included in determining the gain.

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 for the period from 1 January 2020 to 3 December 2020 was used for HDFC Life (2019: as at and for the 12 months ended 31 December 2019) for equity accounting purposes. The difference between the carrying value of this associate and the Group's share of net assets at 31 December 2019 was due primarily to goodwill of £49m arising from additional investments being made at fair value rather than book value.

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.

As the Group's investment in HDFC Life is now measured at fair value, we are no longer applying the temporary exemption from IFRS 9 in relation to HDFC Life at 31 December 2020. The fair value of HDFC Life's financial assets at 31 December 2019 that remained under IAS 39 for equity accounting purposes and the change in fair value during the year ended 31 December 2019 were as follows:

	Fair value as at 31 December 2019 £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
Financial assets other than those above ²	8,046
Total	14,917

¹ Financial assets that were 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 was £6,659m. Securities with fair value and carrying value of £34m were 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) was a gain of £758m. The change in fair value for all other financial assets is a gain of £727m.

(c) Investments in joint ventures

	HASL		Other		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Carrying value of joint ventures accounted for using the equity method	236	205	1	47	237	252
Dividends received	–	–	–	–	–	–
Share of profit/(loss) after tax	23	20	(6)	(4)	17	16

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 £6m (2019: loss of £4m).

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 30 June 2020, HASL completed the acquisition of SL Asia. Refer Note 1 for further details.

7. Group financial statements continued

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	
	2020 £m	2019 £m
Summarised financial information of joint venture:		
Revenue	481	426
Depreciation and amortisation	3	3
Interest income	57	57
Interest expense	2	2
Income tax (expense)/income	(3)	6
Profit after tax (all from continuing operations)	46	41
Other comprehensive income	1	25
Total comprehensive income	47	66
Total assets ¹	3,156	1,957
Total liabilities ¹	2,685	1,547
Cash and cash equivalents	122	67
Net assets	471	410
Attributable to investee's shareholder	471	410
Interest held	50%	50%
Share of net assets	236	205

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 2020 that remain under IAS 39 for equity accounting purposes and the change in fair value during the year ended 31 December 2020 are as follows:

	Fair value as at 31 December 2020 £m	Fair value as at 31 December 2019 £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}	1,862	1,344
Financial assets other than those above ²	431	598
Total	2,293	1,942

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 2020 is £1,378m (2019: £1,321m). No securities are rated below BBB (2019: none).

² The change in fair value in the year to 31 December 2020 for financial assets that are SPPI (excluding those held for trading or managed on a fair value basis) is a gain of £129m (2019: £63m). The change in fair value for all other financial assets is a gain of £23m (2019: gain of £68m).

VMUTM

Other joint ventures carrying value of £1m (2019: £47m) includes £1m (2019: £47m) for VMUTM.

In 2020 an impairment loss of £45m has been recognised on the Group's interest in VMUTM (2019: £nil). The impairment resulted from a reduction in projected future revenues as a result of a business plan reassessment by the joint venture which took into account the fall in UK equity markets due to COVID-19, and an increase in projected costs to develop a new retail customer proposition. The impairment charge is recognised in the Asset management, platforms and wealth segment and is included in loss on impairment of interests in associates and joint ventures in the consolidated income statement.

The impairment was recognised at 30 June 2020. Following the impairment, the carrying value of the investment in the VMUTM joint venture at 30 June 2020 was £nil which was the recoverable amount. The recoverable amount was based on value in use (VIU), the key assumptions for which are the discount rate, terminal growth rate and forecast cash flows. The pre-tax discount rate used was 14.9% and the terminal growth rate used was 2%. Cash flow projections for the five years to 30 June 2025 were based on management approved profit forecasts, with the terminal growth rate used for subsequent years. Profits were adjusted to a cash flow basis, e.g. amortisation and depreciation removed. The VIU cash flow projections at 30 June 2020 took into account expected future capital contributions to the business.

(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 2020 is £54m (2019: £45m) 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 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
Reclassified as held for sale during the year	–	(4)	(7)	–	(11)
Additions	–	13	16	1	30
Disposals and adjustments ²	–	(26)	(38)	–	(64)
Derecognition of right-of-use assets relating to subleases classified as finance leases	–	–	(5)	–	(5)
At 31 December 2020	2	108	370	3	483
Accumulated depreciation and impairment					
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)
Reclassified as held for sale during the year	–	2	2	–	4
Depreciation charge for the year	6	(19)	(26)	(1)	(46)
Disposals and adjustments ²	(1)	27	36	–	62
Derecognition of right-of-use assets relating to subleases classified as finance leases	–	–	3	–	3
Impairment	–	–	(2)	–	(2)
Foreign exchange adjustment	–	–	(1)	–	(1)
At 31 December 2020	(1)	(49)	(195)	(2)	(247)
Carrying amount					
At 1 January 2019	2	59	178	1	240
At 31 December 2019	2	66	197	1	266
At 31 December 2020	1	59	175	1	236

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.

² For the year ended 31 December 2020 £26m (2019: £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 2020 is £25m (2019: £28m). This is made up a gross carrying value of £47m (2019: £46m) and accumulated depreciation of £22m (2019: £18m). During the year to 31 December 2020 there were additions of £nil (2019: £26m), transfers to investment property of £5m (2019: £nil), depreciation of (£2m) (2019: (£2m)), derecognitions related to new subleases classified as finance leases of (£2m) (2019: (£4m)), impairments of (£2m) (2019: (£16m)) and disposals and adjustments of (£2m) (2019: £nil) related to these assets. Rental income received and direct operating expenses incurred to generate that rental income in the year to 31 December 2020 were £3m (2019: £2m) and £2m (2019: £3m) respectively. In addition, there were direct expenses of £1m (2019: £nil) in relation to investment properties not currently generating income.

The fair value of these right-of-use assets at 31 December 2020 is £25m (2019: £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.

If owner occupied property was measured using the cost model, the historical cost before impairment would be £1m (2019: £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

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. In 2019, on adoption of IFRS 16 the Group used the practical expedient permitted 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 one year from inception) and leases where the underlying asset is of low value.

(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 18 years (2019: 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:

	2020 £m	2019 £m
Right-of-use assets:		
Property	175	197
Equipment	1	1
Total right-of-use assets	176	198
Lease liabilities	(249)	(268)

The following table provides a maturity analysis of the contractual undiscounted cash flows for the lease liabilities:

	2020 £m	2019 £m
Less than 1 year	30	33
Greater than or equal to 1 year and less than 2 years	30	29
Greater than or equal to 2 years and less than 3 years	28	28
Greater than or equal to 3 years and less than 4 years	24	26
Greater than or equal to 4 years and less than 5 years	22	23
Greater than or equal to 5 years and less than 10 years	98	102
Greater than or equal to 10 years and less than 15 years	44	57
Greater than or equal to 15 years	10	14
Total undiscounted lease liabilities	286	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 2020 was £6m (2019: £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 2020 were £3m (2019: £2m). The Group lease commitment for short-term leases was £nil at 31 December 2020 (2019: £nil).

The total cash outflow for lease liabilities recognised in the consolidated statement of cash flows for the year ended 31 December 2020 was £35m (2019: £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 2020, the Group had a net investment in finance leases asset of £18m (2019: £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 increase during the year ended 31 December 2020 was mainly due to one new sublease entered into during the year.

(b)(i) Finance leases

During the year ended 31 December 2020, the Group received finance income on the net investment in finance leases asset of less than £1m (2019: less than £1m). The Group recorded an initial gain of £2m in relation to new sub-leases entered into during the year ended 31 December 2020 (2019: £4m).

7. Group financial statements continued

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:

	2020 £m	2019 £m
Less than 1 year	3	2
Greater than or equal to 1 year and less than 2 years	2	2
Greater than or equal to 2 years and less than 3 years	2	2
Greater than or equal to 3 years and less than 4 years	2	1
Greater than or equal to 4 years and less than 5 years	2	1
Greater than or equal to 5 years and less than 10 years	9	7
Greater than or equal to 10 years and less than 15 years	–	2
Total contractual undiscounted cash flows under finance leases	20	17
Unearned finance income	(2)	(2)
Total net investment in finance leases	18	15

(b)(ii) Operating leases

During the year ended 31 December 2020, the Group received property rental income from operating leases of £3m (2019: £2m).

The following table provides a maturity analysis of the future contractual undiscounted cash flows for subleases classified as operating leases:

	2020 £m	2019 £m
Less than 1 year	2	3
Greater than or equal to 1 year and less than 2 years	2	3
Greater than or equal to 2 years and less than 3 years	1	2
Total contractual undiscounted cash flows under operating leases	5	8

19. Financial assets

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	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.

The table below sets out an analysis of financial assets excluding those assets backing unit linked liabilities which are set out in Note 25.

	Notes	At fair value through profit or loss ¹		Cash flow hedge		At amortised cost		Total	
		2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Derivative financial assets	20	18	16	–	3	–	–	18	19
Equity securities and interests in pooled investment funds	40	1,980	725	–	–	–	–	1,980	725
Debt securities	40	787	769	–	–	325	602	1,112	1,371
Financial investments		2,785	1,510	–	3	325	602	3,110	2,115
Receivables and other financial assets	21	28	1	–	–	593	559	621	560
Cash and cash equivalents	24	–	–	–	–	1,519	1,615	1,519	1,615
Total		2,813	1,511	–	3	2,437	2,776	5,250	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.

The amount of debt securities expected to be recovered or settled after more than 12 months is £231m (2019: £273m). Due to the nature of equity securities and interests in pooled investment funds, there is no fixed term associated with these securities.

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. 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.

On adoption of IFRS 9 *Financial instruments* in 2019, 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.

	Notes	2020			2019		
		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	549	–	6	566	3	–
FVTPL/Held for trading	19,32	687	18	7	534	16	3
Derivative financial instruments	40	1,236	18	13	1,100	19	3
Derivative financial instruments backing unit linked liabilities	25	463	6	9	669	5	6
Total derivative financial instruments		1,699	24	22	1,769	24	9

Derivative assets of £nil (2019: £4m) are expected to be recovered after more than 12 months. Derivative liabilities of £5m (2019: £1m) are expected to be settled after more than 12 months.

(a) Hedging strategy

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 liability position of £6m (2019: £3m asset). During the year ended 31 December 2020 fair value losses of £3m (2019: losses of £10m) were recognised in other comprehensive income in relation to the cross-currency swap. Losses of £19m (2019: losses of £28m) and forward points/gains of £6m (2019: 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) 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.

	2020			2019		
	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	100	1	9	177	2	1
Variance swaps	6	6	–	5	6	–
Total return swaps	–	–	–	29	–	1
Bond derivatives:						
Futures	–	–	–	1	–	–
Interest rate derivatives:						
Swaps	52	–	4	153	–	2
Futures	34	–	–	–	–	–
Foreign exchange derivatives:						
Forwards	859	15	2	718	10	5
Other derivatives:						
Inflation rate swaps	18	2	–	14	1	–
Credit default swaps	81	–	1	106	2	–
Derivative financial instruments at FVTPL/ held for trading	1,150	24	16	1,203	21	9

(b) Maturity profile

The maturity profile of the contractual undiscounted cash flows in relation to derivative financial instruments is as follows:

	Within 1 year		1-5 years		5-10 years		10-15 years		15-20 years		Greater than 20 years		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash inflows														
Derivative financial assets	367	411	–	99	–	651	–	–	–	–	–	1	367	1,162
Derivative financial liabilities	183	281	93	–	607	–	–	–	–	–	–	–	883	281
Total	550	692	93	99	607	651	–	–	–	–	–	1	1,250	1,443
Cash outflows														
Derivative financial assets	(360)	(386)	–	(73)	–	(633)	–	–	–	–	–	–	(360)	(1,092)
Derivative financial liabilities	(187)	(287)	(73)	(1)	(614)	(1)	–	–	–	–	–	(1)	(874)	(290)
Total	(547)	(673)	(73)	(74)	(614)	(634)	–	–	–	–	–	(1)	(1,234)	(1,382)
Net derivative financial instruments cash inflows	3	19	20	25	(7)	17	–	–	–	–	–	–	16	61

Included in the above maturity profile are the following cash flows in relation to cash flow hedge assets:

	Within 1 year		1-5 years		5-10 years		10-15 years		15-20 years		Greater than 20 years		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash inflows	23	24	93	96	607	650	–	–	–	–	–	–	723	770
Cash outflows	(18)	(18)	(73)	(73)	(614)	(632)	–	–	–	–	–	–	(705)	(723)
Net cash flow hedge cash inflows	5	6	20	23	(7)	18	–	–	–	–	–	–	18	47

Cash inflows and outflows are presented on a net basis where the Group is required to settle cash flows net.

21. Receivables and other financial assets

	Notes	2020 £m	2019 £m
Amounts receivable from contracts with customers	4(b)	115	130
Accrued income		227	231
Cancellations of units awaiting settlement		126	111
Net investment in finance leases		18	15
Collateral pledged in respect of derivative contracts	38	28	18
Contingent consideration asset	40	28	1
Other		79	54
Receivables and other financial assets		621	560

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 £33m (2019: £25m).

Accrued income includes £221m (2019: £227m) of accrued income from contracts with customers (refer Note 4(b)).

22. Other assets

	2020 £m	2019 £m
Prepayments	40	48
Deferred acquisition costs	4	6
Other	2	1
Other assets	46	55

The amount of other assets expected to be recovered after more than 12 months is £4m (2019: £6m).

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 (2019: £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.

	2020 £m	2019 £m
Assets of operations held for sale		
Parmenion Capital Partners LLP	18	–
Standard Life (Asia) Limited	–	765
Investment vehicles	1	2
Assets held for sale	19	767
Liabilities of operations held for sale		
Parmenion Capital Partners LLP	11	–
Standard Life (Asia) Limited	–	747
Investment vehicles	–	–
Liabilities of operations held for sale	11	747

(a)(i) Parmenion Capital Partners LLP

On 30 November 2020, the Group confirmed its exploration of the potential sale of Parmenion Capital Partners LLP (Parmenion) and has subsequently classified these operations as held for sale. Parmenion is reported in the asset management, platforms and wealth segment.

At 31 December 2020, this disposal group was measured at its carrying amount and comprised the following assets and liabilities:

	2020 £m
Assets of operations held for sale	
Intangible assets	2
Property, plant and equipment	7
Receivables and other financial assets	5
Other assets	1
Cash and cash equivalents	3
Total assets of operations held for sale	18
Liabilities of operations held for sale	
Other financial liabilities	11
Total liabilities of operations held for sale	11
Net assets of operations held for sale	7

Net assets of operations held for sale are net of intercompany balances between Parmenion and other group entities, the net assets of Parmenion on a gross basis as at 31 December 2020 are £12m.

(a)(ii) Standard Life (Asia) Limited

On 30 June 2020, the Group sold its wholly owned Hong Kong insurance business, SL Asia to the Group's Chinese joint venture business, HASL. Refer Note 1 for further details. SL Asia was reported in the Asset management, platforms and wealth segment and HASL is reported within the Insurance associates and joint ventures segment. Prior to the sale SL Asia was 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
Assets of operations held for sale	
Equity securities and interests in pooled investment funds	674
Cash and cash equivalents	26
Other assets	65
Total assets of operations held for sale	765
Liabilities of operations held for sale	
Non-participating insurance contract liabilities	647
Non-participating investment contract liabilities	49
Other liabilities	51
Total liabilities of operations held for sale	747
Net assets of operations held for sale	18

Net assets of operations held for sale were net of intercompany balances between SL Asia and the rest of the Group. The net assets of SL Asia on a gross basis as at 31 December 2019 were £18m.

Following the remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell prior to the sale, an impairment loss of £1m (2019: £nil) is included in Other administrative expenses in the consolidated income statement. Fair value was determined by reference to the sale price.

24. Cash and cash equivalents

Cash and cash equivalents include cash at bank, money at call and short notice with banks, money market funds 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.

	2020 £m	2019 £m
Cash at bank and in hand	788	852
Money at call, term deposits, reverse repurchase agreements and debt instruments with less than three months to maturity from acquisition	615	698
Money market funds	116	65
Cash and cash equivalents	1,519	1,615

	Notes	2020 £m	2019 £m
Cash and cash equivalents		1,519	1,615
Cash and cash equivalents backing unit linked liabilities	25	38	44
Cash and cash equivalents classified as held for sale	23	3	26
Bank overdrafts	36	(202)	(338)
Total cash and cash equivalents for consolidated statement of cash flows		1,358	1,347

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 £230m (2019: £592m) and £202m (2019: £338m) respectively 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. Cash and cash equivalents includes an offsetting overdraft of £nil (2019: £219m) 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 as 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.

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.

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. Investment returns relating to unit linked business are for the account of policyholders and have an equal and opposite effect on income and expenses in the consolidated income statement with no impact on profit after tax.

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.

	Level 1		Level 2		Level 3		Not at fair value		Classified as held for sale ¹		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Financial investments	832	1,991	545	211	18	–	–	–	–	(674)	1,395	1,528
Receivables and other financial assets	–	–	–	–	–	–	7	10	–	–	7	10
Cash and cash equivalents	–	–	–	–	–	–	38	45	–	(1)	38	44
Total financial assets backing unit linked liabilities	832	1,991	545	211	18	–	45	55	–	(675)	1,440	1,582
Investment contract liabilities	–	–	1,024	1,201	18	–	–	–	–	(49)	1,042	1,152
Third party interest in consolidated funds	–	–	388	416	–	–	–	–	–	–	388	416
Other unit linked financial liabilities	7	–	2	6	–	–	1	6	–	–	10	12
Total unit linked financial liabilities	7	–	1,414	1,623	18	–	1	6	–	(49)	1,440	1,580

¹ Financial investments in 2019 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 £1,244m (2019: £1,338m), debt securities of £145m (2019: £185m) and derivative financial assets of £6m (2019: £5m). In addition to financial assets backing unit linked liabilities and unit linked financial liabilities shown above there is a current tax asset of £1m (2019: £nil) included in unit linked assets and a current tax liability of £1m (2019: £2m) included in unit linked liabilities.

The fair value of financial instruments not held at fair value approximates to their carrying value at 31 December 2020 and 31 December 2019.

Transfers from level 1 to level 2 and from level 2 to level 1 during 2020 were £309m (2019: £nil) and £nil (2019: £nil) respectively. Transfers from level 1 to level 2 in the period primarily relate to interests in pooled investment vehicles which are priced daily but where the daily price is only offered by the fund manager. The Group now considers these investments to be level 2. All other transfers relate to assets where changes in the frequency of observable market transactions resulted in a change in whether the market was considered active. The movements during the period of level 3 unit linked assets and liabilities held at fair value are analysed below.

	Equity securities and interests in pooled investment funds		Investment contract liabilities	
	31 Dec 2020 £m	31 Dec 2019 £m	31 Dec 2020 £m	31 Dec 2019 £m
At start of period	–	–	–	–
Total gains/(losses) recognised in the consolidated income statement	(2)	–	2	–
Sales	(1)	–	1	–
Transfers in to level 3 ¹	21	–	(21)	–
At end of period	18	–	(18)	–

¹ Transfers are deemed to have occurred at the end of the calendar quarter in which they arose.

Unit linked level 3 assets relate to holdings in real estate funds. No individual unobservable input is considered significant. Changing unobservable inputs in the measurement of the fair value of these unit linked level 3 financial assets and liabilities to reasonably possible alternative assumptions would have no impact on profit attributable to equity holders or on total assets.

Transfers of unit linked assets and liabilities to level 3 generally arise when external pricing providers stop providing prices for the underlying assets and liabilities in the funds or where the price provided is considered stale.

(c) Change in non-participating investment contract liabilities

The change in non-participating investment contract liabilities was as follows:

	2020 £m	2019 £m
At 1 January	1,152	1,468
Contributions	83	158
Account balances paid on surrender and other terminations in the year	(249)	(729)
Change in non-participating investment contract liabilities recognised in the consolidated income statement ¹	58	258
Recurring management charges	(2)	(3)
At 31 December	1,042	1,152

¹ Change in non-participating investment contract liabilities recognised in the consolidated income statement in the table above excludes (£2m) (2019: £7m) 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.

	Related amounts not offset on the consolidated statement of financial position							
	Gross amounts of financial instruments as presented on the consolidated statement of financial position		Financial instruments		Financial collateral pledged/(received)		Net position	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Financial assets								
Derivatives ¹	5	3	–	(2)	–	–	5	1
Total financial assets	5	3	–	(2)	–	–	5	1
Financial liabilities								
Derivatives ¹	(2)	(5)	–	2	–	–	(2)	(3)
Total financial liabilities	(2)	(5)	–	2	–	–	(2)	(3)

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.

The movement in the issued ordinary share capital and share premium of the Company was:

	2020			2019		
	Ordinary share capital 13 61/63p each	£m	Share premium £m	Ordinary share capital 13 61/63p each	£m	Share premium £m
Issued shares fully paid						
At 1 January	2,338,723,724	327	640	2,529,412,224	353	640
Shares issued in respect of share incentive plans	2,188	–	–	1,114	–	–
Share buyback	(144,610,296)	(21)	–	(190,689,614)	(26)	–
At 31 December	2,194,115,616	306	640	2,338,723,724	327	640

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 7 February 2020, the Company announced a share buyback of up to £400m through on-market purchases which commenced on 10 February 2020. The previous buyback of up to £750m through on-market purchases which was approved by shareholders on 25 June 2018 completed in December 2019. During 2020, the Company has bought back and cancelled 144,610,296 shares (2019: 190,689,614 shares). The total consideration was £362m (2019: £516m) which includes transaction costs and any unsettled purchases of shares already transacted. At 31 December 2020, there were unsettled purchases of shares for 507,757 shares (2019: none). In addition at 31 December 2020 there was an irrevocable contractual obligation with a third party to purchase the Company's own shares of £40m (2019: £nil). This obligation has been recognised as a part of the share buyback reduction to retained earnings for the year of £402m, with a corresponding £40m liability included within other financial liabilities (refer Note 36).

The accounting treatment adopted in the Half year results 2020 did not appropriately recognise a reduction to retained earnings and a corresponding liability within other financial liabilities for such an irrevocable contractual obligation. This will be corrected, and the 30 June 2020 retained earnings and other financial liabilities restated, in the Half year results 2021. The impact will be a reduction to 30 June 2020 retained earnings of £226m and the recognition of a corresponding other financial liability. There will be no impact on 30 June 2020 reported profit, earnings per share, regulatory capital or cash flows. There is no impact of this correction on any other previous reporting periods.

This share buyback has resulted in a reduction in retained earnings of £402m (2019: £390m). There was no reduction in the special reserve for the share buyback in 2020 (2019: £126m). An amount of £21m (2019: £26m) 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.

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 SLA plc issuing its closure instruction to the Trustees on 13 December 2019, 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.

The number of shares held by trusts was as follows:

	2020	2019
Number of shares held by trusts		
Standard Life Aberdeen Employee Benefit Trust	37,667,681	15,378,831
Standard Life Employee Trust	23,773,359	26,685,390
Aberdeen Asset Management Employee Benefit Trust 2003	6,294,765	10,579,914

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	2020 £m	2019 £m
Opening balance carried forward		2,886	2,778
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		2,886	2,761
Recognised in comprehensive income			
Recognised in profit for the year attributable to equity holders		833	266
Recognised in other comprehensive income			
Remeasurement gains/(losses) on defined benefit pension plans	34	280	(23)
Share of other comprehensive income of associates and joint ventures		–	(10)
Equity holder tax effect of items that will not be reclassified subsequently to profit or loss	10	2	–
Total items recognised in comprehensive income		1,115	233
Recognised directly in equity			
Dividends paid on ordinary shares		(479)	(518)
Reclassification of preference shares to liability	30,33	(1)	–
Shares buyback	26	(402)	(390)
Transfer between reserves on impairment of subsidiaries	29	1,834	780
Transfer for vested employee share-based payments		38	57
Transfer from the Standard Life Unclaimed Asset Trust		–	1
Shares distributed by employee and other trusts		(21)	(38)
Total items recognised directly in equity		969	(108)
At 31 December		4,970	2,886

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.

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.

7. Group financial statements continued

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	Merger reserve £m	Equity compensation reserve £m	Special reserve £m	Reserve arising on Group reconstruction £m	Capital redemption reserve £m	Total £m
1 January 2020	4	3	2,317	54	115	(685)	1,037	2,845
Recognised in other comprehensive income								
Fair value losses on cash flow hedges	(3)	—	—	—	—	—	—	(3)
Exchange differences on translating foreign operations	—	(8)	—	—	—	—	—	(8)
Items transferred to profit or loss from continuing operations	13	6	—	—	—	—	—	19
Aggregate tax effect of items recognised in other comprehensive income	(2)	—	—	—	—	—	—	(2)
Total items recognised in other comprehensive income	8	(2)	—	—	—	—	—	6
Recognised directly in equity								
Share buyback 26	—	—	—	—	—	—	21	21
Reserves credit for employee share-based payments	—	—	—	64	—	—	—	64
Transfer to retained earnings for vested employee share-based payments	—	—	—	(38)	—	—	—	(38)
Transfer between reserves on impairment of subsidiaries	—	—	(1,834)	—	—	—	—	(1,834)
Total items recognised directly within equity	—	—	(1,834)	26	—	—	21	(1,787)
At 31 December 2020	12	1	483	80	115	(685)	1,058	1,064

The merger reserve includes £470m (2019: £2,304m) in relation to the Group's asset management businesses. Following the impairment of the Company's investments in its asset management entities (refer Section 8), £1,834m (2019: £780m) was transferred from the merger reserve to retained earnings to mitigate the impact on distributable reserves.

	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 losses 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										
Share buyback	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.

30. Non-controlling interests

Non-controlling interests included preference shares.

(a) Non-controlling interests – ordinary shares

Non-controlling interests – ordinary shares of £3m were held at 31 December 2020 (2019: £3m).

(b) Non-controlling interests – preference shares

	2020 £m	2019 £m
5% 2015 Non-voting perpetual non-cumulative redeemable preference shares	–	99

The Group recognised preference shares issued by AAM PLC as non-controlling interests. On 4 June 2020, AAM PLC notified the holders of the redeemable preference shares of its irrevocable intention to redeem the preference shares. Following notification the preference shares were reclassified as subordinated liabilities as an obligation to deliver cash was created. Refer Note 33.

The profit attributable to these non-controlling interests from continuing operations for the year ended 31 December 2020 was £5m (2019: £5m). Preference share dividends were discretionary and where declared, were paid in arrears in two tranches at a rate of 5% per annum and were non-cumulative. No interest accrued on any cancelled or unpaid dividends. During the year ended 31 December 2020 preference share dividends of £5m (2019: £5m) were paid including £2m paid as part of the redemption of the preference shares on 8 July 2020. Refer Note 33.

31. Insurance contracts, investment contracts and reinsurance contracts

Insurance contracts, participating investment contracts and reinsurance contracts relate to SL Asia which was sold on 30 June 2020 (refer Note 1).

SL Asia held non-participating insurance and investment 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. Life and pensions business contracts that are not classified as insurance contracts are classified as investment contracts.

SL Asia's insurance and investment contracts did not contain any discretionary participating features so were classified as non-participating.

SL Asia's non-participating investment contracts were unit linked and details of the accounting policies for these contracts are given in Note 25. The accounting policies for SL Asia's non-participating insurance contracts are given below.

(a)(i) Premiums, claims and change in insurance contract liabilities

Premiums received on insurance 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 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. 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.

(a)(ii) Measurement – non-participating insurance contract liabilities

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.

The Group applies a liability adequacy test at each reporting date to ensure that the insurance 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.

(a)(iii) Measurement – 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.

(a) Insurance contract premium income

	2020 £m	2019 £m
Gross earned premium	32	67
Premium ceded to reinsurers	(1)	(1)
Insurance contract premium income from continuing operations	31	66

(b) Insurance contract claims and change in liabilities

	2020 £m	2019 £m
Claims and benefits paid	28	61
Claim recoveries from reinsurers	–	(2)
Net insurance claims	28	59
Change in reinsurance assets and liabilities	(3)	1
Change in insurance contract liabilities	(8)	96
Insurance contract claims and change in liabilities from continuing operations	17	156

32. Financial liabilities

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.

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.

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 20.

The table below sets out an analysis of financial liabilities excluding unit linked financial liabilities which are set out in Note 25.

Notes	Designated as at fair value through profit or loss		Cash flow hedge		At amortised cost		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£m		£m		£m		£m	
Third party interest in consolidated funds	77	119	–	–	–	–	77	119
Subordinated liabilities	33	–	–	–	638	655	638	655
Derivative financial liabilities	20	7	6	–	–	–	13	3
Other financial liabilities	36	6	14	–	1,171	1,301	1,177	1,315
Total	90	136	6	–	1,809	1,956	1,905	2,092

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.

Notes	2020		2019	
	Principal amount	Carrying value	Principal amount	Carrying value
Subordinated notes				
4.25% US Dollar fixed rate due 30 June 2028	\$750m	£546m	\$750m	£563m
5.5% Sterling fixed rate due 4 December 2042	£92m	£92m	£92m	£92m
Total subordinated liabilities	40	£638m		£655m

A description of the key features of the Group's subordinated liabilities as at 31 December 2020 is as follows:

	4.25% US Dollar fixed rate ¹	5.5% Sterling fixed rate
Principal amount	\$750m	£92m
Issue date	18 October 2017	4 December 2012
Maturity date	30 June 2028	4 December 2042
Callable at par at option of the Company from	Not applicable	4 December 2022 and on every interest payment date (semi-annually) thereafter
If not called by the Company interest will reset to	Not applicable	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.

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 less than £1m (2019: less than £1m) is expected to be settled within 12 months.

During the year to 31 December 2020, the 5% 2015 Non-voting perpetual non-cumulative redeemable preference shares issued by AAM PLC were reclassified as subordinated liabilities. Refer Note 30 for further details. The liabilities were recognised at fair value of £102m with fair value movements since acquisition of £1m being transferred to retained earnings. The fair value included the final dividend paid of £2m as part of the redemption. The preference shares were redeemed on 8 July 2020 for a total consideration of £102m which included the dividend.

During the year to 31 December 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 was included in restructuring and corporate transaction expenses for the year ended 31 December 2019 (refer Note 9).

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. Following a High Court ruling against a third party's pension scheme in 2018, that required pension schemes to address inequalities for the effect of unequal GMPs accrued between May 1990 and April 1997, an allowance for assumed equalisation was recognised as a past service cost for our principal defined benefit plan in 2018 and this adjustment has been carried forward to 2020. There was a further judgment in 2020 requiring pension schemes to address inequalities for the effect of unequal GMPs for those beneficiaries that transferred out of the scheme between May 1990 and October 2018. The estimated impact is immaterial and is recognised as a past service cost in 2020. 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 2019, and measured plan assets and liabilities to be £4.6bn and £3.3bn respectively. This corresponds to a surplus of £1.3bn and funding level of 140%. As there is currently no deficit, no recovery plan is required.
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 2020, one of the two schemes is in surplus on an IAS 19 basis. The funding valuations were last completed as at 30 June 2019; both plans were in deficit and recovery plans have been agreed.

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 in 2018, there remain fewer than 10 employees who continue to accrue benefits under this plan. 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:

	2020 £m	2019 £m
Current service cost	59	60
Past service cost	–	(13)
Net interest income	(23)	(31)
Administrative expenses	3	2
Expense from continuing operations recognised in the consolidated income statement	39	18

7. Group financial statements continued

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 2020 comprised £14m (2019: £15m) to the Other UK plans and the Ireland Standard Life plan. Contributions are expected to remain at this level over 2021 and are not expected to change materially over the subsequent two 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

	2020			2019		
	Principal plan £m	Other £m	Total £m	Principal plan £m	Other £m	Total £m
Present value of funded obligation	(3,015)	(375)	(3,390)	(2,852)	(339)	(3,191)
Present value of unfunded obligation	–	(4)	(4)	–	(3)	(3)
Fair value of plan assets	5,253	343	5,596	4,609	308	4,917
Effect of limit on plan surplus	(783)	–	(783)	(615)	–	(615)
Net asset/(liability)	1,455	(36)	1,419	1,142	(34)	1,108

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 £19m at 31 December 2020 (2019: £21m).

(c) Movement in the net defined benefit asset

	Present value of obligation		Fair value of plan assets		Total		Effect of limit on plan surpluses		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
At 1 January	(3,194)	(2,856)	4,917	4,527	1,723	1,671	(615)	(598)	1,108	1,073
Total expense										
Current service cost	(1)	(2)	–	–	(1)	(2)	–	–	(1)	(2)
Past service cost	–	13	–	–	–	13	–	–	–	13
Interest (expense)/income	(63)	(79)	99	127	36	48	(13)	(17)	23	31
Administrative expenses	(3)	(2)	–	–	(3)	(2)	–	–	(3)	(2)
Total (expense)/income recognised in consolidated income statement	(67)	(70)	99	127	32	57	(13)	(17)	19	40
Remeasurements										
Return on plan assets, excluding amounts included in interest income	–	–	712	385	712	385	–	–	712	385
Gain from change in demographic assumptions	286	16	–	–	286	16	–	–	286	16
Loss from change in financial assumptions	(607)	(459)	–	–	(607)	(459)	–	–	(607)	(459)
Release of death in service obligation	–	7	–	–	–	7	–	–	–	7
Experience gains	44	28	–	–	44	28	–	–	44	28
Change in effect of limit on plan surplus	–	–	–	–	–	–	(155)	–	(155)	–
Remeasurement (losses)/gains recognised in other comprehensive income	(277)	(408)	712	385	435	(23)	(155)	–	280	(23)
Exchange differences	(7)	7	5	(5)	(2)	2	–	–	(2)	2
Employer contributions	–	–	14	15	14	15	–	–	14	15
Benefit payments	151	133	(151)	(132)	–	1	–	–	–	1
At 31 December	(3,394)	(3,194)	5,596	4,917	2,202	1,723	(783)	(615)	1,419	1,108

(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	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Assets measured at fair value based on level 1 inputs						
Derivatives	2	3	–	–	2	3
Equity securities	183	171	–	–	183	171
Interests in pooled investment funds ¹						
Debt	–	330	–	12	–	342
Equity	–	–	–	34	–	34
Property	–	117	–	6	–	123
Absolute return	–	68	–	116	–	184
Cash	–	275	–	22	–	297
Debt securities	4,431	3,098	–	4	4,431	3,102
Total assets measured at fair value based on level 1 inputs	4,616	4,062	–	194	4,616	4,256
Assets measured at fair value based on level 2 or 3 inputs						
Derivatives	95	262	–	(4)	95	258
Equity securities	101	102	–	–	101	102
Interests in pooled investment funds ¹						
Debt	434	104	13	–	447	104
Equity	37	–	32	–	69	–
Multi-asset private markets	164	157	–	–	164	157
Property	119	–	12	10	131	10
Absolute return	74	–	100	–	174	–
Cash	43	–	16	–	59	–
Debt securities	139	121	78	34	217	155
Qualifying insurance policies	3	6	80	71	83	77
Total assets measured at fair value based on level 2 or 3 inputs	1,209	752	331	111	1,540	863
Cash and cash equivalents	175	222	12	3	187	225
Liability in respect of collateral held	(743)	(426)	–	–	(743)	(426)
Other	(4)	(1)	–	–	(4)	(1)
Total	5,253	4,609	343	308	5,596	4,917

¹ Transfers from level 1 to level 2 in the period primarily relate to interests in pooled investment vehicles which are priced daily but where the daily price is only offered by the fund manager. The Group now considers these investments to be level 2. All other transfers relate to assets where changes in the frequency of observable market transactions resulted in a change in whether the market was considered active.

Further information on risks is provided in Section (g) of this note. The £4,648m (2019: £3,257m) of debt securities includes £4,487m (2019: £3,205m) government bonds (including conventional and index-linked). Of the remaining £161m (2019: £52m) debt securities, £101m (2019: £22m) are investment grade corporate bonds or certificates of deposit.

Included in the qualifying insurance policy asset of £83m (2019: £77m) 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.

The £743m liability in respect of collateral held (2019: £426m) consists of repurchase agreements of £647m (2019: £125m), margins on derivatives of £51m (2019: £25m) and collateral of £45m (2019: £276m).

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 2020 (2019: £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:

	2020 %	2019 %
Discount rate	1.45	2.05
Rates of inflation		
Consumer Price Index (CPI)	2.40	2.00
Retail Price Index (RPI)	2.90	2.90

The changes in economic assumptions over the period reflect changes in both corporate bond prices and market implied inflation. The population of corporate bond prices used in 2020 excludes bonds issued by UK universities which is a change in methodology for calculating the discount rate and therefore a change to the accounting estimate. The impact of this change in accounting estimate on the defined benefit obligation was a reduction of £72m. The inflation assumption reflects the future reform of RPI effective from 2030 as described in (g)(i) and this is the primary driver of the increase in the CPI assumption. The impact of the increase in the CPI assumption on the defined benefit obligation was an increase of £203m.

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:

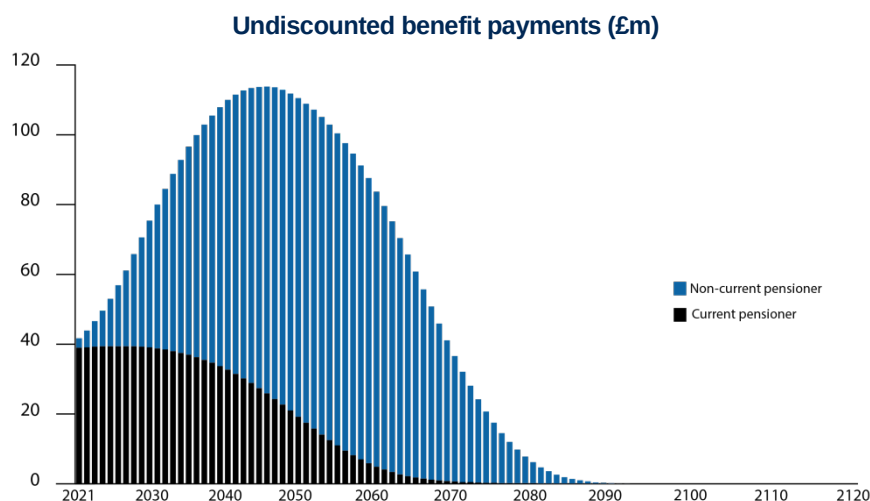
2020	Table	Improvements	Normal Retirement Age (NRA)	Expectation of life from NRA			
				Male age today		Female age today	
				NRA	40	NRA	40
	Plan specific basis (calibrated by Club Vita) reflecting membership demographics	Core parameterisation of the CMI 2019 mortality improvements model (S_K parameter of 7.0), with an initial improvement (or 'A') parameter of +0.5% for males and females, and a long-term rate of improvement of 1.5%	60	27	28	29	31

2019	Table	Improvements	Normal Retirement Age (NRA)	Expectation of life from NRA			
				Male age today		Female age today	
				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

The change in longevity assumptions over the period reflects the assumptions that have been agreed with the trustees for the 2019 triennial funding valuation. 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.



	2020 years	2019 years
Weighted average duration		
Current pensioner	14	15
Non-current pensioner	27	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. The results of the consultation on the reform of RPI (announced on 25 November 2020) confirmed that RPI will be aligned to CPIH (CPI excluding owner occupiers' housing costs) as proposed, but not before 2030. While uncertainty remains, there is a risk that future cash flows from, and thus the value of, the plan's RPI-linked assets fall without a 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.

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.

		2020		2019	
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 1.45% to 0.45%)	(776)	1,666	(846)	1,522
	Increase by 1%	617	(1,232)	593	(1,092)
Rates of inflation	Decrease by 1%	555	(1,036)	587	(889)
	Increase by 1%	(698)	1,430	(756)	1,243
Life expectancy	Decrease by 1 year	103	n/a	82	n/a
	Increase by 1 year	(103)	n/a	(96)	n/a

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.

	2020 £m	2019 £m
At 1 January	67	75
Additions during the year	25	–
Released to the consolidated income statement as revenue from contracts with customers	(19)	(8)
At 31 December	73	67

The amount of deferred income expected to be settled after more than 12 months is £3m (2019: £60m).

36. Other financial liabilities

	Notes	2020 £m	2019 £m
Outstanding purchases of investment securities		6	–
Accruals		408	469
Creation of units awaiting settlement		121	110
Lease liabilities	18	249	268
Cash collateral held in respect of derivative contracts	38	14	21
Bank overdrafts	24	202	338
Contingent consideration liabilities	40	6	14
Outstanding contractual obligation for share buyback	26	40	–
Other		131	95
Other financial liabilities		1,177	1,315

The amount of other financial liabilities expected to be settled after more than 12 months is £217m (2019: £239m).

Accruals includes £nil (2019: £3m) 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:

	Separation costs		Other provisions		Total provisions	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Opening balance carried forward	77	80	25	25	102	105
Effect of change in accounting policy to IFRS 16 ¹	–	–	–	(12)	–	(12)
At 1 January	77	80	25	13	102	93
Charged/(credited) to the consolidated income statement						
Additional provisions	–	–	16	19	16	19
Release of unused provision	–	–	(7)	(7)	(7)	(7)
Used during the year	(9)	(3)	(9)	–	(18)	(3)
At 31 December	68	77	25	25	93	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.

The provision for separation costs of £68m (2019: £77m) is for costs expected to be incurred following the sale of the UK and European insurance business to Phoenix. 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. Our estimate of the total separation costs, including those relating to the development of replacement systems and services, remains unchanged at £310m of which £282m has been accounted for as at 31 December 2020. The £282m includes the £80m provision recognised in 2018 for separation costs of which £68m remains unused at 31 December 2020. The main uncertainty relating to the provision relates to the costs required to complete the de-coupling of systems. 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 £12m (2019: £34m).

(b) Other liabilities

As at 31 December 2020, other liabilities totalled £6m (2019: £5m). The amount of other liabilities expected to be settled after more than 12 months is £2m (2019: £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	2020 £m	2019 £m
Equity securities and interests in pooled investment funds at FVTPL		222	195
Debt securities		54	78
Assets held for sale	23	1	2
Total seed capital		277	275
Equity securities and interests in pooled investment funds at FVTPL		86	84
Total co-investments		86	84

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 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 exposures in the Insurance associates and joint ventures segment primarily relates to our investment in HDFC Life.

(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 2020 the shareholder exposure to equity markets was £1,411m (2019: £199m) in relation to equity securities. This primarily relates to the Group's investment in HDFC Life of £1,216m (2019: £nil), seed capital investments of £109m (2019: £118m), and equity securities held by the Standard Life Foundation of £53m (2019: £48m).

The Group is also exposed to adverse market price movements on its interests in pooled investment funds. The shareholder exposure of £523m (2019: £458m) to pooled investment funds primarily relates to £199m (2019: £161m) of seed capital and co-investments, corporate funds held in absolute return funds of £223m (2019: £210m), investments in certain managed funds to hedge against liabilities from variable pay awards that are deferred and settled in cash by reference to the price of those funds of £58m (2019: £44m) and pooled investment funds held by the Standard Life Foundation of £36m (2019: £35m).

The Equities and interests in pooled investment funds at FVTPL included in the consolidated statement of financial position includes £46m (2019: £68m) of third party interest in consolidated funds to which the shareholder is not exposed.

Exposures to equity risk are primarily managed through the hedging of market risk in respect of seed capital investments where it is appropriate and efficient to do so. Additionally limits are imposed on the amount of seed capital and co-investment activity that may be undertaken. The Group does not hedge equity risk in relation to its investment in HDFC Life.

(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 Group is also exposed to interest rate risk on its investments in pooled investment funds where the underlying instruments are exposed to interest rate risk.

Interest rate exposures are managed in line with the Group's risk appetite.

(b)(i)(iii) Exposure to foreign currency risk

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. The Group's financial assets are generally held in the local currency of its operational geographic locations. 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 Group does not hedge foreign exchange risk in relation to its investment in HDFC Life.

The table below summarises the financial instrument exposure to foreign currency risks in UK Sterling.

	Notes	UK Sterling		Indian Rupee		Euro		US Dollar		Singapore Dollar		Other currencies		Total	
		2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Financial assets	19	3,170	3,387	1,233	–	258	256	373	356	37	80	179	211	5,250	4,290
Financial liabilities	32	(1,025)	(1,246)	–	–	(60)	(57)	(750)	(718)	(23)	(19)	(47)	(52)	(1,905)	(2,092)
Cash flow hedges		(549)	(566)	–	–	–	–	549	566	–	–	–	–	–	–
Non- designated derivatives		297	266	–	–	(80)	(62)	(156)	(131)	(1)	–	(60)	(73)	–	–
		1,893	1,841	1,233	–	118	137	16	73	13	61	72	86	3,345	2,198

The Indian Rupee exposure primarily relates to the Group's investment in HDFC Life. Other currencies include assets of £10m (2019: £12m) and liabilities of £6m (2019: £nil) in relation to the fair value of derivatives used to manage currency risk.

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 and primarily relate to the management of currency risk arising from seed capital and co-investment activity.

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 carrying value and, where listed, market value of the Group's Indian and Chinese associates and joint ventures are disclosed in Note 16. The Group does not hedge foreign currency risk in relation to these investments.

(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 (equity 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, and after allowing for the Group's hedging strategy.

The variables used in the sensitivity analysis are considered reasonable assumptions and are consistent with market peers. Changes to variables are provided by internal specialists who determine what are reasonable assumptions.

Profit after tax and equity sensitivity to market risk

		31 December 2020		31 December 2019	
		A reasonable change in the variable within the next calendar year %	Increase/(decrease) in post-tax profit £m	A reasonable change in the variable within the next calendar year %	Increase/(decrease) in post-tax profit £m
Equity prices	Increase	10	146	10	40
	Decrease	10	(146)	10	(40)
Indian Rupee against US Dollar	Strengthen	10	136	–	–
	Weaken	10	(110)	–	–
US dollar against Sterling	Strengthen	10	11	10	11
	Weaken	10	(9)	10	(11)
Euro against Sterling	Strengthen	10	12	10	15
	Weaken	10	(9)	10	(15)

The equity prices and Indian Rupee sensitivities primarily relate to the Group's investment in HDFC Life which is held by an intermediate subsidiary which has a US Dollar functional currency.

The reasonable change in variables have no impact on any other components of equity. 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.

Interest rate sensitivity to a reasonable change in the variable within the next calendar year are not material in both 2020 or 2019.

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 sensitivities provided illustrate the impact of a reasonably possible change in a single sensitivity factor, 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.

(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.

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 whether a default has taken place, or where there is an increased risk of a default, a number of factors are taken into account including a deterioration in the credit quality of a counterparty, the number of days that a payment is past due, and specific events which could impact 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 presumed to have low credit risk in the absence of evidence to the contrary. 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. Historically, default levels have been insignificant. Trade debtors past due but not in default as at 31 December 2020 were £44m (2019: £45m) the majority of which were less than 90 days past due (2019: less than 90 days).

At 31 December 2020 the Group does not hold financial assets at amortised cost that it regards as credit-impaired (2019: £nil). In making this assessment the Group has considered if any evidence is available to indicate the occurrence of an event which would result in a detrimental impact on the estimated future cash flows of these assets.

(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:

	Fair value through profit or loss				Cash flow hedge		Amortised cost				Total	
							12 month ECL		Lifetime ECL – not credit impaired			
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
AAA	–	–	–	–	151	100	–	–	151	100		
AA+ to AA-	88	178	–	–	467	843	–	–	555	1,021		
A+ to A-	631	485	–	3	1,088	1,146	–	–	1,719	1,634		
BBB	61	54	–	–	117	120	–	–	178	174		
BB	–	–	–	–	–	2	6	–	6	2		
Not rated	31	25	–	–	255	187	352	372	638	584		
Gross carrying amount	811	742	–	3	2,078	2,398	358	372	3,247	3,515		
Loss allowance	–	–	–	–	–	–	–	–	–	–		
Carrying amount	811	742	–	3	2,078	2,398	358	372	3,247	3,515		
Derivative financial assets	18	16	–	3	–	–	–	–	18	19		
Debt securities	763	725	–	–	320	602	5	–	1,088	1,327		
Receivables and other financial assets	30	1	–	–	244	187	352	372	626	560		
Cash and cash equivalents	–	–	–	–	1,514	1,609	1	–	1,515	1,609		
Carrying amount	811	742	–	3	2,078	2,398	358	372	3,247	3,515		

In the table above debt securities exclude debt securities relating to third party interests in consolidated funds of £24m (2019: £44m). Cash and cash equivalents exclude cash and cash equivalents relating to third party interests in consolidated funds of £7m (2019: £6m). Derivative financial assets exclude derivative financial assets relating to third party interests in consolidated funds of £nil (2019: £nil). Receivables and other financial assets exclude receivables and other financial assets relating to third party interests in consolidated funds of £nil (2019: £nil). 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.

(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 2020, the Group had pledged £28m (2019: £18m) of cash and £nil (2019: £nil) of securities as collateral for derivative financial liabilities. At 31 December 2020, the Group had accepted £14m (2019: £21m) of cash and £120m (2019: £25m) 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.

7. Group financial statements continued

	Related amounts not offset on the consolidated statement of financial position							
	Gross amounts of financial instruments as presented on the consolidated statement of financial position		Financial instruments		Financial collateral pledged/(received)		Net position	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Financial assets								
Derivatives ¹	11	13	(3)	(2)	(1)	(9)	7	2
Reverse repurchase agreements	120	25	–	–	(120)	(25)	–	–
Total financial assets	131	38	(3)	(2)	(121)	(34)	7	2
Financial liabilities								
Derivatives ¹	(11)	(2)	3	2	1	–	(7)	–
Total financial liabilities	(11)	(2)	3	2	1	–	(7)	–

¹ 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 framework and processes in place for monitoring, assessing, and controlling liquidity risk.

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 2020.

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	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Subordinated liabilities	28	29	113	116	629	676	22	25	22	25	101	107	915	978
Other financial liabilities	963	1,124	108	107	101	102	44	57	10	14	–	–	1,226	1,404
Total	991	1,153	221	223	730	778	66	82	32	39	101	107	2,141	2,382

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 2020 with a contractual maturity of within one year, between one and five years and over five years of £7m, £22m and £7m respectively (2019: £2m, £39m and £6m).

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 2020 and 31 December 2019, 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 2020 and 31 December 2019, 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.

	2020 £m	2019 £m
Financial investments		
Equity securities and interests in pooled investment funds	1,003	917
Debt securities	40	12
Total financial investments	1,043	929
Receivables and other financial assets	234	221
Other financial liabilities	128	129

(b)(i) Investments in unconsolidated structured entities

Equity securities and interests in pooled investment funds includes £729m (2019: £650m) of unconsolidated structured entities which are managed by the Group and in which the Group has a direct investment. At 31 December 2020 the asset value of these unconsolidated structured entities is £78,499m (2019: £22,795m). The total fees recognised in respect of these assets under management during the year to 31 December 2020 were £356m (2019: £137m).

The total issuance balance relating to unconsolidated structured debt securitisation vehicles in which the Group has an investment is £2,857m (2019: £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 £58,110m at 31 December 2020 (2019: £102,558m). The fees recognised in respect of these assets under management during the year to 31 December 2020 were £269m (2019: £581m).

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.

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.

(a) Fair value hierarchy

In determining fair value, 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)

Information on the methods and assumptions used to determine fair values for equity securities and interests in pooled investment funds, debt securities and derivatives measured at fair value is given below:

	Equities and interests in pooled investment funds ^{1,2}	Debt securities	Derivatives ³
Level 1	Equity instruments listed on a recognised exchange valued using prices sourced from their primary exchange.	Debt securities listed on a recognised exchange valued using prices sourced from their primary exchange.	Exchange traded derivatives valued using prices sourced from the relevant exchange.
Level 2	Pooled investment funds where daily unit prices are available and reference is made to observable market data.	Debt securities valued using prices received from external pricing providers based on quotes received from a number of market participants. Debt securities valued using models and standard valuation formulas based on observable market data ⁴ .	Over-the-counter derivatives measured using a range of valuation models including discounting future cash flows and option valuation techniques.
Level 3	These relate primarily to interests in private equity, real estate and infrastructure funds which are valued at net asset value. Underlying real estate and private equity investments are generally valued in accordance with independent professional valuation reports or International Private Equity and Venture Capital Valuation Guidelines where relevant. The underlying investments in infrastructure funds are generally valued based on the phase of individual projects forming the overall investment and discounted cash flow techniques based on project earnings. Where net asset values are not available at the same date as the reporting date, these valuations 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. Other unlisted equity securities are generally valued at indicative share prices from off market transactions.	Debt securities valued using prices received from external pricing providers based on a single broker indicative quote. Debt securities valued using models and standard valuation formulas based on unobservable market data ⁴ .	N/A

¹ Investments in associates at FVTPL are valued in the same manner as the Group's equity securities and interests in pooled investment funds.

² 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.

³ Non-performance risk arising from the credit risk of each counterparty is also considered on a net exposure basis in line with the Group's risk management policies. At 31 December 2020 and 31 December 2019, the residual credit risk is considered immaterial and no credit risk adjustment has been made.

⁴ If prices are not available from the external pricing providers or are considered to be stale, the Group has established procedures to arrive at an internal assessment of the fair value.

The fair value of liabilities in respect of third party interest in consolidated funds and non-participating investment contracts are calculated equal to the fair value of the underlying assets and liabilities.

Thus, the value of these liabilities is dependent on the methods and assumptions set out above in relation to the underlying assets and liabilities:

- For third party interest in consolidated funds, 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.
- For non-participating investment contracts, 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 and these liabilities are predominately categorised within level 2 of the fair value hierarchy. Where the underlying assets are categorised as level 3, the liabilities are also categorised as level 3.

In addition, contingent consideration assets and contingent consideration liabilities are also categorised as level 3 in the fair value hierarchy. 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.

This includes the contingent consideration relating to 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 matters that had the most significant impact on the fair value of this contingent consideration at 31 December 2020 related to the annuity sales practices indemnity, and related tax, and the resolution of other legacy matters which were previously under dispute. The valuation of these elements of the contingent consideration at 31 December 2020 was based on the amount expected to be received from Phoenix. This was in line with the £34m received in February 2021, refer Note 47.

(a)(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		Fair value hierarchy							
					Total		Level 1		Level 2		Level 3	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Owner occupied property	1	2	–	–	1	2	–	–	–	–	1	2
Derivative financial assets	18	19	–	–	18	19	–	–	18	19	–	–
Equity securities and interests in pooled investment vehicles	1,980	725	1	2	1,981	727	1,422	609	458	36	101	82
Debt securities	787	769	–	14	787	783	2	57	784	725	1	1
Contingent consideration asset	28	1	–	–	28	1	–	–	–	–	28	1
Total assets at fair value	2,814	1,516	1	16	2,815	1,532	1,424	666	1,260	780	131	86

Transfers from level 1 to level 2 and from level 2 to level 1 during the year ended 31 December 2020 were £355m (2019: £7m) and £7m (2019: £6m) respectively. Transfers from level 1 to level 2 in the period primarily relate to interests in pooled investment vehicles which are priced daily but where the daily price is only offered by the fund manager. The Group now considers these investments to be level 2. All other 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(a)(iii) for details of movements in level 3.

7. Group financial statements continued

(a)(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.

	Fair value hierarchy											
	As recognised in the consolidated statement of financial position line item		Classified as held for sale		Total		Level 1		Level 2		Level 3	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Liabilities in respect of third party interest in consolidated funds	77	119	–	–	77	119	–	–	77	119	–	–
Derivative financial liabilities	13	3	–	–	13	3	2	1	11	2	–	–
Contingent consideration liabilities	6	14	–	–	6	14	–	–	–	–	6	14
Total liabilities at fair value	96	136	–	–	96	136	2	1	88	121	6	14

There were no significant transfers between levels 1 and 2 during the year (2019: none). Refer Note 40(a)(iii) for details of movements in level 3.

(a)(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.

	Owner occupied property		Equity securities and interests in pooled investment funds		Debt securities	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
At 1 January	2	2	82	59	1	1
Total gains/(losses) recognised in the consolidated income statement	–	–	2	2	–	–
Purchases	–	–	29	23	–	–
Sales and other adjustments	(1)	–	(13)	(8)	–	–
Transfers in to level 3 ¹	–	–	1	6	–	–
At 31 December	1	2	101	82	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	
	2020 £m	2019 £m	2020 £m	2019 £m
At start of period	1	8	(14)	(29)
Total amounts recognised in the income statement	(12)	56	2	5
Additions	–	–	–	(8)
Settlements	39	(63)	6	18
At end of period	28	1	(6)	(14)

For the year ended 31 December 2020 losses of £13m (2019: gains of £56m) were recognised in the 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 gains of £nil (2019: losses of £1m) were recognised in other income, gains of £2m (2019: gains of £1m) were recognised in investment return and losses of £15m (2019: gains of £56m) were recognised in respect of discontinued operations.

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.

(a)(iv) Significant unobservable inputs in level 3 instrument valuations

The table below identifies the significant unobservable inputs in relation to equity securities and interests in pooled investment funds categorised as level 3 instruments at 31 December 2020 with a fair value of £101m (2019: £82m).

	Fair value		Valuation technique	Unobservable input	Range (weighted average)
	2020 £m	2019 £m			
Private equity, real estate and infrastructure funds	85	65	Net asset value	Net asset value statements provided for six significant funds (fair value >£5m) and a large number of smaller funds	A range of unobservable inputs is not applicable as we have determined that the reported NAV represents fair value at the end of the reporting period
Other unlisted equity securities	16	17	Indicative share price	Recent off market capital raising transactions	A range of unobservable inputs is not applicable as we have determined that the indicative share price from off market transactions represents fair value at the end of the reporting period

The table below identifies the significant unobservable inputs in relation to contingent consideration assets and liabilities categorised as level 3 instruments at 31 December 2020 with a fair value of £22m (2019: (£13m)).

	Fair value £m	Valuation technique	Unobservable input	Input used
2020 Contingent consideration assets and liabilities	22	Probability weighted cash flows	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.	Amount expected to be received from Phoenix at 31 December 2020. This was in line with the £34m received in February 2021, refer Note 47. The residual fair value relates to a number of smaller contingent consideration liabilities for which the input used is expected payments based on earn-out terms and indemnity assessments.
2019 Contingent consideration assets and liabilities	(13)	Probability weighted cash flows and where applicable discount rates	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 – Future lapse rates on relevant UK unit linked products of SLAL – 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	Expected amount required to cover the redress due to customers compared to SLAL's provision at 31 December 2017 Statistical distribution used in the Group's Solvency II internal model at 31 December 2017 Our assessment of the expected resolution taking into account our legal advice

7. Group financial statements continued

(a)(v) Sensitivity of the fair value of level 3 instruments to changes in key assumptions

At 31 December 2020 the shareholder is directly exposed to movements in the value of all non-unit linked level 3 instruments. Changing unobservable inputs in the measurement of the fair value of these 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. No level 3 instruments are held in consolidated structured entities. See Note 25 for unit linked level 3 instruments.

(b) 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.

	Notes	As recognised in the consolidated statement of financial position line item		Fair value		Level 1		Level 2		Level 3	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets											
Debt securities		325	602	335	614	–	23	335	591	–	–
Liabilities											
Subordinated liabilities	33	638	655	688	688	–	–	688	688	–	–

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.

For activities related to the acquisition and disposal of subsidiaries, associates and joint ventures, cash flows are classified as investing activities. The settlement of contingent and deferred amounts recognised on acquisitions and disposals are classified as investing activities where there is not considered to be a significant financing component of the related inflows or outflows.

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

	2020 £m	2019 £m
Equity securities and interests in pooled investment funds	23	135
Debt securities	9	(55)
Derivative financial instruments	(12)	(12)
Receivables and other financial assets and other assets	46	227
Assets held for sale	751	(137)
Change in operating assets	817	158

(b) Change in operating liabilities

	2020 £m	2019 £m
Other financial liabilities, provisions and other liabilities	(122)	(230)
Pension and other post-retirement benefit provisions	(30)	(60)
Deferred income	6	(8)
Investment contract liabilities	(110)	(316)
Change in liability for third party interest in consolidated funds	1	197
Liabilities held for sale	(736)	126
Change in operating liabilities	(991)	(291)

(c) Other non-cash and non-operating items

	2020 £m	2019 £m
Gain on sale of subsidiaries	(8)	–
Profit on disposal of associates	(1,858)	(1,542)
Depreciation of property, plant and equipment	46	47
Amortisation of intangible assets	152	184
Impairment losses on intangible assets	1,064	1,571
(Reversal of)/loss on impairment of associates	45	(243)
Impairment losses recognised on property, plant and equipment	2	16
Impairment losses on disposal group held for sale	1	–
Movement in contingent consideration asset/liability	10	(61)
Equity settled share-based payments	64	43
Finance costs	30	36
Share of profit from associates and joint ventures accounted for using the equity method	(194)	(79)
Other non-cash and non-operating items	(646)	(28)

d) Disposal of subsidiaries: SL Asia

	Notes	2020 £m
Equity securities and interests in pooled investment funds		711
Other assets of operations disposed of		74
Non-participating insurance contract liabilities		(689)
Non-participating investment contract liabilities		(52)
Other liabilities of operations disposed of		(25)
Net assets disposed of		19
Items transferred to profit or loss on disposal of subsidiaries	1	(8)
Gain on sale	1	8
Total cash consideration		19
Cash and cash equivalents disposed of		(27)
Cash outflow from disposal of subsidiary	1	(8)

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.

	2020 £m	2019 £m
Opening balance carried forward	655	1,081
Effect of change in accounting policy to IFRS 9 ¹	–	5
Opening balance at 1 January	655	1,086
Cash flows from financing activities		
Repayment of subordinated liabilities	(100)	(455)
Dividend paid ²	(2)	–
Interest paid	(30)	(39)
Cash flows from financing activities	(132)	(494)
Non-cash items		
Amounts reclassified from equity	102	–
Interest expense	30	35
Transfer to profit or loss on redemption of subordinated liabilities	–	47
Foreign exchange adjustment	(17)	(19)
At 31 December	638	655

¹ The Group has initially applied IFRS 9 at 1 January 2019. Under the transition method chosen, comparative information is not restated.

² Dividends of £2m were paid as part of the redemption of the preference shares on 8 July 2020 subsequent to the reclassification of the preference shares as subordinated liabilities (Refer Note 30).

(f) Movement in lease liabilities

The following table reconciles the movement in lease liabilities in the year, split between cash and non-cash items.

	2020 £m	2019 £m
Opening balance carried forward	268	–
Effect of change in accounting policy to IFRS 16 ¹	–	227
Opening balance at 1 January	268	227
Cash flows from financing activities		
Payment of lease liabilities	(35)	(32)
Cash flows from financing activities	(35)	(32)
Non-cash items		
Reclassified as held for sale during the year	(7)	–
Additions	19	74
Disposals	(2)	(5)
Interest capitalised	6	7
Foreign exchange adjustment	–	(3)
At 31 December	249	268

¹ The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated.

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.

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 2020, the Group has committed to investing an additional £35m (2019: £46m) into funds in which it holds a co-investment interest.

(b) Capital commitments

As at 31 December 2020, the Group has capital commitments other than in relation to financial instruments of £7m (2019: £nil).

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, conditional awards or restricted 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 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.

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.

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.

The following plans made awards during the year ended 31 December 2020:

Plan	Options	Conditional awards	Restricted shares	Typical vesting period (years)	Contractual life for options	Recipients	Conditions which must be met prior to vesting
Standard Life Aberdeen plc Deferred Share Plan/ Discretionary Share Plan¹	Yes	Yes	No	1-3 years (3-5 years for EIP awards)	Up to 10 years from date of grant	Executives and senior management	Service, or service and performance conditions. These can be tailored to the individual award.
Sharesave (Save-as-you-earn)	Yes	No	No	3 or 5	Up to six months after vesting	UK and Irish employees	Service only
Share incentive plan	No	No	Yes	3 (2 for Ireland)	Not applicable	UK and Irish employees	Service only

¹ Included in Deferred and discretionary share plans in Section (b)(i) below.

All of the awards made under these plans are equity-settled except for a small number of cash-settled awards for the deferred and discretionary share plans 2020 (see Section (d)(ii) below).

The fair value of awards granted under the Group's incentive schemes is determined using a relevant valuation technique, such as the Black Scholes option pricing model.

The awards made under the deferred and discretionary share plans include awards for deferred bonuses of the prior year. With the exception of the Executive Incentive Plan (EIP) awards, the deferred bonus 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 in 2020 were made under the conditions of the EIP including a performance underpin.

The awards made under the deferred and discretionary share plans also include the awards under the 2020 LTIP for executive Directors and awards to senior management with specific performance conditions.

Further details of the EIP and the 2020 LTIP are set out in the Directors' remuneration report.

The deferred and discretionary share plans also made a number of deferred fund awards in the year end 31 December 2020 (see Section (d)(i) below).

Options and conditional awards are all at nil cost with the exception of Sharesave where eligible employees in the UK and Ireland 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 at a predetermined price.

The share incentive plan allows employees the opportunity to buy up to £1,800 of shares from their salary each year with the Group matching up to £600 per year. The matching shares awarded are granted each month but are restricted for three years (two years for Ireland).

7. Group financial statements continued

In addition, the Group operates the following plans for which there are outstanding awards but for which no awards were made during the year ended 31 December 2020:

Plan	Options	Conditional awards	Restricted shares	Typical vesting period (years)	Contractual life for options	Recipients	Conditions which must be met prior to vesting
Standard Life Long-Term Incentive Plan	Yes	No	No	3 (5 for executive Directors)	Up to six months after vesting	Executives and senior management	Service and performance conditions as set out in the Directors' remuneration report
Standard Life Investments Long-Term Incentive Plan	Yes	No	No	3	Up to six months after vesting	Executives and senior management	Service and performance conditions
Standard Life Restricted stock plan (RSP)	Yes	No	No	1-3	Up to six months after vesting	Executives (other than executive Directors) and senior management	Service, or service and performance conditions. These are tailored to the individual award.
Standard Life Group Short-term incentive plan¹	Yes	No	No	3	Up to six months after vesting	Executives and senior management	Service only. There are no outstanding performance conditions at date of grant.
Aberdeen Asset Management Deferred Share Plan 2009¹	Yes	No	No	1-3 (3-5 for executive management)	Up to 10 years from date of grant	Executives and senior management	Service only. There are no outstanding performance conditions at date of grant.
Aberdeen Asset Management USA Deferred Share Award Plan	No	Yes	No	1-3 (3-5 for executive management)	Not applicable	US based executives and senior management	Service only. There are no outstanding performance conditions at date of grant.

¹ Included in Annual bonus deferred share options Section (b)(i) below.

(a) Employee share-based payments and deferred fund awards expense

The amounts recognised as an expense for equity-settled share-based payment transactions and deferred fund awards with employees are as follows:

	2020 £m	2019 £m
Share options and share awards granted under deferred and discretionary share plans ¹	61	36
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	64	43
Cash-settled deferred fund awards	29	10
Total expense	93	53

¹ Includes expense for annual bonus deferred share options and conditional awards.

Included in the expense above is £27m (2019: £19m) of share-based payment expenses which are included in restructuring and corporate transaction expenses in the consolidated income statement.

(b) Options and conditional awards granted**(b)(i) Deferred and discretionary share plans**

The number and remaining contractual life for options outstanding and the share price at exercise of options exercised during the year are as follows:

	2020		2019	
	Deferred and discretionary share plans	Annual bonus deferred share options	Deferred and discretionary share plans	Annual bonus deferred share options
Outstanding at 1 January	22,956,158	15,469,459	–	26,220,720
Granted	27,486,468	–	23,636,874	–
Forfeited	(3,134,233)	(113,150)	(257,360)	(651,976)
Exercised	(1,231,007)	(4,685,978)	(423,356)	(10,099,285)
Expired	–	–	–	–
Outstanding at 31 December	46,077,386	10,670,331	22,956,158	15,469,459
Exercisable at 31 December	973,894	8,109,711	35,295	10,357,995
Remaining contractual life of options outstanding (years)¹	8.85	5.28	9.29	5.99
Options exercised during the year				
Share price at time of exercise ¹	232p	268p	275p	271p

¹ Weighted average.

The options granted under the deferred and discretionary share plans were made throughout the year ended 31 December 2020 with a main grant date of 9 April 2020 and had a £nil exercise price. The weighted average option term was 2.31 years. The weighted average share price at grant date was 234p which was also the weighted average fair value at grant date. The options include an entitlement to the receipt of dividends in respect of awards that ultimately vest between the date of grant and the vesting date.

In addition to nil costs options, 3,858,367 nil cost conditional awards were also granted under the deferred and discretionary share plans (2019: 4,283,186) with a weighted average share price at grant date was 230p which was also the weighted average fair value at grant date.

(b)(ii) Standard Life/Standard Life Investments Long-term incentive plans

The number and remaining contractual life for options outstanding and the share price at exercise of options exercised during the year are as follows:

	2020		2019	
	Long-term incentive plans (excluding RSP)	RSP	Long-term incentive plans (excluding RSP)	RSP
Outstanding at 1 January	36,411,803	1,997,896	55,702,777	6,562,186
Granted	–	–	–	–
Forfeited	(19,454,369)	(827,383)	(18,310,221)	(1,693,033)
Exercised	(754,907)	(901,616)	(952,703)	(2,855,702)
Expired	–	–	(28,050)	(15,555)
Outstanding at 31 December	16,202,527	268,897	36,411,803	1,997,896
Exercisable at 31 December	–	–	–	89,798
Remaining contractual life of options outstanding (years)¹	0.92	0.75	1.22	1.17
Options exercised during the year				
Share price at time of exercise ¹	237p	265p	268p	252p

¹ Weighted average.

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(b)(iii) Sharesave

The number, exercise price and remaining contractual life for options outstanding and the share price at exercise of options exercised during the year are as follows:

	2020		2019	
	Sharesave	Weighted average exercise price for Sharesave	Sharesave	Weighted average exercise price for Sharesave
Outstanding at 1 January	7,870,064	227p	9,260,389	292p
Granted	3,449,144	189p	5,473,382	199p
Forfeited	(159,189)	234p	–	–
Exercised	(149,911)	273p	(353,534)	282p
Expired	(333,555)	272p	–	–
Cancelled	(1,941,634)	225p	(6,510,173)	294p
Outstanding at 31 December	8,734,919	210p	7,870,064	227p
Exercisable at 31 December	225,676	341p	426,840	285p
Remaining contractual life of options outstanding (years)¹	2.98		3.29	
Options exercised during the year				
Share price at time of exercise ¹	296p		305p	

¹ Weighted average.

The Sharesave options were granted on 14 October 2020 with an exercise price of 189p. The weighted average option term was 3.64 years. The weighted average share price at grant date was 247p and the weighted average fair value at grant date was 44p. Sharesave options have no dividend entitlement. 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 range of exercise prices of Sharesave options outstanding at 31 December 2020.

	2020 Number of options outstanding	2019 Number of options outstanding
189p-199p	7,346,548	5,442,217
200p-327p	873,002	1,711,180
328p-345p	515,369	716,667
Outstanding at 31 December	8,734,919	7,870,064

(c) Matching shares granted under share incentive plans

During the year ended 31 December 2020, 371,274 matching shares were granted under the share incentive plan (2019: 348,161). The weighted average share price at grant date was 254p which was also the weighted average fair value at grant date. 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.

(d) Deferred fund awards and cash settled share based payments

(d)(i) Deferred fund awards

At 31 December 2020, the liability recognised for cash-settled deferred fund awards was £61m (2019: £46m).

(d)(ii) Cash settled share based payments

At 31 December 2020, the liability recognised for cash-settled share based payments was £nil (2019: £nil).

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 (2019: £4m) from the Group's defined benefit pension plans.

In the year ended 31 December 2020, for associates accounted for using the equity method, the Group recognised sales primarily in relation to management fees of £195m (2019: £200m¹) and purchases in relation to services received of £79m (2019: £49m). Management fees include sales where the selection of the Group as the asset manager is made by the underlying policyholder.

In the year ended 31 December 2020 there were sales to joint ventures of £10m (2019: £1m) and purchases from joint ventures of £nil (2019: £1m).

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.

¹ 2019 comparative restated to include sales where the selection of the Group as the asset manager is made by the underlying policyholder.

The Group had balances due from associates accounted for using the equity method of £65m (2019: £55m), balances due to associates accounted for using the equity method of £43m (2019: £22m), £1m due from joint ventures (2019: £nil) and no amounts due to joint ventures (2019: £nil) as at 31 December 2020. The Group's defined benefit pension plans have assets of £965m (2019: £1,154m) invested in investment vehicles managed by the Group.

Note 47 (b) sets out Events after the reporting date relating to Phoenix.

Details of the sale of a subsidiary to a joint venture business are included in Note 1.

In 2020, the Group committed to providing £12m of additional funding to a joint venture subject to the fulfilment of specified conditions (2019: £nil).

(b) Compensation of key management personnel

In 2020, key management personnel includes Directors of Standard Life Aberdeen plc (since appointment) and the members of the executive leadership team (since appointment).

On 24 May 2019 the executive leadership team replaced the executive committee. For 2019 key management personnel therefore included 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 included Directors of Standard Life Aberdeen plc (since appointment) and the members of the executive leadership team (since appointment).

The summary of compensation of key management personnel is as follows:

	2020 £m	2019 £m
Salaries and other short-term employee benefits	9	8
Post-employment benefits	–	–
Share-based payments and deferred fund awards	12	7
Termination benefits	1	1
Total compensation of key management personnel	22	16

(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 39. Information on financial instruments risk is also provided in Note 38.

(b) Regulatory capital

(b)(i) Regulatory capital framework

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. 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.

7. Group financial statements continued

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 2020, the Group's draft Pillar 1 minimum requirement for capital was £0.5bn (2019: £0.4bn).

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).

(b)(ii) Regulatory capital position (unaudited)

	2020 ¹ £bn	2019 ¹ £bn
IFRS equity attributable to equity holders of Standard Life Aberdeen plc	6.8	6.6
Deductions for intangibles and defined benefit pension assets, net of related deferred tax liabilities	(2.0)	(2.9)
Deductions for significant investments in financial sector entities	(0.9)	(1.1)
Deductions for non-significant investments in financial sector entities	(0.8)	–
Other deductions and adjustments, including provision for foreseeable dividend	(0.2)	(0.4)
Common Equity Tier 1 capital resources	2.9	2.2
Tier 2 capital resources	0.5	0.6
Total regulatory capital resources	3.4	2.8
Total regulatory capital requirements	(1.1)	(1.1)
Surplus regulatory capital	2.3	1.7

¹ 2020 draft position on 9 March 2021 following finalisation of the Annual report and accounts, 2019 based on Pillar 3 reporting.

The Group's current capital resources include approximately £0.8bn (2019: approximately £0.3bn) from holdings in insurance entities that it is expected will no longer be eligible following the implementation of the Investment Firm Prudential Regime from 1 January 2022. The Investment Firm Prudential Regime is also expected to introduce constraints on the proportion of the minimum capital requirement that can be met by each tier of capital. As a result, it is estimated that approximately £0.3bn of existing Tier 2 capital, whilst continuing to be reported within the Group's capital resources, would not be available to meet the minimum capital requirement from 1 January 2022.

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

(a) Acquisition of Tritax Management LLP

On 9 December 2020, the Group announced the proposed acquisition of 60% of the equity of Tritax Management LLP, a specialist logistics real estate fund manager. The initial cash consideration payable at completion for the acquisition is £64m. Subject to the satisfaction of certain conditions, an additional contingent deferred earn-out is expected to be payable to acquire the remaining 40% of equity in Tritax Management LLP via three exercisable put options in each of years ended 31 March 2024, 2025 and 2026. The Group will also have the right to purchase any outstanding equity interests at the end of the five-year period through exercising a call option. The amount payable under the contingent deferred earn-out is dependent on the growth in future profitability of the business and is a maximum of £140m. Completion is subject to certain conditions including relevant regulatory approvals. The assets under management of Tritax Management LLP at 31 December 2020 were approximately £5.5bn.

(b) Simplification and extension of the strategic partnership between the Group and Phoenix

On 23 February 2021, the Group announced the purchase of certain products in the Phoenix Group's savings business offered through the Standard Life Aberdeen Wrap platform, comprising a self-invested pension plan (SIPP) and an onshore bond product; together with the Phoenix Group's trustee investment plan (TIP) business for UK pension scheme clients. The assets relating to these Phoenix Group-administered businesses at 31 December 2020 are £38bn and are currently included in Group AUMA. The transaction will be effected through a Part VII transfer which is targeted to complete in late 2022. The upfront consideration paid by the Group in February 2021 was £62.5m, which will be offset in part by expected payments from Phoenix to the Group relating to profits of the business prior to completion of the legal transfer. The transaction will result in the Group earning adjusted profit in relation to the acquired businesses post completion.

The Group have also agreed to sell the 'Standard Life' brand to Phoenix by mid-2021, replacing the existing agreement to licence the brand for no fee to Phoenix, and to transfer related employees to Phoenix. In addition the Group will pay £32m to Phoenix later in 2021 in return for Phoenix bearing the costs of workplace pensions marketing staff, who are currently employed by the Group but provide services to Phoenix. The sale of the brand and transfer of related marketing staff is not expected to materially impact on our results.

The strategic asset management partnership (under which the Group manages £171.5bn of Phoenix assets at 31 December 2020) will be extended and will now operate for at least 10 years up to February 2031.

The Group have also resolved legacy issues with Phoenix relating to the operation of certain aspects of the agreements that were entered into at the time of the sale of SLAL to Phoenix and which impacted the value of certain indemnities and other payments under the transaction terms. The impact of the resolution of these legacy matters is included in the 2020 results and resulted in the Group receiving a cash inflow of £34m in February 2021.

The Group's shareholding in Phoenix remains at 14.4%. Following the changes to the commercial agreements set out above, in particular in relation to the licencing of the 'Standard Life' brand, our judgement is that Phoenix should no longer be accounted for as an associate with effect from 23 February 2021, and should instead be accounted for as an investment at fair value. The primary impact of this reclassification is that the Group will recognise changes in fair value of the investment in the consolidated income statement rather than the Group's share of Phoenix profits under the equity method.

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 2020 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 2020 is £93m (2019: £88m) 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.

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 ³	Ordinary shares	100%
30 STMA 2 Limited ³	Ordinary shares	100%
30 STMA 3 Limited ³	Ordinary shares	100%
30 STMA 4 Limited ³	Ordinary shares	100%
30 STMA 5 Limited ³	Ordinary shares	100%
Aberdeen Asset Management PLC ⁴	Ordinary shares	100%
Focus Solutions Group Limited ⁵	Ordinary shares	100%
Standard Life Aberdeen Charitable Foundation ⁴	N/A	100%
Standard Life Aberdeen Trustee Company Limited	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 ³	Ordinary shares	100%
Standard Life (Mauritius Holdings) 2006 Limited ⁶	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 ⁷	Limited Liability Partnership	100%
Threesixty Support LLP ⁷	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%
21ASI Long Term Fund I SCSP ⁸	Limited Partnership	0%
6 SAS 1 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. ⁹	Ordinary shares	100%
Aberdeen Asia Pacific Fund (Offshore), L.P. ¹⁰	Limited Partnership	0%
Aberdeen Asia Pacific Fund II (Offshore), L.P. ¹⁰	Limited Partnership	0%
Aberdeen Asia Pacific Fund, L.P. ¹⁰	Limited Partnership	0%
Aberdeen Asia Pacific Fund II, L.P. ¹⁰	Limited Partnership	0%
Aberdeen Asia Pacific III Ex-Co-Investment (Offshore), L.P. ¹⁰	Limited Partnership	0%
Aberdeen Asia Pacific III Ex-Co-Investment, L.P. ¹⁰	Limited Partnership	0%
Aberdeen Asia Pacific III, L.P. ¹⁰	Limited Partnership	0%
Aberdeen ASIF Carry LP ⁴	Limited Partnership	25%

Name of related undertaking	Share class ¹	% interest held ²
Aberdeen Asset Investment Group Limited ³	Ordinary shares	100%
Aberdeen Asset Investments Limited ³	Ordinary shares	100%
Aberdeen Asset Management Cayman Limited ¹⁰	Ordinary shares	100%
Aberdeen Asset Management Denmark A/S ¹¹	Ordinary shares	100%
Aberdeen Asset Management Finland Oy ¹²	Ordinary shares	100%
Aberdeen Asset Management US GP Control LLC ¹³	Limited Liability Company	100%
Aberdeen Asset Managers Limited ⁴	Ordinary shares	100%
Aberdeen Asset Middle East Limited ¹⁴	Ordinary shares	100%
Aberdeen Capital Management LLC ¹³	Limited Liability Company	100%
Aberdeen Capital Managers GP LLC ¹⁵	Limited Liability Company	100%
Aberdeen Claims Administration, Inc. ¹⁶	Ordinary shares	100%
Aberdeen Co-Investment Mandate LP ⁴	Limited Partnership	0%
Aberdeen Direct Property (Holding) Limited ³	Ordinary shares	100%
Aberdeen do Brasil Gestao de Recursos Ltda ¹⁷	Limited Liability Company	100%
Aberdeen Emerging Asia Fund, L.P. ¹⁰	Limited Partnership	0%
Aberdeen Emerging Asia Pacific II (Offshore), L.P. ¹⁰	Limited Partnership	0%
Aberdeen Emerging Asia Pacific III Ex-Co-Investments, L.P. ¹⁰	Limited Partnership	0%
Aberdeen Emerging Capital Limited ¹⁸	Ordinary shares	100%
Aberdeen Energy & Resource Company IV, LLC ¹³	Limited Liability Company	73%
Aberdeen Energy & Resources Company V, LLC ¹³	Limited liability company	100%
Aberdeen Energy & Resources Partners IV, L.P. ¹³	Limited Partnership	1%
Aberdeen Energy & Resources Partners V, L.P. ¹³	Limited Partnership	0%
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 ³	Limited Partnership	0%
Aberdeen European Infrastructure GP Limited ³	Ordinary shares	100%
Aberdeen European Infrastructure GP II Limited ³	Ordinary shares	100%
Aberdeen European Infrastructure GP III Limited ³	Ordinary shares	100%
Aberdeen European Infrastructure Partners Carry LP ⁴	Limited Partnership	25%
Aberdeen European Infrastructure Partners Carry II LP ⁴	Limited Partnership	25%
Aberdeen European Infrastructure Partners Carry III LP ⁴	Limited Partnership	25%
Aberdeen European Infrastructure Partners LP ³	Limited Partnership	3%
Aberdeen European Infrastructure Partners II LP ³	Limited Partnership	3%
Aberdeen European Infrastructure Partners III LP ³	Limited Partnership	1%
Aberdeen European Residential Opportunities Fund SCS ¹⁹	Limited Partnership	1%
Aberdeen France S.A. ²⁰	Ordinary shares	100%
Aberdeen Fund Distributors LLC ¹⁶	Limited Liability Company	100%
Aberdeen Fund Management Oy ¹²	Ordinary shares	100%
Aberdeen Fund Management II Oy ¹²	Ordinary shares	100%
Aberdeen Fund Management Ireland Limited ²¹	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 ¹⁰	Ordinary shares	100%
Aberdeen General Partner CGPLP Limited ¹⁰	Ordinary shares	100%
Aberdeen General Partner CMENAPELP Limited ¹⁰	Ordinary shares	100%
Aberdeen General Partner CPELP Limited ¹⁰	Ordinary shares	100%
Aberdeen General Partner CPELP II Limited ¹⁰	Ordinary shares	100%
Aberdeen Global Absolute Return Strategies Fund ¹³	Mutual fund	47%
Aberdeen Global ex-Japan FoF's LP ¹⁰	Limited Partnership	6%
Aberdeen Global ex-Japan GP Limited ¹⁰	Ordinary shares	100%
Aberdeen Global Infrastructure Carry GP Limited ⁴	Ordinary shares	100%
Aberdeen Global Infrastructure GP Limited ²²	Ordinary shares	100%
Aberdeen Global Infrastructure GP II Limited ²²	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 LP ³	Limited Partnership	1%
Aberdeen Global Infrastructure Partners II LP ⁴	Limited Partnership	0%
Aberdeen GP 1 LLP ⁴	Limited Liability Partnership	100%

7. Group financial statements continued

Name of related undertaking	Share class ¹	% interest held ²
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 ²²	Ordinary shares	100%
Aberdeen Infrastructure GP II Limited ³	Ordinary shares	100%
Aberdeen Infrastructure Partners II Carry LP ⁴	Limited Partnership	25%
Aberdeen Infrastructure Partners II LP ⁴	Limited Partnership	0%
Aberdeen Infrastructure Partners LP Inc ²³	Limited Partnership	0%
Aberdeen Institutional Commingled Funds LLC - Long Duration Corporate Bond Fund ²⁴	Unit Trust	100%
Aberdeen Investment Company Limited ⁴	Ordinary shares	100%
Aberdeen Investment Solutions Limited ⁴	Ordinary shares	100%
Aberdeen Investments Euro Limited ³	Ordinary shares	100%
Aberdeen Investments Jersey Limited ²⁵	Ordinary shares	100%
Aberdeen Investments Limited ³	Ordinary shares	100%
Aberdeen Investments USD Limited ³	Ordinary shares	100%
Aberdeen Keva Asia IV Property Partners SCSp ⁹	Limited Partnership	0%
Aberdeen Liquidity Fund (Lux)		
Seabury Sterling Liquidity 1 Fund ¹⁹	SICAV	100%
Aberdeen Pension Trustees Limited ⁴	Ordinary shares	100%
Aberdeen Pooling II GP AB ²⁶	Ordinary shares	100%
Aberdeen Private Equity Company VII, LLC ¹³	Limited Liability Company	100%
Aberdeen Private Equity Company VIII, LLC ¹³	Limited liability company	100%
Aberdeen Private Equity VII, L.P. ¹³	Limited Partnership	1%
Aberdeen Private Equity VIII, LP ¹³	Limited Partnership	0%
Aberdeen Property Fund Finland I Feeder Ky ¹²	Limited Partnership	0%
Aberdeen Property Fund Finland LP ¹²	Limited Partnership	0%
Aberdeen Property Fund Limited Partner Oy ¹²	Ordinary shares	100%
Aberdeen Property Fund Management (Jersey) Limited ²⁵	Ordinary shares	100%
Aberdeen Property Fund Management Estonia Ou ²⁷	Ordinary shares	100%
Aberdeen Property Investors (General Partner) S.a.r.l. ²⁸	Ordinary shares	100%
Aberdeen Property Investors Estonia Ou ²⁹	Ordinary shares	100%
Aberdeen Property Investors France SAS ²⁰	Ordinary shares	100%
Aberdeen Property Investors Limited Partner Oy ¹²	Ordinary shares	100%
Aberdeen Property Investors The Netherlands BV ³⁰	Ordinary shares	100%
Aberdeen Property Secondaries Partners II ¹⁹	Limited Partnership	1%
Aberdeen Property UK Retail Parks Partnership ³	Limited Partnership	0%
Aberdeen Real Estate Fund Finland LP ³¹	Limited Partnership	5%
Aberdeen Real Estate Operations Limited ⁴	Ordinary shares	100%
Aberdeen Residential JV Feeder Limited Partner Oy ¹²	Ordinary shares	100%
Aberdeen Secondaries II GP S.a.r.l. ¹⁹	Ordinary shares	100%
Aberdeen Sidecar LP Inc ²³	Limited Partnership	
Aberdeen SP 2013 A/S ¹¹	Ordinary shares	100%
Aberdeen Standard (Jersey) Limited ³²	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 Alternative Funds Limited	Ordinary shares	100%
Aberdeen Standard ASC I		
ASI Sustainable Index World Equity Fund ³	OEIC	100%
ASI Sustainable Index UK Equity Fund ³	OEIC	99%
Aberdeen Standard Asset Management (Shanghai) Co., Ltd. ³³	Ordinary shares	100%
Aberdeen Standard Asset Management (Thailand) Limited ³⁴	Ordinary shares	100%
Aberdeen Standard Asset Management Limited	Ordinary shares	100%
Aberdeen Standard Capital (CI) Limited ³⁵	Ordinary shares	100%
Aberdeen Standard Capital International Limited ³⁶	Ordinary shares	100%
Aberdeen Standard Capital Limited	Ordinary shares	100%
Aberdeen Standard Carlsbad Carry LP ⁴	Limited Partnership	25%
Aberdeen Standard Carlsbad GP Limited ²²	Ordinary shares	100%
Aberdeen Standard Carlsbad LP ⁴	Limited Partnership	0%

Name of related undertaking	Share class ¹	% interest held ²
Aberdeen Standard Diversified Fixed Income Fund ³⁷	OEIC	23%
Aberdeen Standard ECF II GP LP	Limited Partnership	100%
Aberdeen Standard European Co-Investment II SCSp ¹⁹	Limited Partnership	0%
Aberdeen Standard European Infrastructure Partners Carry IV LP ⁴	Limited Partnership	25%
Aberdeen Standard European Property Growth Fund L.P. ³	Limited Partnership	0%
Aberdeen Standard Fund Managers Limited ³	Ordinary shares	100%
Aberdeen Standard Global Infrastructure GP III Ltd. ²²	Ordinary shares	100%
Aberdeen Standard Greater China Value Fund ³⁸	Investment Trust	74%
Aberdeen Standard Group Limited	Ordinary shares	100%
Aberdeen Standard Gulf Carry GP Limited ⁴	Ordinary shares	100%
Aberdeen Standard Indonesia Balanced Growth Fund ³⁹	Unit Trust	84%
Aberdeen Standard Indonesia Bond Fund ³⁹	Unit Trust	69%
Aberdeen Standard Indonesia Equity Fund ³⁹	Unit Trust	67%
Aberdeen Standard Investment Management Limited	Ordinary shares	100%
Aberdeen Standard Investments (Asia) Limited ⁴⁰	Ordinary shares	100%
Aberdeen Standard Investments (Canada) Limited ⁴¹	Ordinary shares	100%
Aberdeen Standard Investments (Holdings) Limited	Ordinary shares	100%
Aberdeen Standard Investments (Hong Kong) Limited ⁴²	Ordinary shares	100%
Aberdeen Standard Investments (Japan) Limited ⁴³	Ordinary shares	100%
Aberdeen Standard Investments (Malaysia) Sdn. Bhd ⁴⁴	Ordinary shares	100%
	Irredeemable non-convertible preference shares	
Aberdeen Standard Investments (Switzerland) AG ⁴⁵	Ordinary shares	100%
Aberdeen Standard Investments Australia Limited ³⁷	Ordinary shares	100%
Aberdeen Standard Investments Beteiligungs GmbH ⁴⁶	Limited Liability Company	94%
Aberdeen Standard Investments Churchill Square General Partner Limited	Ordinary shares	100%
Aberdeen Standard Investments Colombia SAS ⁴⁷	Ordinary shares	100%
Aberdeen Standard Investments Deutschland AG ⁴⁶	Ordinary shares	94%
Aberdeen Standard Investments ETFs (US) LLC ⁴⁸	Limited liability company	100%
Aberdeen Standard Investments ETFs Advisors LLC ⁴⁸	Limited liability company	100%
Aberdeen Standard Investments ETFs Sponsor LLC ⁴⁸	Limited liability company	100%
Aberdeen Standard Investments Fund Management AS ⁴⁹	Ordinary shares	100%
Aberdeen Standard Investments Inc. ¹³	Ordinary shares	100%
Aberdeen Standard Investments Ireland Limited ⁵⁰	Ordinary shares	100%
Aberdeen Standard Investments Korea Co. Ltd. ⁵¹	Ordinary shares	100%
Aberdeen Standard Investments Life and Pensions Limited ³	Ordinary shares	100%
Aberdeen Standard Investments Limited	Ordinary shares	100%
Aberdeen Standard Investments Luxembourg Corporate Manager S.a.r.l. ⁹	Ordinary shares	100%
Aberdeen Standard Investments Luxembourg S.A. ¹⁹	Ordinary shares	100%
Aberdeen Standard Investments Nominees Services (HK) Limited ⁴²	Ordinary shares	100%
Aberdeen Standard Investments Norway AS ⁴⁹	Ordinary shares	100%
Aberdeen Standard Investments Norway Holding AS ⁴⁹	Ordinary shares	100%
Aberdeen Standard Investments Operations AS ⁴⁹	Ordinary shares	100%
Aberdeen Standard Investments Sweden AB ²⁶	Ordinary shares	100%
Aberdeen Standard Investments Taiwan Limited ³⁸	Ordinary shares	100%
Aberdeen Standard Islamic Investments (Malaysia) Sdn. Bhd. ⁴⁴	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 MSPC Fund SCSp ¹⁹	Limited Partnership	0%
Aberdeen Standard MSPC General Partner S.a.r.l. ¹⁹	Limited Liability Company	100%
Aberdeen Standard Multi-Sector Private Credit Fund SCSp ¹⁹	Limited Partnership	0%
Aberdeen Standard OEIC I		
ASI Sterling Long Dated Government Bond Fund ³	OEIC	38%
ASI China A Share Equity Fund ³	OEIC	63%

7. Group financial statements continued

Name of related undertaking	Share class ¹	% interest held ²
Aberdeen Standard OEIC III		
ASI MyFolio Sustainable I Fund ³	OEIC	100%
ASI MyFolio Sustainable II Fund ³	OEIC	100%
ASI MyFolio Sustainable III Fund ³	OEIC	100%
ASI MyFolio Sustainable IV Fund ³	OEIC	100%
ASI MyFolio Sustainable V Fund ³	OEIC	100%
Aberdeen Standard OEIC V		
ASI UK Impact - Employment Opportunities Equity Fund ³	OEIC	96%
Aberdeen Standard Overseas Investment Fund Management (Shanghai) Co., Ltd. ³³	Ordinary shares	100%
Aberdeen Standard Pan European Residential Property Fund SICAV-RAIF ¹⁹	Limited Partnership	1%
Aberdeen Standard Private Equity Company IX, LLC ¹³	Limited liability company	100%
Aberdeen Standard Private Equity IX, L.P. ²⁴	Limited Partnership	0%
Aberdeen Standard Private Real Assets Co-Investment Fund I GP, LLC ¹³	Limited liability company	100%
Aberdeen Standard Private Real Assets Co-investment Fund I GP, LP ²⁴	Limited partnership	79%
Aberdeen Standard Private Real Assets Co-Investment Fund I, L.P. ¹³	Limited Partnership	1%
Aberdeen Standard Secure Credit LP	Limited Partnership	0%
Aberdeen Standard SICAV I		
Aberdeen Standard SICAV I - Artificial Intelligence Global Equity Fund ¹⁹	SICAV	70%
Aberdeen Standard SICAV I - ASI-CCBI Belt & Road Bond Fund ¹⁹	SICAV	33%
Aberdeen Standard SICAV I - Asian Credit Bond Fund ¹⁹	SICAV	50%
Aberdeen Standard SICAV I - Asian Sustainable Development Equity Fund ¹⁹	SICAV	99%
Aberdeen Standard SICAV I - Emerging Markets Local Currency Corporate Bond Fund ¹⁹	SICAV	84%
Aberdeen Standard SICAV I - European Equity (ex-UK) Fund ¹⁹	SICAV	23%
Aberdeen Standard SICAV I - German Equity Fund ¹⁹	SICAV	28%
Aberdeen Standard SICAV I - Global Dynamic Dividend Fund ¹⁹	SICAV	45%
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 ³⁹	Unit trust	38%
Aberdeen Standard UK Shopping Centre Feeder Fund Limited Partnership ³	Limited Partnership	0%
Aberdeen Standard Unit Trust 1		
ASI Diversified Growth Fund ³	Unit trust	42%
Aberdeen Standard Venture Company XII, LLC ¹³	Limited liability company	100%
Aberdeen Standard Venture XII, LP ¹³	Limited Partnership	0%
Aberdeen Trust Limited ⁴	Ordinary shares	100%
Aberdeen UK Infrastructure Carry GP Limited ⁴	Ordinary shares	100%
Aberdeen UK Infrastructure Carry Limited ⁴	Ordinary shares	100%
Aberdeen Unit Trust Managers Limited ⁴	Ordinary shares	100%
Aberdeen U.S. Mid Cap Equity Fund ²⁴	OEIC	86%
Aberdeen U.S. Sustainable Leaders Fund ²⁴	OEIC	95%
Aberdeen Venture Company X, LLC ¹³	Limited Liability Company	100%
Aberdeen Venture Company XI, LLC ¹³	Limited liability company	100%
Aberdeen Venture Partners X SPV-A, L.P. ¹³	Limited Partnership	0%
Aberdeen Venture Partners X, L.P. ¹³	Limited Partnership	0%
Aberdeen Venture XI, LP ¹³	Limited Partnership	0%
ACM Carry LP ⁴	Limited Partnership	40%
AEROF (Luxembourg) GP S.a.r.l. ¹⁹	Ordinary shares	100%
AIA Series T Holdings LLC ²⁴	Limited liability company	0%
AIPP Folksam Europe II Kommanditbolag ⁵²	Limited Partnership	0%
AIPP Pooling I SA ¹⁹	Ordinary shares	100%
Airport Industrial GP Limited ³	Ordinary shares	100%
Airport Industrial Limited Partnership ³	Limited Partnership	0%
Aldwych Capital Partners, L.P.	Limited Partnership	0%
Amberia General Partner Oy ¹²	Ordinary shares	100%
Andean Social Infrastructure Fund I LP ⁴	Limited Partnership	0%
Andean Social Infrastructure GP Limited ¹⁰	Ordinary shares	100%

Name of related undertaking	Share class ¹	% interest held ²
Arden Garden State NJ Fund, L.P. ²⁴	Limited Partnership	0%
Arden Institutional Advisers, L.P. ²⁴	Limited Partnership	0%
Arden Institutional Fund LP ²⁴	Limited Partnership	0%
Arthur House (No.6) Limited ³	Ordinary shares	100%
Artio Global Investors Inc. ¹⁶	Ordinary shares	100%
ASI Core Private Equity Fund GP, LLC ¹³	Limited liability company	100%
ASI Core Private Equity Fund L.P. ¹³	Limited Partnership	0%
ASI Direct RE GP LLP	Limited Liability Partnership	100%
ASI European Long Income RE Fund SCSp ¹⁹	Limited Partnership	0%
ASI European Private Equity 2019 B LP	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.à r.l. ¹⁹	Ordinary shares	100%
ASI (General Partner AS 2020 FF) S.a r.l. ¹⁹	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. ¹⁹	Ordinary shares	100%
ASI (General Partner SOF IV) Limited	Ordinary shares	100%
ASI (General Partners 2019 European PE B) LLC ¹³	Limited liability company	100%
ASI (Gold) Limited ³	Ordinary shares	100%
ASI Han Co-Investment LP	Limited Partnership	0%
ASI Hark Capital I GP, LLC ¹³	Limited liability company	100%
ASI Hark Capital II GP, LLC ¹³	Limited liability company	100%
ASI Hark Capital I Parallel, LP ²⁴	Limited Partnership	0%
ASI Hark Capital II Parallel, LP ²⁴	Limited Partnership	0%
ASI Hark Capital I, LP ²⁴	Limited Partnership	0%
ASI Hark Capital II, LP ²⁴	Limited Partnership	0%
ASI Hark Capital III, LP ¹³	Limited Partnership	0%
ASI Hark Capital III GP, LLC ¹³	Limited liability company	100%
ASI (KFAS) RE GP LLP	Limited Liability Partnership	100%
ASI Korea GP 2 Pte. Ltd. ⁵³	Ordinary shares	100%
ASI Korea Separate Account 2 LP ⁵³	Limited Partnership	0%
ASI Little Mill Carry LP ⁴	Limited Partnership	100%
ASI Little Mill LP ⁴	Limited Partnership	0%
ASI Mid Market Fund 1 LP ¹⁹	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 (PGPE III) GP LP	Limited Partnership	0%
ASI Phoenix Fund Financing SCSp ¹⁹	Limited Partnership	0%
ASI Phoenix Global Private Equity III LP	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 ¹⁰	Ordinary shares	100%
ASI (SOF E GP) Limited	Ordinary shares	100%
ASPER (Luxembourg) GP S.a.r.l. ¹⁹	Ordinary shares	100%
Baigrie Davies & Company Limited ³	Ordinary shares	100%
Baigrie Davies Holdings Limited ³	Ordinary shares	100%
Bonaccord Capital Company LP ¹³	Limited Partnership	0%
BoS Mezzanine Partners Fund L.P. ⁵⁴	Limited Partnership	0%
BOSEMP Feeder LP ⁴	Limited Partnership	0%
Castlepoint General Partner Limited ⁵⁵	Ordinary shares	100%
Castlepoint LP ⁵⁵	Limited Partnership	0%
Castlepoint Nominee Limited ⁵⁵	Ordinary shares	100%
C.C. U.S. Private Equity Fund GP, LLC ¹³	Limited Liability Company	100%

7. Group financial statements continued

Name of related undertaking	Share class ¹	% interest held ²
C.C. U.S. Private Equity Fund GP II, LLC ¹³	Limited liability company	
C.C. U.S. Private Equity Fund, L.P. ²⁴	Limited Partnership	0%
C.C. U.S. Private Equity Fund II, L.P. ¹³	Limited Partnership	0%
Concession Infrastructure Investments Manager Limited ⁵⁶	Ordinary shares	50%
Coutts Asian Private Equity Limited Partnership ¹⁰	Limited Partnership	0%
Coutts Global Property Limited Partnership ¹⁰	Limited Partnership	0%
Coutts Middle East and North Africa Private Equity Limited Partnership ¹⁰	Limited Partnership	0%
Coutts Private Equity Limited Partnership ¹⁰	Limited Partnership	0%
Coutts Private Equity Limited Partnership II ¹⁰	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	100%
	Deferred shares	
Elevate Portfolio Services Limited ³	Ordinary shares	100%
ESF I Executive Co Investment Limited Partnership	Limited Partnership	0%
ESP 2004 Co Investment Limited Partnership	Limited Partnership	0%
ESP 2004 Conduit LP	Limited Partnership	0%
ESP 2004 General Partner Limited Partnership	Limited Partnership	100%
ESP 2006 Co Investment Limited Partnership	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	Limited Partnership	0%
ESP 2008 General partner Limited Partnership	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	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 - I LP	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 Scottish 'B'	Limited Partnership	0%
European Strategic Partners Scottish 'C'	Limited Partnership	0%
Flag Asia Company III, L.P. ¹³	Limited Partnership	0%
Flag Asia Company III, LLC ¹³	Limited liability company	100%
Flag GG Opportunity Company, LLC ¹³	Limited liability company	100%
Flag Global Company, LLC ¹³	Limited liability company	100%
Flag International Company, L.P. ¹³	Limited Partnership	0%
Flag International Company II, L.P. ¹³	Limited Partnership	0%

Name of related undertaking	Share class ¹	% interest held ²
Flag International Company III, L.P. ¹³	Limited Partnership	0%
Flag International Company, LLC ¹³	Limited liability company	100%
Flag International Company II, LLC ¹³	Limited liability company	100%
Flag International Company III, LLC ¹³	Limited liability company	100%
Flag Private Equity Company, LLC ¹³	Limited liability company	100%
Flag Private Equity Company II, LLC ¹³	Limited liability company	100%
Flag Private Equity Company III, LLC ¹³	Limited liability company	100%
Flag Private Equity Company IV, LLC ¹³	Limited liability company	100%
Flag Private Equity Company V, LLC ¹³	Limited liability company	100%
Flag Private Equity Company VI, LLC ¹³	Limited liability company	100%
Flag Private Equity Company III, L.P. ¹³	Limited Partnership	0%
Flag Private Equity Company IV, L.P. ¹³	Limited Partnership	0%
Flag Private Equity Company V, L.P. ¹³	Limited Partnership	0%
Flag Real Assets Company LLC ¹³	Limited liability company	100%
Flag Real Assets Company, L.P. ¹³	Limited Partnership	0%
Flag Real Estate Company II, LLC ¹³	Limited liability company	100%
Flag Real Estate Company III, LLC ¹³	Limited liability company	100%
Flag Squadron Asia Pacific III GP LP ¹⁰	Limited Partnership	100%
Flag Venture Company II, LLC ¹³	Limited liability company	100%
Flag Venture Company III, LLC ¹³	Limited liability company	100%
Flag Venture Company IV, LLC ¹³	Limited liability company	100%
Flag Venture Company V, LLC ¹³	Limited liability company	100%
Flag Venture Company VI, L.LC ¹³	Limited liability company	100%
Flag Venture Company VII, LLC ¹³	Limited liability company	100%
Flag Venture Company VIII, LLC ¹³	Limited liability company	100%
Flag Venture Company IX, LLC ¹³	Limited liability company	100%
Flag Venture Company VI, L.P. ¹³	Limited Partnership	0%
Flag Venture Company VII, L.P. ¹³	Limited Partnership	0%
Flag Venture Company VIII, L.P. ¹³	Limited Partnership	0%
Focus Business Solutions Limited ⁵	Ordinary shares	100%
Focus Holdings Limited ⁵	Ordinary shares	100%
Focus Software Limited ⁵	Ordinary shares	100%
Focus Solutions EBT Trustee Limited ⁵	Ordinary shares	100%
FOF III Venture Company, LLC ¹³	Limited liability company	100%
FOF IV Venture Company, LLC ¹³	Limited liability company	100%
FOF V Venture Company, LLC ¹³	Limited liability company	100%
Fraser Heath Financial Management Limited ³	Ordinary shares	100%
Griffin Nominees Limited ³	Ordinary shares	100%
GTAAN – SL LP	Limited Partnership	1%
HDFC Asset Management Company Limited ⁵⁷	Ordinary shares	21%
	Redeemable Preference shares	
Healthcare Private Equity Limited Partnership ³	Limited Partnership	0%
Healthcare Private Equity LP ⁵⁸	Limited Partnership	0%
Heng An Standard Life Insurance Company Limited ⁵⁹	Ordinary shares	50%
Ignis Asset Management Limited	Ordinary shares	100%
Ignis Cayman GP2 Limited ¹⁰	Ordinary shares	100%
Ignis Cayman GP3 Limited ¹⁰	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%
KFAS Real Estate Limited Partnership	Limited Partnership	0%
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%
NASP 2006 Special Limited Partnership	Limited Partnership	0%

7. Group financial statements continued

Name of related undertaking	Share class ¹	% interest held ²
NASP 2008 General Partner Limited Partnership	Limited Partnership	0%
NASP 2008 Special Limited Partnership	Limited Partnership	0%
Next Generation Associates III, LLC ¹³	Limited liability company	100%
Next Generation Associates IV, LLC ¹³	Limited liability company	100%
Next Generation Associates V, LLC ¹³	Limited liability company	100%
Next Generation Associates V, L.P. 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 2006 LP ¹⁰	Limited Partnership	0%
North American Strategic Partners 2008 LP ¹⁰	Limited Partnership	0%
North American Strategic Partners Companion Fund LP ⁶⁰	Limited Partnership	0%
North American Strategic Partners, LP ⁶⁰	Limited Partnership	4%
North East Trustees Limited ⁶¹	Ordinary A shares	100%
	Ordinary B shares	
Origo Services Limited ⁶²	Ordinary shares	19%
Orion Partners CLP Inc. ⁶³	Ordinary shares	100%
Orion Partners Holdings Limited ⁶⁴	Ordinary shares	100%
Orion Partners Services Inc. ⁶³	Ordinary shares	100%
Ostara China RE Fund LP	Limited Partnership	0%
Ostara China Real Estate Fund L.P. ⁶³	Limited Partnership	0%
Ostara Japan Fund 3 LP ⁶³	Limited Partnership	0%
Ostara Korea GP 2 Pte. Ltd. ⁵³	Ordinary shares	100%
Ostara Korea Separate Account LP ⁵³	Limited Partnership	0%
Ostara Partners Inc. China ⁶³	Ordinary shares	100%
Ostara Partners Inc. Japan 3 ⁶³	Ordinary shares	100%
Pace Financial Solutions Limited ³	Ordinary A shares	100%
	Ordinary B shares	
	Ordinary C shares	
Pace Mortgage Solutions Limited ³	Ordinary A shares	100%
	Ordinary B shares	
Parmenion Capital Ltd ⁶⁵	Ordinary shares	100%
Parmenion Capital Partners LLP ⁶⁵	Limited Liability Partnership	100%
Parmenion Nominees Limited ⁶⁵	Ordinary shares	100%
Parnell Fisher Child & Co. Limited ³	Ordinary shares	100%
Parnell Fisher Child Holdings Limited ³	Ordinary A shares	100%
	Ordinary B shares	
PE1 LP ⁴	Limited Partnership	0%
PE1A 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 ⁶¹	Ordinary shares	100%
Pearson Jones Nominees Limited ⁶¹	Ordinary shares	100%
PGB European Buy-out Fund I SCSp ¹⁹	Limited Partnership	0%
Phoenix Group Holdings plc ⁶⁶	Ordinary shares	14%
PT Aberdeen Standard Investments Indonesia ³⁹	Limited Liability Company	99%
PURetail Luxembourg Management Company S.a.r.l. ⁶⁷	Class A shares	50%
Regent Property Partners (Retail Parks) Limited ³	Ordinary shares	100%
Self Directed Investments Ltd. ⁶⁵	Ordinary shares	100%
Serin Wealth Limited ³	Ordinary shares	100%
Shin Global Investment Partners LP ¹⁰	Limited Partnership	95%
SL Capital 2016 Co-Investment GP LP	Limited Partnership	5%
SL Capital 2016 Co-Investment LP	Limited Partnership	0%
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%

Name of related undertaking	Share class ¹	% interest held ²
SL Capital Ignis Strategic Credit Founder LP	Limited Partnership	0%
SL Capital Infrastructure Fund II Top-Up Co-Investment Fund SCSp ¹⁹	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 ²⁸	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 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 NASF I 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 II Feeder LP	Limited Partnership	0%
SL Capital SOF III Feeder LP	Limited Partnership	0%
SL Capital SOF I GP LP	Limited Partnership	0%
SL Capital SOF II GP LP	Limited Partnership	0%
SL Capital SOF III GP LP	Limited Partnership	0%
SL Capital SOF I LP	Limited Partnership	0%
SL Capital SOF II LP	Limited Partnership	0%
SL Capital SOF III LP	Limited Partnership	0%
SLA Corporate Secretary Limited	Ordinary shares	100%
SLC EC I 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%
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%

7. Group financial statements continued

Name of related undertaking	Share class ¹	% interest held ²
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. ²⁸	Ordinary shares	100%
SLIPC (General Partner PMD Co-Invest 2017) Limited	Ordinary shares	100%
SLIPC (General Partner SCF 1) Limited	Ordinary shares	100%
SLIPC PMD Co-Invest 2017 LP	Limited Partnership	0%
SLTM Limited	Ordinary shares	100%
SOF I Executive Co Investment Limited Partnership	Limited Partnership	0%
SOF II Executive Co Investment Limited Partnership	Limited Partnership	0%
SOF III Executive Co Investment Limited Partnership	Limited Partnership	0%
SOF IV Carry LP	Limited Partnership	25%
Squadron Capital Asia Pacific GP, LP ¹⁰	Limited Partnership	100%
Squadron Capital Asia Pacific II GP LP ¹⁰	Limited Partnership	100%
Squadron Capital Partners Limited ¹⁰	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 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 ³	Limited Partnership	0%
Standard Life Investments European RE Club (Offshore Feeder) Ltd ¹⁰	Ordinary shares	100%
Standard Life Investments European RE Club II (Offshore Feeder) Ltd ¹⁰	Ordinary shares	100%
Standard Life Investments European Real Estate Club II LP ³	Limited Partnership	0%
Standard Life Investments European Real Estate Club II LP Feeder Fund ¹⁰	Limited Partnership	0%
Standard Life Investments European Real Estate Club III LP ³	Limited Partnership	2%
Standard Life investments European Real Estate Club LP ³	Limited Partnership	2%
Standard Life Investments European Real Estate Club LP Feeder Fund ¹⁰	Limited Partnership	0%
Standard Life Investments (France) SAS ²⁰	Ordinary shares	100%
Standard Life Investments (General Partner CRED) Limited ³	Ordinary shares	100%
Standard Life Investments (General Partner ELIREF) S.a.r.l. ¹⁹	Ordinary shares	100%
Standard Life Investments (General Partner EPGF) Limited	Ordinary shares	100%
Standard Life Investments (General Partner European Real Estate Club) Limited ³	Ordinary shares	100%
Standard Life Investments (General Partner European Real Estate Club II) Limited ³	Ordinary shares	100%
Standard Life Investments (General Partner European Real Estate Club III) Limited ³	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 Shopping Centre Feeder Fund LP) Limited ³	Ordinary shares	100%
Standard Life Investments Global Absolute Return Strategies Master Fund Limited ¹⁰	Ordinary shares	100%
Standard Life Investments Global Absolute Return Strategies Offshore Feeder Fund Limited ¹⁰	Ordinary shares	100%
Standard Life Investments Global Absolute Return Strategies Onshore Feeder Fund, L.P.	Limited Partnership	0%
Standard Life Investments Global Focused Strategies Master Fund Limited ¹⁰	Ordinary shares	100%
Standard Life Investments Global Focused Strategies Offshore Feeder Fund Limited ¹⁰	Ordinary shares	100%
Standard Life Investments Global SICAV		
Standard Life Investments Global SICAV Dynamic Multi Asset Income Fund ⁶⁸	SICAV	100%
Standard Life Investments Global SICAV Global Equities Unconstrained Fund ⁶⁸	SICAV	48%
Standard Life Investments Global SICAV II		
Standard Life Investments Global SICAV II Emerging Market Debt Sustainable & Responsible Investment Fund ⁶⁸	SICAV	100%
Standard Life Investments Global SICAV II Global Equity Impact Fund ⁶⁸	SICAV	20%

Name of related undertaking	Share class ¹	% interest held ²
Standard Life Investments Global SICAV II MyFolio Multi-Manager I Fund ⁶⁸	SICAV	41%
Standard Life Investments Global SICAV II MyFolio Multi-Manager II Fund ⁶⁸	SICAV	21%
Standard Life Investments Global SICAV II MyFolio Multi-Manager III Fund ⁶⁸	SICAV	27%
Standard Life Investments Global SICAV II MyFolio Multi-Manager IV Fund ⁶⁸	SICAV	33%
Standard Life Investments Global SICAV II MyFolio Multi-Manager V Fund ⁶⁸	SICAV	35%
Standard Life Investments (Hong Kong) Limited ⁶⁹	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 ³²	Ordinary shares	50%
Standard Life Investments (Private Capital) Limited	Ordinary shares	100%
Standard Life Investments (SLIPIT) Limited Partnership ³	Limited Partnership	0%
Standard Life Investments UK Shopping Centre Feeder Fund Company Limited ⁷⁰	Ordinary shares	100%
Standard Life Investments (USA) Limited	Ordinary shares	100%
Standard Life Portfolio Investments Limited	Ordinary shares	100%
Standard Life Portfolio Investments US Inc. ²⁴	Ordinary shares	100%
Standard Life Premises Services Limited	Ordinary shares	100%
Standard Life Savings Nominees Limited	Ordinary shares	100%
Tenet Group Limited ⁷¹	Ordinary B shares	25%
Tenon Nominees Limited ⁴	Ordinary shares	100%
The Coaching Platform Limited ⁵	Ordinary shares	100%
The Munro Partnership Ltd. ⁷²	Ordinary shares	100%
Threesixty Partnerships Limited ⁷	Ordinary shares	100%
Touchstone Insurance Company Limited ⁷³	Ordinary shares	100%
Two Rivers Limited Partnership ³	Limited Partnership	0%
Two Rivers One Limited ⁷⁴	Ordinary shares	100%
Two Rivers Two Limited ⁷⁴	Ordinary shares	100%
UK PRS Opportunities General Partner Limited ³	Ordinary shares	100%
UK PRS Opportunities LP ³	Limited Partnership	0%
Virgin Money Unit Trust Managers Limited ⁷⁵	Ordinary shares	50%
VZWL Private Equity GmbH & Co geschlossene Investment KG ⁴⁶	Limited Partnership	40%
Waverley Healthcare Private Equity Limited ⁴	Ordinary shares	100%
Wealth Horizon Limited ⁶⁵	Ordinary shares	100%
Wise Trustee Limited ⁶⁵	Ordinary shares	100%

¹ OEIC = Open-ended investment company

SICAV = Société d'investissement à capital variable

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%.

7. Group financial statements continued

Registered offices

- ³ Bow Bells House, 1 Bread Street, London, EC4M 9HH
- ⁴ 10 Queen's Terrace, Aberdeen, AB10 1XL
- ⁵ Cranford House, Kenilworth Road, Blackdown, Leamington Spa, CV32 6RQ
- ⁶ c/o IQ EQ Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, 11324, Mauritius
- ⁷ 2nd Floor, The Royals, Altrincham Road, Sharston, Manchester, M22 4BJ
- ⁸ 6, rue Gabriel Lippmann L – 5365 Munsbach, Luxembourg, Luxembourg
- ⁹ 2-8 avenue Charles De Gaulle, L-1653 Luxembourg, Luxembourg
- ¹⁰ c/o Maples Corporate Services Limited, Ugland House, PO Box 309, George Town, KY1-1104, Cayman Islands
- ¹¹ Tuborg Havnevej 15, 2nd Floor, DK-2900 Hellerup, Denmark
- ¹² Kaivokatu 6, Helsinki, 00100, Finland
- ¹³ c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE, 19808, USA
- ¹⁴ Office Unit 8, 6th Floor, Al Khatem Tower, Abu Dhabi Global Market Square, Al Marya Island, PO Box 764605, Abu Dhabi, United Arab Emirates
- ¹⁵ c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, DE 19801 Wilmington, USA
- ¹⁶ c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808, USA
- ¹⁷ Av Brigadeiro Faria Lima, 3729, SALA, 506, Brasil
- ¹⁸ 1 More London Place, London, SE1 2AF
- ¹⁹ 35a Avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg
- ²⁰ 29 Rue De Berri, Paris, 75008, France
- ²¹ 40 Upper Mount Street, Dublin 2, Republic of Ireland
- ²² First Floor Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 6HJ
- ²³ Western Suite, Ground Floor Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ
- ²⁴ 1900 Market St, Suite 200, Philadelphia, PA 19103, USA
- ²⁵ 1 Seaton Place, St Helier, Jersey, JE4 8YJ
- ²⁶ Box 3039, Stockholm, 103 63, Sweden
- ²⁷ Ahtri 6a, Tallinn, 10151, Estonia
- ²⁸ 2 Boulevard de la Foire, L-1528 Luxembourg, Luxembourg
- ²⁹ Pamu Mnt 15, Tallinn, 10141, Estonia
- ³⁰ WTC, H-Tower, 20th Floor, Zuidplein 166, 1077 XV Amsterdam, Netherlands
- ³¹ Mikonkatu 9 Fin 00100, Helsinki, Finland
- ³² 44 Esplanade, St Helier, Jersey, JE4 9WG
- ³³ West Area, 2F, No.707 Zhongyang Road, China (Shanghai) Pilot Free Trade Zone
- ³⁴ Bangkok City Tower, 28th Floor, 179 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120, Thailand
- ³⁵ IFC 1 The Esplanade, St Helier, JE1 4BP, Jersey
- ³⁶ First Floor, Sir Walter Raleigh House, 48-50 Esplanade, St Helier, Jersey, JE2 3QB
- ³⁷ Level 10, 255 George Street, Sydney, NSW 2000, Australia
- ³⁸ 8F-1, No. 101, Songren Road, Taipei City, 110, Taiwan, Republic of China
- ³⁹ 16th Floor, Menara Dea Tower 2, Kawasan Mega Kuningan, Jl Mega Kuningan Barat Kav. E4.3 No. 1-2, 12950 Jakarta, Indonesia
- ⁴⁰ 21 Church Street, #01-01, Capital Square Two, 049480, Singapore
- ⁴¹ 1 First Canadian Place, 100 King Street West, Toronto, Ontario, Canada
- ⁴² 6th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong
- ⁴³ Toranomom Seiya Building 11F, 1-2-3 Toranomom, Minato-ku, Tokyo, 105-0001, Japan
- ⁴⁴ Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing No.1, Leboh Ampang 50100 Kuala Lumpur, Malaysia
- ⁴⁵ Schweizergasse 14, Zurich, 8001, Switzerland
- ⁴⁶ Bockenheimer Landstrasse 25, 60325 Frankfurt am Main, Germany
- ⁴⁷ AC 82 NO. 10 60 P 5 Bogota DC, Columbia
- ⁴⁸ 712 5th Ave, New York, NY 10019, USA
- ⁴⁹ Henrik Ibsens gate 100, PO Box 2882 Solli, 0230 Oslo, Norway
- ⁵⁰ 24 Merrion Row, Dublin 2, Republic of Ireland
- ⁵¹ 13th Fl., B Tower (Seocho-dong, Kyobo Tower Building), 465, Gangnam-daero, Seocho-gu, Seoul, Korea
- ⁵² Sveavägen 24, 111 57 Stockholm, Sweden
- ⁵³ 80 Robinson Road, #02-00, 068898, Singapore
- ⁵⁴ 7 Melville Crescent, Edinburgh, EH3 7JA
- ⁵⁵ 11th Floor, Two Snowhill, Birmingham, B4 6WR
- ⁵⁶ c/o Paget-Brown Trust Company Ltd, Boundary Hall, Cricket Square, P.O. Box 1111, Grand Cayman, KY1-1102, Cayman Islands
- ⁵⁷ HDFC House, 2nd floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai – 400 020, India
- ⁵⁸ Edinburgh One, Morrison Street, Edinburgh, EH3 8BE
- ⁵⁹ 18F, Tower II, The Exchange, 189 Nanjing Road, Heping District, Tianjin, People's Republic of China, 300051
- ⁶⁰ 1 Rodney Square 10th Fl, 10 & King St, Wilmington, DE 19801, USA
- ⁶¹ Clayton Wood Close, West Park Ring Road, Leeds, LS16 6QE
- ⁶² 7 Lochside View, Edinburgh, EH12 9DH
- ⁶³ Campbells Corporate Services Limited, 4th Floor, Willow House, Cricket Square, KY1-9010, Cayman Islands
- ⁶⁴ 28th and 30th Floor, LHT Tower, 31 Queen's Road Central, Hong Kong
- ⁶⁵ Aurora (3rd Floor) Finzels Reach, Counterslip, Bristol, BS1 6BX
- ⁶⁶ Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU
- ⁶⁷ 80, Route d'Esch, L-1470 Luxembourg, Luxembourg
- ⁶⁸ 2-4, Rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg
- ⁶⁹ 30th Floor, Jardine House, One Connaught Place, Hong Kong
- ⁷⁰ Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
- ⁷¹ 5 Lister Hill, Horsforth, Leeds, LS18 5AZ
- ⁷² Citadel House, 6 Citadel Place, Ayr, KA7 1JN
- ⁷³ c/o Aon, PO Box 33, Maison Trinity, Trinity Square, St Peter Port, Guernsey GY1 4AT
- ⁷⁴ Lime Grove House, Green Street, St Helier, Jersey, JE1 2ST
- ⁷⁵ Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL

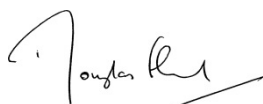
8. Company financial statements

Company statement of financial position

As at 31 December 2020

	Notes	2020 £m	2019 £m
Assets			
Investments in subsidiaries	A	4,013	6,027
Investments in associates and joint ventures	B	1,216	1,229
Deferred tax assets	M	77	35
Loans to subsidiaries	C	109	–
Derivative financial assets	C	1	3
Equity securities and interests in pooled investment funds	C	249	218
Debt securities	C	326	603
Receivables and other financial assets	C	50	15
Other assets	F	–	14
Cash and cash equivalents	C	47	19
Total assets		6,088	8,163
Equity			
Share capital	G	306	327
Shares held by trusts	H	(161)	(119)
Share premium reserve	G	640	640
Retained earnings	I		
Brought forward retained earnings		2,933	2,035
(Loss)/profit for the year attributable to equity shareholders of Standard Life Aberdeen plc		(1,266)	1,020
Other movements in retained earnings		964	(122)
Total retained earnings		2,631	2,933
Other reserves	J	1,842	3,621
Total equity		5,258	7,402
Liabilities			
Subordinated liabilities	K	638	655
Derivative financial liabilities	D	6	–
Other financial liabilities	K	110	25
Provisions	O	68	77
Other liabilities	O	8	4
Total liabilities		830	761
Total equity and liabilities		6,088	8,163

The financial statements on pages 211 to 221 were approved by the Board and signed on its behalf by the following Directors:



Sir Douglas Flint
Chairman
9 March 2021



Stephanie Bruce
Chief Financial Officer
9 March 2021



The Notes on pages 214 to 221 are an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2020

2020	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity £m
1 January		327	(119)	640	2,933	3,621	7,402
Loss for the year		–	–	–	(1,266)	–	(1,266)
Other comprehensive income for the year		–	–	–	–	8	8
Total comprehensive income for the year		–	–	–	(1,266)	8	(1,258)
Dividends paid on ordinary shares		–	–	–	(479)	–	(479)
Share buyback	G	(21)	–	–	(402)	21	(402)
Reserves credit for employee share-based payment	J	–	–	–	–	64	64
Transfer to retained earnings for vested employee share-based payment	J	–	–	–	38	(38)	–
Transfer between reserves on impairment of investment in subsidiaries	J	–	–	–	1,834	(1,834)	–
Shares acquired by employee trusts		–	(66)	–	–	–	(66)
Shares distributed by employee and other trusts and related dividend equivalents		–	24	–	(27)	–	(3)
31 December		306	(161)	640	2,631	1,842	5,258



The Notes on pages 214 to 221 are an integral part of these financial statements.

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)
Share buyback	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



The Notes on pages 214 to 221 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 Application of Financial Reporting Requirements 100 as issued by the Financial Reporting Council. Accordingly, the financial statements for period ended 31 December 2020 have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) as issued by the Financial Reporting Council.

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. These accounting policies have been consistently applied to all financial reporting periods presented in these financial statements.

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 judgements 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 judgements in applying accounting policies	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	2020 £m	2019 £m
Investments in subsidiaries measured at cost		3,568	5,465
Investments in subsidiaries measured at FVTPL	C	445	562
Investments in subsidiaries		4,013	6,027
		2020 £m	2019 £m
At 1 January		6,027	6,467
Investment into existing subsidiaries measured at cost		26	150
Acquisition of subsidiaries at cost		–	–
Disposal of subsidiaries measured at cost		(50)	(139)
Impairment of subsidiaries measured at cost		(1,873)	(795)
Acquisition of subsidiaries at FVTPL		8	344
Disposal of subsidiaries at FVTPL		(126)	–
Gains on subsidiaries at FVTPL		1	–
At 31 December		4,013	6,027

Details of the Company's subsidiaries are given in Note 48 of the Group financial statements.

(a) Acquisitions

During 2020, the Company made the following acquisitions of subsidiaries measured at cost:

- The Company increased its investment in 1825 Financial Planning Ltd (1825) through the purchase of 17,000,000 ordinary shares for a cash consideration of £17m
- The company increased its investment in Aberdeen Asset Management PLC (AAM PLC) through the purchase of 1,171,875 ordinary shares for a cash consideration of £3.8m and through the purchase of 500,000 ordinary shares for a cash consideration of £1.6m
- The company increased its investment in Standard Life Employee Services Limited (SLESL) through the purchase of 3,584 ordinary shares for a cash consideration of £3.6m

During 2019, the Company made the following acquisitions of subsidiaries measured at cost:

- The Company increased its investment in AAM PLC through the purchase of 100,000,000 ordinary shares for a non-cash consideration of £10m and through the purchase of 22,010,558 ordinary shares for a cash consideration of £70.4m
- The Company increased its investment in 1825 through the purchase of 63,600,000 ordinary shares for a cash consideration of £63.6m
- 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
- The Company increased its investment in SLESL through the purchase of 3,389 ordinary shares for a cash consideration of £3.4m

See Section (d) below for details on investments in subsidiaries at FVTPL.

(b) Disposals

During 2020, the Company made the following disposals of subsidiaries measured at cost:

- The Company redeemed £44.4m of equity capital in Standard Life (Mauritius Holdings) 2006 Limited through the cancellation of 553,336.19 Participating shares
- The Company received £5.2m by way of distribution of the unallocated divisible surplus from the Standard Life Assurance Company 2006 (SLAC 06) following its deauthorisation. The Company was the sole member of SLAC 06 and this amount was previously held as a subsidiary measured at cost.

During 2019, the Company made the following disposals of subsidiaries measured at cost:

- The Company redeemed £139m of equity capital in Standard Life (Mauritius Holdings) 2006 Limited through the cancellation of 1,779,047.32 Participating shares

(c) 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, 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 £1,834m in 2020 (2019: £780m). Following the impairment, £1,834m (2019: £780m) was transferred from the merger reserve to retained earnings (refer Note J).

The impairment of £1,834m was recognised at 30 June 2020, at the same time as a further impairment of the asset management goodwill was recognised in the Group financial statements. Refer Note 15 of the Group financial statements. The recoverable amount at 30 June 2020 was £3,074m which is based on fair value less cost of disposal (FVLCD). The FVLCD includes the fair value of HDFC Asset Management which is an associate of SLIH. The approach and key assumptions in determining the FVLCD are the same as used in the impairment review for asset management goodwill set out in Note 15 of the Group financial statements. Following the impairment loss recognised at 30 June 2020, the recoverable amount was equal to the carrying amount. At 31 December 2020, there is no indication that the Company's investments in AAM PLC and SLIH have become further impaired. The recoverable amount is impacted by changes in the fair value of HDFC AMC, which was £1,321m at 31 December 2020 (£1,204m at 30 June 2020), and the key assumptions used in determining the FVLCD of the asset management group of cash generating units at 30 June 2020 which are detailed in Note 15 of the Group financial statements. As for the valuation of the asset management goodwill set out in Note 15 of the Group financial statements, the primary valuation approach was within a range of reasonable outcomes and reflected market conditions and uncertainties at 30 June 2020, including significant uncertainties relating to the impact of COVID-19 at that point. An impairment of an investment in subsidiaries can be reversed due to changes in circumstances; however, no indicators of reversal were identified during the course of the second half of the year.

The recoverable amount at 31 December 2019 of £4,808m was based on value in use, which was assessed by management as being higher than the FVLCD at this date. As set out in Note 15 of the Group financial statements, management has now assessed that the FVLCD is higher.

The Company's investment in its subsidiary 1825 Financial Planning Limited (1825 FPL) was impaired during 2020 by £39m (2019: £nil). The recoverable amount which is its FVLCD at 31 December 2020 was £115m. The FVLCD considered a number of valuation approaches, with the primary approach being a multiples approach based on price to revenue and price to assets under advice (AUAdv). Multiples were based on recent acquisitions, adjusted to take into account profitability where appropriate, and were benchmarked against other recent external transactions. Revenue and AUAdv were based on December 2020 actuals. The expected cost of disposal was based on past experience of previous transactions. This is a level 3 measurement as it is measured using inputs which are not based on observable market data. The impairment resulted from losses incurred by the business during the year and the impact of the level of profitability on valuation expectations for certain parts of the business. As the year end carrying value is the recoverable amount any downside sensitivity will lead to a further future impairment loss. A 10% reduction in recurring revenue and AUAdv would result in a further impairment of £13m.

The Company's investment in its subsidiary Focus Solutions Group Limited (Focus) was impaired during 2019 by £15m. The carrying amount of the Company's investment in Focus is £nil (2019: £nil).

(d) Investments in subsidiaries at FVTPL

Investments in subsidiaries at FVTPL, valued at £445m (2019: £562m), relate to holdings in funds over which the Company has control.

B. Investments in associates and joint ventures

	2020 £m	2019 £m
Investment in associates measured at cost	1,020	1,033
Investment in joint venture measured at cost	196	196
Investments in associates and joint ventures	1,216	1,229

(a) Investment in associates

The Company's investments in associates are measured at cost less impairment.

The Company has an interest of 14.4% (2019: 19.97%) in Phoenix Group Holdings plc (Phoenix), a company incorporated in England and Wales. On 22 July 2020, Phoenix announced the completion of its acquisition of ReAssure Group plc. Under the terms of the transaction, Phoenix issued 277,277,138 new ordinary shares as part consideration for the acquisition. Completion of the transaction resulted in the Company's holding in Phoenix becoming 14.4% of the enlarged Phoenix Group.

For Phoenix, we consider that 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 VIU for determining any impairment or reversal of impairment of the Company's investment in Phoenix. As the VIU is based on the market value, a discount rate is not determined. At 31 December 2020 the market value of the Company's interest in Phoenix was £1,010m (31 December 2019: £1,079m) and a £13m impairment has been recognised in 2020 (2019: reversal of impairment £211m). Further details of this associate are provided in Note 16 of the Group financial statements.

The Company has an interest of 25.3% (2019: 25.3%) in Tenet Group Limited, a company incorporated in England and Wales.

(b) Investment in joint venture

The Company has a 50% (2019: 50%) interest in Heng An Standard Life Insurance Company Limited (HASL), a company incorporated in China. Further details on this joint venture are provided in Note 16 of the Group financial statements.

C. Financial investments

	Notes	Fair value through profit or loss		Derivative financial instruments used for hedging		Amortised cost		Total	
		2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Investments in subsidiaries measured at FVTPL	A	445	562	–	–	–	–	445	562
Loan to subsidiaries		–	–	–	–	109	–	109	–
Derivative financial assets	D	–	–	1	3	–	–	1	3
Equity securities and interests in pooled investment funds		249	218	–	–	–	–	249	218
Debt securities		–	–	–	–	326	603	326	603
Receivables and other financial assets	E	28	1	–	–	22	14	50	15
Cash and cash equivalents		–	–	–	–	47	19	47	19
Total		722	781	1	3	504	636	1,227	1,420

The amount of debt securities expected to be recovered or settled after more than 12 months is £231m (2019: £266m). The amount of loans to subsidiaries expected to be recovered or settled after more than 12 months is £100m (2019: £nil).

Under IFRS 9 the Company calculates expected credit losses (ECL) on financial assets which are measured at amortised cost (refer to Note 38 (c) of the Group financial statements), including loans to subsidiaries (which are unrated). At 31 December 2020 the Company does not hold financial assets at amortised cost that it regards as credit-impaired or for which it considers the probability of default would result in material expected credit losses (2019: £nil). In making this assessment the Company has considered if any evidence is available to indicate the occurrence of an event which would result in a detrimental impact on the estimated future cash flows of these assets.

D. Derivative financial instruments

The Company uses derivative financial instruments in order to reduce the risk from potential movements in foreign exchange rates.

	2020			2019		
	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	549	–	6	566	3	–
Foreign exchange forwards	79	1	–	74	–	–
Derivative financial instruments	628	1	6	640	3	–

The derivative liability of £6m (2019: derivative asset of £3m) 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:

	Within 1 year		2-5 years		6-10 years		11-15 years		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Cash inflows										
Cash flow hedges	23	24	93	96	607	650	–	–	723	770
Foreign exchange forwards	62	57	–	–	–	–	–	–	62	57
Total	85	81	93	96	607	650	–	–	785	827
Cash outflows										
Cash flow hedges	(18)	(18)	(73)	(73)	(614)	(632)	–	–	(705)	(723)
Foreign exchange forwards	(61)	(56)	–	–	–	–	–	–	(61)	(56)
Total	(79)	(74)	(73)	(73)	(614)	(632)	–	–	(766)	(779)
Net derivative financial instruments cash flows	6	7	20	23	(7)	18	–	–	19	48

E. Receivables and other financial assets

	2020 £m	2019 £m
Amounts due from related parties	16	12
Contingent consideration asset	28	1
Other financial assets	6	2
Total receivables and other financial assets	50	15

The carrying amounts disclosed above reasonably approximate the fair values at the year end.

Receivables and other financial assets of £43m (2019: £15m) are expected to be recovered within 12 months.

F. Other assets

Other assets of £14m in 2019 comprised amounts due from related parties which were 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 share buyback.

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, prior to SLA issuing its closure instructions to the Trustees on 13 December 2019, the Standard Life Unclaimed Asset Trust (UAT). The SLA EBT was established on 28 March 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 2020.

J. Movements in other reserves

The following tables show the movements in other reserves during the year:

	Merger reserve £m	Equity compensation reserve £m	Special reserve £m	Capital redemption reserve £m	Cash flow hedges £m	Total £m
2020						
At 1 January	2,412	53	115	1,037	4	3,621
Fair value losses on cash flow hedges	–	–	–	–	(3)	(3)
Realised losses on cash flow hedges transferred to income statement	–	–	–	–	13	13
Share buyback	–	–	–	21	–	21
Reserves credit for employee share-based payments	–	64	–	–	–	64
Transfer to retained earnings for vested employee share-based payments	–	(38)	–	–	–	(38)
Transfer between reserves on impairment of investment in subsidiaries	(1,834)	–	–	–	–	(1,834)
Tax effect of items that may be reclassified subsequently to profit or loss	–	–	–	–	(2)	(2)
At 31 December	578	79	115	1,058	12	1,842

	Merger reserve £m	Equity compensation reserve £m	Special reserve £m	Capital redemption reserve £m	Cash flow hedges £m	Total £m
2019						
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
Share buyback	–	–	(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

During 2020, £21m (2019: £26m) 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), £1,834m (2019: £780m) was transferred from the merger reserve to retained earnings.

K. Financial liabilities

	Notes	Amortised cost		Total	
		2020 £m	2019 £m	2020 £m	2019 £m
2020					
Subordinated liabilities	L	638	655	638	655
Other financial liabilities	N	110	25	110	25
Total		748	680	748	680

L. Subordinated liabilities

	2020		2019	
	Principal amount	Carrying value	Principal amount	Carrying value
Subordinated notes:				
4.25% US Dollar fixed rate due 30 June 2028	\$750m	£546m	\$750m	£563m
5.5% Sterling fixed rate due 4 December 2042	£92m	£92m	£92m	£92m
Total subordinated liabilities		£638m		£655m

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 less than £1m (2019: less than £1m) 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.

M. Deferred tax assets and liabilities

	2020 £m	2019 £m
Deferred tax assets	77	35

The amount of deferred tax assets expected to be recovered or settled after more than 12 months are £77m (2019: £35m).

Recognised deferred tax

	2020 £m	2019 £m
Deferred tax assets comprise:		
Unused tax losses	80	36
Unrealised losses on cash flow hedges	(2)	–
Gross deferred tax assets	78	36
Less: Offset against deferred tax liabilities	(1)	(1)
Deferred tax assets	77	35
Deferred tax liabilities comprise:		
Unrealised gains on investments	1	1
Gross deferred tax liabilities	1	1
Less: Offset against deferred tax assets	(1)	(1)
Deferred tax liabilities	–	–
Net deferred tax asset at 31 December	77	35
Movements in net deferred tax assets comprise:		
At 1 January	35	22
Amounts credited to profit or loss	44	15
Amounts charged to other comprehensive income	(2)	(2)
At 31 December	77	35

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.

N. Other financial liabilities

	2020 £m	2019 £m
Outstanding purchase of investment securities	6	–
Amounts due to related parties	47	2
Collateral held in respect of derivative contracts	7	13
Outstanding contractual obligation for share buyback	40	–
Other	10	10
Other financial liabilities	110	25

Other financial liabilities of £110m (2019: £25m) are expected to be settled within 12 months.

O. Provisions and other liabilities

Of Provisions of £68m (2019: £77m), £58m are expected to be settled within 12 months (2019: £48m). The provisions in 2020 and 2019 relate to separation costs. Refer Note 37 of the Group financial statements for further information and details of the provisions.

Of Other liabilities of £8m (2019: £4m), £8m are expected to be settled within 12 months (2019: £4m) and include £8m (2019: £2m) in respect of amounts due to related parties.

P. 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 (SLES), the principal employer, must pay contributions to the pension plan as the trustees' actuary may certify necessary. The Company has guaranteed the obligations of SLES in relation to this plan. In addition the Company has guaranteed similar obligations in respect of certain other subsidiaries' UK and Ireland defined benefit pension plans.

None of these guarantees give rise to any liabilities at 31 December 2020 (2019: none).

Q. Related party transactions**(a) 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.

R. Events after the reporting date

On 23 February 2021, the Group announced a simplification and extension of the strategic partnership between the Group and Phoenix. Further information is given in Note 47 of the Group financial statements.

The Company's shareholding in Phoenix remains at 14.4%. Following the changes to the commercial agreements between the Group and Phoenix, the Group concluded that Phoenix should no longer be accounted for as an associate with effect from 23 February 2021. From this date, the Company has reclassified its investment in Phoenix from an investment in associates measured at cost less impairment to equity securities measured at fair value.

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. The addition of adjusted capital generation was the only change to our KPIs in 2020, reflecting the linkage with our dividend policy.

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 9.4.

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 2020. See pages 78 and 83 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 • Impairment loss/reversal of impairment loss recognised on investments in associates and joint ventures accounted for using the equity method • Changes in fair value of significant listed investments and related dividend income • 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 associate and joint venture insurance entities where they have a policy for determining investment return variances and economic assumption changes • 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 KPI	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. Dividends from significant listed investments are also included. Adjusted diluted capital generation per share is calculated as adjusted capital generation divided by the weighted average number of diluted ordinary shares outstanding.	This measure aims to show how adjusted profit contributes to regulatory capital, and therefore provides insight into our ability to generate capital that is deployed to support value for shareholders.
Cash and liquid resources	Cash and liquid resources are IFRS cash and cash equivalents (netted down for overdrafts), money market instruments and holdings in money market funds. It also includes surplus cash that has been invested in liquid assets such as high quality corporate bonds, gilts and pooled investment funds. Seed capital and co-investments are excluded.	The purpose of this measure is to demonstrate how much cash and invested assets we hold and can be readily accessed.

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	Group adjusted profit	Presentation differences	Adjusting items	Capital management	Share of associates' and joint ventures' tax expense	Non-controlling interests	Group IFRS	IFRS term
2020	£m	£m	£m	£m	£m	£m	£m	
Fee based revenue KPI R	1,425	214	1,949	21	–	–	3,609	Total income
Adjusted operating expenses	(1,206)	(214)	(1,500)	–	–	–	(2,920)	Total expenses
Capital management	21	–	–	(21)	–	–	–	N/A
Share of associates' and joint ventures' profit before tax	247	–	(81)	–	(17)	–	149	Share of profit from associates and JVs ¹
Adjusted profit before tax from continuing operations	487	–	368	–	(17)	–	838	Profit before tax
Tax on adjusted profit	(38)	–	53	–	–	–	15	Total tax expense
Share of associates' and joint ventures' tax	(38)	–	–	–	38	–	–	N/A
Adjusted profit after tax from continuing operations	411	–	421	–	21	–	853	Profit for the year from continuing operations
Adjusted profit after tax from discontinued operations	–	–	(15)	–	–	–	(15)	Profit for the year from discontinued operations
Adjusted profit after tax	411	–	406	–	21	–	838	Profit for the year

¹ Includes £45m impairment of interests in joint ventures.

Adjusted profit term	Group adjusted profit	Presentation differences	Adjusting items	Capital management	Share of associates' and joint ventures' tax expense	Non-controlling interests	Group IFRS	IFRS term
2019	£m	£m	£m	£m	£m	£m	£m	
Fee based revenue	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 ²
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

² Includes £243m reversal of impairment of interests in associates.

This reconciliation includes a number of reconciling items which arise due to presentation differences between IFRS reporting requirements and the determination of fee based revenue 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 account of policyholders. Investment return from unit linked business in 2020 was £49m (2019: £392m). 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.

9. Supplementary information continued

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		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adjusted profit before tax	487	584	650	–	–	210	487	584	860
Share of associates' and joint ventures' tax expense	(17)	(8)	(40)	–	–	–	(17)	(8)	(40)
Total adjusting items	368	(333)	(1,397)	(15)	56	1,519	353	(277)	122
Profit attributable to non-controlling interests – ordinary shares	–	–	–	–	–	5	–	–	5
Profit before tax¹	838	243	(787)	(15)	56	1,734	823	299	947

¹ Discontinued operations shown as (loss)/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		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Restructuring and corporate transaction expenses	(355)	(407)	(239)	–	–	(264)	(355)	(407)	(503)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	(1,287)	(1,844)	(1,155)	–	–	–	(1,287)	(1,844)	(1,155)
Profit on disposal of subsidiaries	–	–	–	–	–	1,780	–	–	1,780
Profit on disposal of interests in associates	1,858	1,542	185	–	–	–	1,858	1,542	185
(Loss on)/reversal of impairment of associates and joint ventures	(45)	243	(228)	–	–	–	(45)	243	(228)
Change in fair value of significant listed investments	65	–	–	–	–	–	65	–	–
Investment return variances and economic assumption changes	46	(25)	54	–	–	(41)	46	(25)	13
Other	86	158	(14)	(15)	56	44	71	214	30
Total adjusting items	368	(333)	(1,397)	(15)	56	1,519	353	(277)	122

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. The 2020 expenses included costs relating to integration and implementing our simplified operating model of £79m (2019: £214m), £112m (2019: £37m) in respect of Phoenix separation costs, and £69m (2019: £41m) of other transformation related restructuring costs. 2020 also included £39m (2019: £33m) relating to our share of the restructuring costs of joint ventures and associates (primarily Phoenix). 2019 also included £49m relating to the repurchase of subordinated debt and £20m variable compensation expense related to the receipt of £140m LBG compensation.
- 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.
- 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 2020 of £1,858m (2019: £1,542m), includes a one-off accounting gain of £1,051m following the reclassification of HDFC Life from an investment in associates accounted for using the equity method to equity securities measured at fair value (see Note 16), £540m from the sale of 5.83% of shares in HDFC Life (2019: £1,337m, 14.49%) and £263m from the sale of 5.64% of shares in HDFC Asset Management (2019: £204m, 3.02%). Details are provided in Note 1 of the Group financial statements.

- The impairment of associates and joint ventures of £45m relates to our joint venture with Virgin Money. The reversal of impairment of associates in 2019 of £243m reflected the recovery of the Phoenix share price and reversed the impairment recognised in 2018. These impairment losses/reversals 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.
- The change in fair value of significant listed investments of £65m represents the impact of movements in the listed share price on our 8.89% holding in HDFC Life from 3 December 2020 to 31 December 2020. Excluding fair value movements on significant listed investments for the purposes of adjusted profit is aligned with our treatment of gains on disposal for these holdings when they were classified as an associate, and reflects that the fair value movements are not indicative of the long-term operating performance of the group.
- Investment return variances and economic assumption changes in the Group's associate and joint venture insurance entities are excluded from adjusted profit. 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. Details of the Phoenix policy 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 2020 this includes £66m relating to our share of Phoenix gains relating to the acquisition of ReAssure and the completion of the Part VII transfer of the Legal and General mature savings business. Also included is the gain on disposal of SL Asia of £8m.

The table below provides a breakdown for the calculation of our share of adjusted profit before tax from Phoenix of £163m which is included in the Insurance associates and joint ventures reportable segment total of £203m. Phoenix use an operating profit alternative performance measure which is before finance costs, while the Group's adjusted profit is after deducting finance costs.

	2020 100% £m	2020 14.42% ¹ £m	2019 100% £m	2019 19.97% £m
Operating profit before tax (Phoenix APM)	1,199	196	810	162
Finance costs	(191)	(33)	(127)	(26)
Adjusted profit before tax (Standard Life Aberdeen APM)	1,008	163	683	136

¹ Our holding in the enlarged Phoenix Group reduced from 19.97% to 14.43% following the completion of its acquisition of ReAssure Group plc on 22 July 2020 (31 December 2020: 14.42%) and therefore the results shown above are based on 19.97% until 21 July 2020.

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.

	2020 £m	2019 £m
Adjusted profit after tax	411	469
Remove staff pension scheme returns	(20)	(29)
Remove associates' and joint ventures' adjusted profit after tax	(209)	(200)
Add associates' and joint ventures' dividends received	80	93
Adjusted capital generation	262	333

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:

	2020 £m	2019 £m
Total income recognised in the consolidated income statement per Note 34 (c) of the Group financial statements	19	40
Past service costs (included in adjusting items)	–	(13)
Remove IFRS charge relating to schemes in deficit	1	2
	20	29

Share of associates' and joint ventures' adjusted profit after tax

An analysis is provided below:

	2020	2019
	£m	£m
Share of associates' and joint ventures' adjusted profit before tax – Note 2 (b)(i)	247	246
Share of associates' and joint ventures' adjusted tax expense – Note 2 (b)(i)	(38)	(46)
Share of associates' and joint ventures' adjusted profit after tax	209	200

Associates' and joint ventures' dividends received

This information is disclosed in Note 16 of the Group financial statements. An analysis is provided below:

	2020	2019
	£m	£m
Phoenix	67	67
HDFC Life	–	9
HDFC Asset Management	13	17
Associates' and joint ventures' dividends received	80	93

Cash and liquid resources

The table below provides a reconciliation between IFRS cash and cash equivalents and cash and liquid resources. Seed capital and co-investments are excluded. Details of seed capital and co-investments are provided in Note 38 (b).

	2020	2019
	£bn	£bn
Cash and cash equivalents per Note 24 of the Group financial statements	1.5	1.6
Bank overdrafts – Note 24	(0.2)	(0.3)
Debt securities excluding third party interests ¹ – Note 38 (c)(i)	1.0	1.2
Corporate funds held in absolute return funds – Note 38 (b)(i)(i)	0.2	0.2
Cash and liquid resources	2.5	2.7

¹ Excludes £54m (2019: £78m) relating to seeding, see Note 38 (b).

9.3 Surplus regulatory capital

The £2.3bn indicative capital surplus below includes a deduction to allow for the proposed final dividend which will be paid in May 2021.

At 31 December 2020, the indicative regulatory capital position was as follows:

	2020	FY 2019
	£bn	£bn
CRD IV Group regulatory capital position		
Common Equity Tier 1 capital resources	2.9	2.2
Tier 2 capital resources	0.5	0.6
Total regulatory capital resources	3.4	2.8
Total regulatory capital requirements	(1.1)	(1.1)
Surplus regulatory capital	2.3	1.7

The Group's capital resources include c£0.8bn (2019: c£0.3bn) from holdings in insurance entities that it is expected will no longer be eligible following the implementation of the Investment Firm Prudential Regime (IFPR) from 1 January 2022. The IFPR is also expected to introduce constraints on the proportion of the minimum capital requirement that can be met by each tier of capital. As a result, it is estimated that c£0.3bn of existing Tier 2 capital, whilst continuing to be reported within the Group's capital resources, would not be available to meet the current minimum capital requirement from 1 January 2022.

9.4 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.	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. For 2020, we changed the KPI basis for the cost/income ratio to exclude the share of associates' and joint ventures' profit before tax. This change better links revenue to expenses.
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 clients on. Fee revenue yield is now presented on a vector basis reflecting changes in our strategy. This includes changes in the allocation of fee based revenue, a reconciliation is provided in Section 9.4.3.
Investment performance KPI R Investment performance has been aggregated using a money weighted average of our assets under management which are outperforming their respective benchmark. Calculations for investment performance are made gross of fees with the exception of those for which the stated comparator is net of fees. The investment performance calculation covers all funds that aim to outperform a benchmark, with certain assets excluded where this measure of performance is not appropriate or expected, such as private markets, execution only mandates and Aberdeen Standard Capital, as well as replication tracker funds which aim to perform in line with a given index.	As an asset managing business this measure demonstrates our ability to generate investment returns for our clients.

9.4.1 Cost/income ratio

	2020	2019
Adjusted operating expenses (£m)	(1,206)	(1,333)
Fee based revenue (£m)	1,425	1,634
Share of associates' and joint ventures' profit before tax (£m)	247	246
Cost/income ratio (%)	85	82
Cost/income ratio including our share of associates' and joint ventures' profit before tax (%)	72	71

9.4.2 Fee revenue yield (bps)¹

	Average AUMA (£bn)		Fee based revenue (£m)		Fee revenue yield (bps)	
	2020	2019	2020	2019	2020	2019
Investments						
Institutional and Wholesale ²	235.1	239.0	922	1,027	38.8	42.8
Insurance	204.7	258.5	224	317	10.9	12.2
Adviser	61.5	59.3	137	150	22.3	25.3
Personal ²	12.6	10.6	80	70	58.5	59.2
Parmenion	7.3	6.2	25	21	34.2	34.8
Eliminations	(10.2)	(10.1)	N/A	N/A	N/A	N/A
Fee revenue yield²	511.0	563.5	1,388	1,585	26.9	27.9
SL Asia			7	12		
Performance fees			30	37		
Fee based revenue			1,425	1,634		

Analysis of Institutional and Wholesale by asset class³

	Average AUM (£bn)		Fee based revenue (£m)		Fee revenue yield (bps)	
	2020	2019	2020	2019	2020	2019
Equities	61.9	71.8	403	472	65.1	65.7
Fixed income	47.1	47.5	137	131	29.0	27.6
Multi-asset	33.5	39.3	125	173	37.4	44.0
Private markets	16.5	15.4	79	71	47.9	46.5
Real estate	27.1	29.3	129	142	47.8	48.3
Alternatives ⁴	19.0	13.0	20	17	10.5	12.9
Quantitative	6.6	5.5	4	3	5.6	5.5
Cash/Liquidity	23.4	17.2	16	12	6.8	7.1
Institutional and Wholesale	235.1	239.0	913	1,021	38.8	42.8

Analysis of Adviser revenue yield

Fee based revenue (gross basis) includes revenue passed to the product provider as shown below in other cost of sales. The cost of sales are netted against fee based revenue as presented in 9.4.2 above. The fee revenue yield presented on a gross basis in the table below represents the average bps charge payable by clients.

	Average AUMA (£bn)		Fee based revenue (£m)		Fee revenue yield (bps)	
	2020	2019	2020	2019	2020	2019
Fee based revenue (net of cost of sales)	61.5	59.3	137	150	22.3	25.3
Add: Other cost of sales – Note 4 (a)	N/A	N/A	27	26	N/A	N/A
Fee based revenue (gross of cost of sales)	61.5	59.3	164	176	26.7	29.6

¹ Fee revenue yield is now presented on a vector basis and 2019 comparatives have been restated on this basis. See Section 9.4.3 for more information.

² Institutional and Wholesale fee revenue yield excludes revenue of £9m (2019: £6m) and Personal fee revenue yield excludes revenue of £7m (2019: £7m), for which there are no attributable assets.

³ Excludes revenue of £9m (2019: £6m), for which there are no attributable assets.

⁴ Alternatives average AUM includes c£12bn (2019: c£7bn) of lower margin advisory mandates. At 31 December 2020 the closing AUM of these mandates was c£12bn.

9.4.3 Fee based revenue – reconciliation to previously disclosed information

2019 as previously disclosed	Fee based revenue £m	Methodology change £m	Reallocation of technology business and Virgin Money revenue £m	Parmenion reallocation £m	Fee based revenue £m	2019 on revised basis
						Investments
Institutional and Wholesale	1,011	9	7	–	1,027	Institutional and Wholesale
Strategic insurance partners	317	–	–	–	317	Insurance
Platforms and Wealth						
Wrap and Elevate	150	–	–	–	150	Adviser
Wealth	107	(9)	(7)	(21)	70	Personal
	–	–	–	21	21	Parmenion
Eliminations	N/A	–	–	–	N/A	Eliminations
	1,585	–	–	–	1,585	
SL Asia	12	–	–	–	12	SL Asia
Performance fees	37	–	–	–	37	Performance fees
Fee based revenue	1,634	–	–	–	1,634	Fee based revenue

9.4.4 Investment performance

% of AUM ahead of benchmark ¹	1 year		3 years		5 years	
	2020	2019	2020	2019	2020	2019
Equities	73	59	74	31	62	31
Fixed income	78	83	81	86	85	72
Multi-asset	61	68	33	46	36	61
Real estate	41	39	37	48	44	36
Alternatives	95	89	95	98	93	100
Quantitative	32	44	17	52	24	58
Cash/Liquidity	94	91	89	88	87	88
Total	71	74	66	60	68	67

¹ The investment performance calculation covers all funds (including Insurance) that aim to outperform a benchmark, with certain assets excluded where this measure of performance is not appropriate or expected. Calculations for investment performance are made gross of fees except where the stated comparator is net of fees. Further details about the calculation of investment performance are included in the Glossary.

9.5 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. It includes assets under management (AUM), assets under administration (AUA) and assets under advice (AUAdv).	The amount of funds that we manage, administer or advise directly impacts the level of fee based revenue that we receive.
AUM is a measure of the total assets that we manage on behalf of individual and institutional clients. AUM also includes captive assets managed on behalf of the Group including assets managed for corporate purposes.	AUMA is now presented on a vector basis and 2019 comparatives have been restated on this basis.
AUA is a measure of the total assets we administer for clients through platform products such as ISAs and SIPPs.	See Section 9.9 for a reconciliation to previously disclosed information.
AUAdv is a measure of the total assets we advise our clients on, for which there is an ongoing charge.	
Net flows	
Net flows represent gross inflows less gross outflows or redemptions. Gross inflows are new funds from clients. Gross outflows or redemptions is the money withdrawn by clients during the period.	The level of net flows that we generate directly impacts the level of fee based revenue that we receive.
	Net flows are now presented on a vector basis and 2019 comparatives have been restated on this basis.

9.5.1 Analysis of AUMA¹

	Opening AUMA at 1 Jan 2020	Gross inflows	Redemptions	Net flows	Market and other movements	Corporate actions	Closing AUMA at 31 Dec 2020
12 months ended 31 December 2020	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Investments							
Institutional	160.6	26.6	(23.4)	3.2	7.9	–	171.7
Wholesale	76.1	23.2	(26.1)	(2.9)	6.8	–	80.0
Insurance	235.8	17.6	(50.4)	(32.8)	2.2	–	205.2
Adviser	62.6	6.3	(4.4)	1.9	2.5	–	67.0
Personal ²	12.8	1.1	(1.1)	–	0.5	–	13.3
Parmenion	6.9	1.5	(0.5)	1.0	0.2	–	8.1
Eliminations ²	(10.2)	(2.0)	2.6	0.6	(1.1)	–	(10.7)
Total AUMA	544.6	74.3	(103.3)	(29.0)	19.0	–	534.6

	Opening AUMA at 1 Jan 2019	Gross inflows	Redemptions	Net flows	Market and other movements ³	Corporate actions ⁴	Closing AUMA at 31 Dec 2019
12 months ended 31 December 2019	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Investments							
Institutional	166.7	27.1	(41.3)	(14.2)	8.1	–	160.6
Wholesale	72.5	23.8	(27.6)	(3.8)	6.7	0.7	76.1
Insurance	255.0	26.9	(71.3)	(44.4)	25.2	–	235.8
Adviser	54.2	7.0	(4.7)	2.3	6.1	–	62.6
Personal ²	5.7	1.1	(1.0)	0.1	5.2	1.8	12.8
Parmenion	5.2	2.4	(1.3)	1.1	0.6	–	6.9
Eliminations ²	(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

¹ AUMA is now presented on a vector basis and 2019 comparatives have been restated on this basis. See Section 9.9 for more information.

² Eliminations remove the double count reflected in Investments, Adviser and Personal. The Personal vector includes assets that are reflected in both Aberdeen Standard Capital and Advice businesses. This double count is also removed within Eliminations.

³ Personal market and other movements include 1825 opening assets under advice of £4.0bn.

⁴ Corporate actions in Wholesale relate to the acquisition of Orion Partners (£0.7bn). Personal 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.

9.5.2 Quarterly net flows¹

	3 months to 31 Dec 20	3 months to 30 Sep 20	3 months to 30 Jun 20	3 months to 31 Mar 20	3 months to 31 Dec 19
15 months ended 31 December 2020	£bn	£bn	£bn	£bn	£bn
Investments					
Institutional	1.4	0.4	2.4	(1.0)	–
Wholesale	(0.4)	(0.5)	(0.2)	(1.8)	2.3
Insurance	(2.6)	(4.0)	0.3	(26.5)	(10.8)
Adviser	0.5	0.3	0.4	0.7	0.6
Personal	(0.1)	–	0.2	(0.1)	0.1
Parmenion	0.2	0.2	0.3	0.3	0.3
Eliminations	0.2	0.2	–	0.2	–
Total net flows	(0.8)	(3.4)	3.4	(28.2)	(7.5)

9.6 Institutional and Wholesale AUM

Detailed asset class split

	Opening AUM at 1 Jan 2020	Gross inflows	Redemptions	Net flows	Market and other movements	Corporate actions	Closing AUM at 31 Dec 2020
12 months ended 31 December 2020 ¹	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Developed markets equities	14.7	3.6	(3.8)	(0.2)	0.2	–	14.7
Emerging markets equities	21.6	1.6	(6.2)	(4.6)	2.0	–	19.0
Asia Pacific equities	23.3	4.2	(4.8)	(0.6)	3.9	–	26.6
Global equities	9.4	1.4	(2.7)	(1.3)	0.8	–	8.9
Total equities	69.0	10.8	(17.5)	(6.7)	6.9	–	69.2
Developed markets credit	32.2	6.8	(9.3)	(2.5)	3.0	–	32.7
Developed markets rates	3.3	0.7	(0.9)	(0.2)	(0.3)	–	2.8
Emerging markets fixed income	10.9	3.8	(2.5)	1.3	–	–	12.2
Total fixed income	46.4	11.3	(12.7)	(1.4)	2.7	–	47.7
Absolute return	12.7	0.7	(2.6)	(1.9)	0.7	–	11.5
Diversified growth/income	1.9	0.2	(0.4)	(0.2)	(1.1)	–	0.6
MyFolio	15.7	2.4	(2.9)	(0.5)	0.4	–	15.6
Other multi-asset	4.1	0.9	(1.0)	(0.1)	5.7	–	9.7
Total multi-asset	34.4	4.2	(6.9)	(2.7)	5.7	–	37.4
Private equity	12.1	1.9	(1.0)	0.9	(1.8)	–	11.2
Private credit and solutions	–	0.5	–	0.5	0.3	–	0.8
Infrastructure equity	4.0	0.1	–	0.1	0.9	–	5.0
Total private markets	16.1	2.5	(1.0)	1.5	(0.6)	–	17.0
UK real estate	13.4	0.5	(1.3)	(0.8)	(3.4)	–	9.2
European real estate	12.1	1.0	(1.0)	–	–	–	12.1
Global real estate	1.0	0.3	(0.3)	–	0.8	–	1.8
Real estate multi-manager	1.4	0.3	(0.1)	0.2	–	–	1.6
Total real estate	27.9	2.1	(2.7)	(0.6)	(2.6)	–	24.7
Total alternatives	17.7	2.4	(1.1)	1.3	0.5	–	19.5
Total quantitative	7.8	1.3	(1.6)	(0.3)	(1.1)	–	6.4
Total cash/liquidity	17.4	15.2	(6.0)	9.2	3.2	–	29.8
Total	236.7	49.8	(49.5)	0.3	14.7	–	251.7

¹ AUMA is now presented on a vector basis and 2019 comparatives have been restated on this basis. See Section 9.9 for more information.

9. Supplementary information continued

	Opening AUM at 1 Jan 2019	Gross inflows	Redemptions	Net flows	Market and other movements	Corporate actions	Closing AUM at 31 Dec 2019
12 months ended 31 December 2019 ¹	£bn	£bn	£bn	£bn	£bn	£bn	£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	0.8	(2.2)	(1.4)	–	–	4.1
Total multi-asset	43.0	4.9	(17.7)	(12.8)	4.2	–	34.4
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	5.2	(0.8)	4.4	1.3	–	7.8
Total cash/liquidity	16.5	7.8	(5.4)	2.4	(1.5)	–	17.4
Total	239.2	50.9	(68.9)	(18.0)	14.8	0.7	236.7

9.7 Analysis of Insurance

	Opening AUM at 1 Jan 2020	Gross inflows	Redemptions	Net flows	Market and other movements	Corporate actions	Closing AUM at 31 Dec 2020
12 months ended 31 December 2020	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Phoenix ²	169.7	13.0	(18.7)	(5.7)	7.5	–	171.5
Lloyds	64.5	4.2	(31.5)	(27.3)	(5.4)	–	31.8
Other ²	1.6	0.4	(0.2)	0.2	0.1	–	1.9
Total	235.8	17.6	(50.4)	(32.8)	2.2	–	205.2

	Opening AUMA at 1 Jan 2019	Gross inflows	Redemptions	Net flows	Market and other movements	Corporate actions	Closing AUMA at 31 Dec 2019
12 months ended 31 December 2019	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Phoenix ²	154.8	16.3	(17.3)	(1.0)	15.9	–	169.7
Lloyds	98.6	10.6	(53.7)	(43.1)	9.0	–	64.5
Other ²	1.6	–	(0.3)	(0.3)	0.3	–	1.6
Total	255.0	26.9	(71.3)	(44.4)	25.2	–	235.8

¹ AUMA is now presented on a vector basis and 2019 comparatives have been restated on this basis. See Section 9.9 for more information.

² Following the acquisition of ReAssure by the Phoenix Group in 2020, ReAssure is now included within Phoenix for the analysis of Insurance AUM. 2019 has been restated on the same basis.

9.8 Analysis of total AUM (excluding Parmenion)¹

9.8.1 AUM by geography

	31 Dec 2020				31 Dec 2019			
	Institutional and Wholesale	Insurance	Personal ²	Total	Institutional and Wholesale	Insurance	Personal ²	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
UK	116.5	205.2	7.8	329.5	112.2	235.8	7.1	355.1
Europe, Middle East and Africa (EMEA)	65.9	–	–	65.9	55.8	–	–	55.8
Asia Pacific (APAC)	16.8	–	–	16.8	16.9	–	–	16.9
Americas	52.5	–	–	52.5	51.8	–	–	51.8
Total AUM	251.7	205.2	7.8	464.7	236.7	235.8	7.1	479.6

9.8.2 AUM by asset class

	31 Dec 2020				31 Dec 2019			
	Institutional and Wholesale	Insurance	Personal ²	Total	Institutional and Wholesale	Insurance	Personal ²	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Equities	69.2	48.8	–	118.0	69.0	50.3	–	119.3
Fixed income	47.7	69.0	–	116.7	46.4	88.5	–	134.9
Multi-asset	37.4	7.0	7.8	52.2	34.4	10.2	7.1	51.7
Private markets	17.0	1.8	–	18.8	16.1	0.8	–	16.9
Real estate	24.7	8.3	–	33.0	27.9	9.2	–	37.1
Alternatives	19.5	–	–	19.5	17.7	0.6	–	18.3
Quantitative	6.4	45.0	–	51.4	7.8	46.7	–	54.5
Cash/Liquidity	29.8	25.3	–	55.1	17.4	29.5	–	46.9
Total AUM	251.7	205.2	7.8	464.7	236.7	235.8	7.1	479.6

¹ AUMA is now presented on a vector basis and 2019 comparatives have been restated on this basis. See Section 9.9 for more information.

² Excludes assets under advice of £5.5bn at 31 December 2020 (2019: £5.7bn).

9.9 AUMA – Reconciliation to previously disclosed information

2019 as previously disclosed	Closing AUMA £bn	Parmenion reallocation £bn	Virgin Money reallocation £bn	Closing AUMA £bn	2019 on revised basis
					Investments
Institutional	160.6	–	–	160.6	Institutional
Wholesale	72.4	–	3.7	76.1	Wholesale
Strategic insurance partners	235.8	–	–	235.8	Insurance
Platforms and Wealth					
Wrap and Elevate	62.6	–	–	62.6	Adviser
Wealth	23.4	(6.9)	(3.7)	12.8	Personal
	–	6.9	–	6.9	Parmenion
Eliminations	(10.2)	–	–	(10.2)	Eliminations
Total AUMA	544.6	–	–	544.6	Total AUMA

Other Information

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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
- Impairment loss/reversal of impairment loss recognised on investments in associates and joint ventures accounted for using the equity method
- Changes in fair value of significant listed investments
- 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 associate and joint venture insurance entities where they have a policy for determining investment return variances and economic assumption changes. This currently applies only to the Group's investment in Phoenix.

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. 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 and institutional clients. AUM also includes assets managed for corporate purposes.

AUA is a measure of the total assets we administer for clients through our Platforms. AuAdv is a measure of the total assets we advise our clients 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.

Cost/income ratio

This is an efficiency measure that is calculated as adjusted operating expenses divided by fee based revenue. The measure may also be disclosed on a basis that 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 Officer; Chief Financial Officer; CEO Aberdeen Standard Capital; CEO Aberdeen Standard Investments Asia Pacific; CEO Adviser Platforms; Chief HR Officer; Chief Investment Officer; Chief Brand, Marketing and Corporate Affairs Officer; Chief Risk Officer; General Counsel; Global Chief Operating Officer; Global Head of Aberdeen Standard Investments; Global Head of Product and Client Solutions; Global Head of Strategic Partnerships; Head of Americas and Head of EMEA and UK.

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 client, 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.

Growth vectors

We provide services across three growth vectors:

- **Investments:** Asset management investment solutions for institutional, wholesale and insurance clients
- **Adviser:** Our Wrap and Elevate adviser platforms
- **Personal:** Comprises our 1825 financial planning and advice business and our Aberdeen Standard Capital discretionary investment management business

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).

Investment performance

Investment performance has been aggregated using a money weighted average of our assets under management which are outperforming their respective benchmark. Calculations for investment performance are made gross of fees with the exception of those for which the stated comparator is net of fees. 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). The investment performance calculation covers all funds that aim to outperform a benchmark, with certain assets excluded where this measure of performance is not appropriate or expected, such as private markets, execution only mandates and Aberdeen Standard Capital, as well as replication tracker funds which aim to perform in line with a given index. Investment performance is calculated as if Standard Life Group and Aberdeen had always been merged.

LBG tranche withdrawals

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. 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 from 24 July 2019. During this period, the Group will continue to be remunerated for its services in relation to the transferring AUM.

Net flows

Net flows represent gross inflows less gross outflows or redemptions. Gross inflows are new funds from clients. Gross outflows or redemptions is the money withdrawn by clients 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 latest available Group's Pillar 3 disclosures are published at www.standardlifeaberndeen.com/annualreport

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.

Subordinated liabilities

Subordinated liabilities are debts of a company which, in the event of liquidation, rank below its other debts but above share capital.

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'. Frauds are becoming much more sophisticated and may use company branding, or email addresses that appear to come from the company. If you get a social or email message and you're unsure if it is from us, you can send it to emailscams@aberdeenstandard.com and we'll look into it for you.

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 2020	9 March
Ex-dividend date for 2020 final dividend	15 April
Record date for 2020 final dividend	16 April
Last date for DRIP elections for 2020 final dividend	5 May
Annual General Meeting – Edinburgh	18 May
Dividend payment date for 2020 final dividend	25 May
Half year results 2021	10 August
Ex-dividend date for 2021 interim dividend	19 August
Record date for 2021 interim dividend	20 August
Last date for DRIP elections for 2021 interim dividend	8 September
Dividend payment date for 2021 interim dividend	28 September

Analysis of registered shareholdings at 31 December 2020

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1-1,000	63,666	65.24	25,688,131	1.17
1,001-5,000	29,045	29.76	59,210,354	2.70
5,001-10,000	2,778	2.85	18,480,640	0.84
10,001-100,000	1,564	1.60	38,235,469	1.74
#100,001+	538	0.55	2,052,501,022	93.55
Total	97,591	100.00	2,194,115,616	100.00

These figures include the Company-sponsored nominee – the Standard Life Aberdeen Share Account – which had 994,615 participants holding 665,021,873 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: the direct and indirect impacts and implications of the coronavirus COVID-19 on the economy, nationally and internationally, and on the Group, its operations and prospects; 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 (including the impact of the coronavirus COVID-19); 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 (including changes in response to the coronavirus COVID-19 and its impact on the economy); 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 or changes in connection with the coronavirus COVID-19) 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

Contact us

Got a shareholder question? Contact our shareholder services team.

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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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Standard Life Aberdeen plc (rest of Annual report and accounts)

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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 2020 (unless otherwise indicated).

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