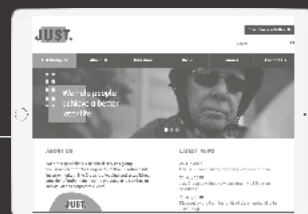


**WE HELP
PEOPLE
ACHIEVE
A BETTER
LATER LIFE**

ABOUT US

We are a specialist UK financial services group focusing on attractive segments of the UK retirement income market. The Group is a leading and established provider of retirement income products and services to individual and corporate clients



All Just Group plc regulatory announcements, shareholder information and news releases can be found on our Group website, www.justgroupplc.co.uk

Cross linking

Throughout this document we have linked content together in order to provide a more comprehensive report inside the Strategic Report, Governance Report and Financial Statements. These sections, taken together, comprise the Strategic Report in accordance with the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

CONTENTS

STRATEGIC REPORT

1	Our purpose
2	Investment case
3	Financial and operational highlights
4	At a glance
6	Chair's Statement
8	Chief Executive Officer's Statement
10	Market context
14	Business model
16	Strategic priorities
18	Sustainable investment strategy
20	Developing new partnering propositions
22	Relationships with stakeholders
24	Key performance indicators
26	Financial Review
34	Risk management
36	Principal risks and uncertainties
40	People and culture
44	Investing in fulfilling our purpose
46	Environment
48	Section 172 Statement
52	Non-financial information statement

GOVERNANCE

54	Chair's introduction to Governance
56	Board of Directors
60	Senior leadership
62	Governance in operation
69	Nomination Committee Report
72	Audit Committee Report
78	Group Risk and Compliance Committee Report
80	Directors' Remuneration Report
97	Directors' Report
101	Directors' Responsibilities

FINANCIAL STATEMENTS

102	Independent Auditor's Report
111	Consolidated statement of comprehensive income
112	Consolidated statement of changes in equity
113	Consolidated statement of financial position
114	Consolidated statement of cash flows
115	Notes to the consolidated financial statements
157	Statement of changes in equity of the Company
158	Statement of financial position of the Company
159	Statement of cash flows of the Company
160	Notes to the Company financial statements
164	Additional financial information
166	Information for shareholders
168	Directors and advisers
169	Glossary
171	Abbreviations

OUR PURPOSE



INDIVIDUALS

We provide guaranteed income for life to deliver security and peace of mind for our customers and we provide regulated advice, guidance and information services to help people make the most of their pensions and other savings.

 [READ MORE ON PG.4](#)



PENSION SCHEME TRUSTEES

We provide improved security of income for members of defined benefit pension schemes by transferring the risk to Just.

 [READ MORE ON PG.4](#)

WE HELP PEOPLE ACHIEVE A BETTER LATER LIFE



HOMEOWNERS

We provide the resources to improve the later life of homeowners and their families.

 [READ MORE ON PG.4](#)



COMPANIES

We provide advisory, technology and customer services to help UK companies meet the needs of their customers and clients in later life.

 [READ MORE ON PG.4](#)

INVESTMENT CASE

A disciplined and innovative pricing approach has enabled the Group to establish leadership positions in the growing retirement market

DISCIPLINED, FOCUSED & INNOVATIVE

FIVE KEY FEATURES



“

We are proud of the outstanding new business franchise we have built at Just and are focused on rebuilding shareholder value

DAVID RICHARDSON

Group Chief Executive Officer

[READ MORE ON PG.8](#)

FOCUS ON CAPITAL

Capital is our number one priority. We are realigning the business so that we focus on becoming capital self-sufficient. We have made a number of announcements on capital already and there will be more to come. We have worked hard to adapt our business to the changing regulatory environment. Improving our capital position will help us to fulfil our other goals and ensure we deliver value for shareholders.

[READ MORE ON PG.6](#)

HELPING PEOPLE ACHIEVE A BETTER LATER LIFE

Just has a compelling, clear purpose, to help people achieve a better later life by providing financial advice, guidance, competitive products and services to those approaching, at and in-retirement.

[READ MORE ON PG.5](#)

GROWING RETIREMENT MARKETS

As the population ages, our retirement markets grow. Whether it is defined benefit schemes de-risking or retirees seeking either to turn their pension into a guaranteed income for life or access equity in their homes, our markets have many years of growth ahead of them.

[READ MORE ON PG.10](#)

POSITIVE DISRUPTION

As retirement specialists we seek to positively disrupt the markets where we choose to participate, delivering better outcomes for customers so we may deliver value for shareholders.

[READ MORE ON PG.14](#)

LEADING DISTRIBUTION FRANCHISE

Just has leadership positions in attractive segments of the retirement market. We have a strong brand, known and trusted for delivering outstanding service, which combines with a diversified distribution model to create a uniquely valuable franchise.

[READ MORE ON PG.14](#)

FINANCIAL AND OPERATIONAL HIGHLIGHTS

KEY PERFORMANCE INDICATORS

SOLVENCY II CAPITAL COVERAGE
RATIO (ESTIMATED)

141%

136% at 31 December 2018

ORGANIC CAPITAL GENERATION/
(CONSUMPTION)¹

£36M

£(165)m at 31 December 2018

RETIREMENT INCOME SALES¹

£1,918.1M

2018: £2,173.5m, down 12%

ADJUSTED OPERATING PROFIT BEFORE TAX¹

£218.6M

2018: £210.3m, up 4%

NEW BUSINESS OPERATING PROFIT¹

£182.0M

2018: £243.7m, down 25%

IN-FORCE OPERATING PROFIT¹

£84.4M

2018: £71.7m, up 18%

IFRS PROFIT BEFORE TAX

£368.6M

2018: £(85.5)m

IFRS NET ASSETS

£2,321.0M

2018: £1,663.8m, up 39%

FINANCIAL STRENGTH AND OTHER INDICATORS

FITCH INSURER FINANCIAL STRENGTH RATING

A+

for Just Retirement Limited (2018: A+)

FITCH ISSUER DEFAULT RATING

A

for Just Group plc (2018: A)

¹ Alternative performance measure (see glossary on page 169 for definition).

Organic capital generation/(consumption) is reconciled to Solvency II excess own funds on page 27.

New business operating profit, in-force operating profit and adjusted operating profit are reconciled to IFRS profit before tax on page 29 and 30.

Retirement Income sales are reconciled to gross premiums written in note 6 to the consolidated financial statements on page 125.

AWARDED FURTHER RECOGNITION FOR OUTSTANDING SERVICE

FINANCIAL ADVISER: 5 STAR SERVICE AWARD



EUROPEAN PENSION AWARDS



PENSIONS AGE



INSTITUTE OF CUSTOMER SERVICE



MONEY AGE AWARDS



AT A GLANCE

Leaders in our markets. We positively disrupt markets where we can become a leader and deliver great outcomes for customers so we may deliver value for shareholders

WE ARE A SPECIALIST IN OUR CHOSEN MARKETS, SERVING FOUR DISTINCT GROUPS...



TRUSTEES AND SCHEME SPONSORS: PROVIDING MEMBER SECURITY AND DE-RISKING PENSION LIABILITIES

Defined benefit pension schemes de-risking their liabilities by securing member benefits with an insurance contract.

ADDRESSABLE MARKET

>£600 BILLION



HOMEOWNERS: ACCESSING PROPERTY WEALTH

People aged 60+ who want to access wealth locked up in their property.

PROPERTY WEALTH OWNED BY PEOPLE AGED 55+

>£3.2 TRILLION



INDIVIDUALS: PROVIDING RETIREMENT INCOME

People who have built up pension savings throughout their career and want a guaranteed income, flexible income or a combination in retirement.

MARKET VALUE OF DEFINED CONTRIBUTION PENSION SAVINGS

>£1 TRILLION



CORPORATE CLIENTS: SOLVING PROBLEMS FOR COMPANIES

We develop scalable retirement-focused solutions for banks, building societies, life assurance companies, pension scheme trustees, other corporate clients and for their customers, clients and members.

Competitive position:

 A leader
  Developing

...WITH PRODUCTS AND SERVICES



MARKETED PRODUCTS¹

SERVICES

DEFINED BENEFIT DE-RISKING SOLUTIONS (“DB”)

Solutions for pension scheme trustees to reduce the financial risks of operating pension schemes and increase certainty that members' pensions will be paid in the future.

BENEFIT AND COMPETITIVE POSITION

Just's innovative approach and underwriting expertise in this segment delivers better prices for trustees.



GUARANTEED INCOME FOR LIFE (“Gifl”)

A solution for individuals/couples who want the security of knowing they will receive a guaranteed income for life.

By using our unrivalled intellectual property, Just provides an individually tailored solution providing customers typically with double-digit percentage increases in income compared to standard products.



SECURE LIFETIME INCOME (“SLI”)

Launched in 2019, SLI is a tax-efficient solution for individuals who want the security of knowing they will receive a guaranteed income for life and the flexibility to make changes in the early years of the plan.

Just's pioneering Secure Lifetime Income product enables customers to select a guaranteed income from within a Self-Invested Personal Pension. This enables a customer to manage and blend their total pension assets tax efficiently within a single technology platform.



CARE PLANS

A solution for people moving to residential care who want the security of knowing a regular payment will be made to the care provider for the rest of their life.

Just's Care Plans can be tailored to the individual and offer a tax-efficient solution to making payments to residential care providers.



LIFETIME MORTGAGES (“LTM”)

Solutions designed for people who want to release some of the value of their home.

Just provides a range of lifetime mortgages, enabling people to meet a variety of needs in later life.



¹ Reported in our Insurance segment.



PROFESSIONAL SERVICES²

SERVICES

HUB GROUP

Our professional services and distribution businesses delivering technology, broking and advice solutions for corporate clients and pension schemes. We also provide regulated financial advice on how people should use pension savings, or release some of the value from their home.



Support for organisations wanting to deliver whole-of-market shopping around services to source retirement income products for their customers, employees or pension scheme members. HUB Financial Solutions is the UK's largest Gifl broker.

BENEFIT AND COMPETITIVE POSITION

HUB Financial Solutions offers an innovative approach that provides affordable regulated advice to people with modest pension savings. It also delivers face-to-face nationwide advice at a time and place to suit the client, and enables pension schemes to deliver efficient and robust scheme-led defined benefit transfer programmes.



Provides a range of business services tailored to the needs of the organisation, ranging from consultancy and software development to fully outsourced customer service delivery and marketing services.

² Reported in our Other segment.

CHAIR'S STATEMENT

The Board has enhanced the strength of the Group's executive team and is focused on building the capital base and delivering value for customers and shareholders

COMPELLING PURPOSE, CLEAR FOCUS



CHRIS GIBSON-SMITH
Chair

I am pleased to introduce Just Group plc's 2019 Annual Report. We have strengthened the capital position of the Group and delivered an encouraging operating performance.

OUR PRIORITY IN 2019

In the 2018 Annual Report I set out the uncertainty presented to Just and other companies in the industry resulting from the Prudential Regulation Authority's ("PRA") consultation into the treatment of equity release mortgages.

During 2019 the PRA published the second part of its conclusions on the treatment of equity release mortgages being held to back annuity liabilities. The impact has been significant, but I am pleased to report that it was in line with our planning assumptions. During the year we have made good progress implementing management actions in response to the regulatory changes. We have identified a range of further management actions to continue to maintain and strengthen the Group's capital base as we finalise our compliance with the rules by the end of 2021. We continue to work closely with the PRA as we stabilise our capital position and reflect the regulatory changes in our capital models.

In light of the changes in capital requirements, the Board has continued to actively review and adapt the Group's business model to ensure that we can continue to provide products that are valuable for our customers, with appropriate levels of capital security and to ensure that we can deliver a good return for our shareholders. This has resulted in targeted reductions in new business, changes to product pricing and re-insurance that have successfully halved new business strain in 2019. The Board's focus on this will continue in 2020.

Delivering capital self-sufficiency is without question our principal commitment to shareholders, because it signals the on-going rigour of our capital management and will deliver a sustainable business. This is why the Board has instigated a less capital intensive strategy.

The Group's financial strength and performance is explained in detail in the Financial Review.

DIVIDEND

Whilst the Group continues to build its capital base to accommodate the new regulations on equity release mortgages, the Board believes it would not be appropriate to recommend recommending dividend payments. The Board will continue to keep this situation under review.

BOARD COMPOSITION AND GOVERNANCE

In April we announced that Rodney Cook would be retiring as Chief Executive Officer. I would like to take this opportunity to thank him again for leading the Group through a period of significant change over the past nine years. In September we announced that, following an extensive search, David Richardson (formerly Deputy Chief Executive Officer) had been appointed as the Company's new Chief Executive Officer. David's leadership is already transforming the Group, and making his interim CEO role permanent was a natural step for us to take.

In June we announced that Andy Parsons would be joining as the Group's new Chief Financial Officer. Andy was appointed to the Board and started his new role on 1 January. Michelle Cracknell joined the Group Board on 1 March 2020 and Mary Kerrigan joined the Boards of Just Retirement Limited and Partnership Life Assurance Company Limited, the Group's life insurance subsidiaries on 1 November 2019. I am delighted to welcome all three of them to the Group.

It was with great sadness we announced that Michael Deakin passed away in July. Michael made an invaluable contribution in his role as a Non-Executive Director of the Company and Chair of the Investment Committees for the Group's life insurance subsidiaries and will be greatly missed.

The Board remains committed to achieving the Hampton-Alexander targets and improving diversity in the boardroom. The appointments of Michelle and Mary demonstrate our progress towards this goal.

We have established our own internal target that 33% of senior leadership roles should be held by women by the end of 2023. More detail on this theme can be found on page 55.

I take great pride in leading the Board and the Group's governance function, and my introduction to the Corporate Governance Report provides further information on our governance and decision making processes. I would like to thank the entire Board for their significant contribution, and look forward to working with them in 2020.

ENGAGEMENT WITH OUR STAKEHOLDERS

The Board engages directly and indirectly with our customers, shareholders, colleagues, regulators, legislators, professional bodies and wider society to promote the interests of our customers more broadly. We place great importance on working effectively with these groups and actively seeking their feedback.

We work hard to ensure our customers benefit from our services and our shareholders receive the benefit of long-term value creation.

Throughout this report you can read how the Board takes into consideration feedback from the Company's stakeholders and how the Board and colleagues across the Group promote the success of the Company.

OUR PURPOSE

Just has a strong social purpose: we help people achieve a better later life by providing financial advice, guidance, competitive products and services. We help our customers achieve security, certainty and the peace of mind in retirement.

OUTLOOK

The fundamental drivers for growth in our core markets continue to be strong and whilst further progress needs to be made on our capital position, the commercial outlook remains favourable for our Group. I remain confident that our disciplined participation in these markets will result in excellent outcomes for our customers and value creation for our shareholders. We have further work to do to address the regulatory challenges of the last few years, although we now have greater clarity and have taken significant steps to strengthen our capital base.

Our results in the year demonstrate our proven expertise in selecting the most appropriate risks, combined with our focus on deploying our capital wisely.

I want to emphasise the Board's focus on reviewing all strategic and business options to maximise shareholder value. This can now be done from a position of increased regulatory clarity, greater capital certainty, and a valuable new business franchise, all under the leadership of a strengthened management team.

On behalf of the Board I would like to close by thanking all of our colleagues across the Group for their hard work, creativity and dedication to our purpose. With their positive energy and commitment to providing the best service possible to our customers and business partners, we are building a stronger, Just company that can be increasingly optimistic about the future.

CHRIS GIBSON-SMITH

Chair

ANNUAL GENERAL MEETING 2020

10.00 am
14 May 2020
at Just Group plc
Enterprise House
Bancroft Road
Reigate
Surrey RH2 7RT

CHIEF EXECUTIVE OFFICER'S STATEMENT

The changes we made to our business model have delivered positive organic capital generation in 2019 – a significant milestone on our journey to build a sustainable capital trajectory for the Group

FOCUSING ON CAPITAL AND VALUE

CAPITAL IS THE GROUP'S
NUMBER ONE PRIORITY



DAVID RICHARDSON
Group Chief Executive Officer

SOLVENCY II CAPITAL COVERAGE RATIO (ESTIMATED)

141%

2018: 136% (after notional
recalculation of TMTP)

ORGANIC CAPITAL GENERATION¹

£36M

2018: £(165)m

ADJUSTED OPERATING PROFIT BEFORE TAX¹

£218.6M

2018: £210.3m

¹ Alternative performance measure.

I am delighted to present my first Chief Executive Officer's Statement, since I assumed the role in May 2019.

CAPITAL

We have a clear strategy focused on improving the Group's capital position and we are making good progress in adapting our business model to achieve our strategic goals. Despite operating in a tough environment we took big strides in improving our organic capital generation and reducing balance sheet risks in 2019. We have halved the new business capital strain, reduced our property sensitivity, signed our first DB partnering deal and released capital through longevity reinsurance.

We achieved organic capital generation in the second half of the year and at the same time accelerated our adoption of the new regulatory requirements on LTMs. We recognised £219m of regulatory strengthening, sooner than we previously indicated.

The Solvency II capital coverage ratio has grown from 136% in 2018 to 141% in 2019 due to a significant boost from the £400m of new capital raised during the year. This more than offset the effect of the regulatory changes relating to LTMs. The ratio would have grown to 156%, if we had not recognised the £219m of regulatory capital strengthening. We estimate the remaining cost of fully implementing the revised regulatory requirements for LTMs by 2021 to be £80m.

We are committed to creating a sustainable capital trajectory, and during 2019 we have taken decisive action to help achieve this. We have taken steps to reduce our cost base, including reducing our property footprint and simplifying our senior management structure. We have outsourced our UK income drawdown service and closed our loss making US care unit. We are also working hard to improve results from our other Group companies, such as HUB.

We have now executed two pioneering property risk transactions which provide protection against prolonged, long-term property underperformance. This reduces the amount of regulatory capital we hold for the LTMs covered by the transactions. These two transactions reduce our property risk on c.£900m of LTMs. We have a range of further capital tools to use, including additional de-risking through reinsurance and NNEG hedging, as well as utilising our debt capacity in due course, and increasingly from retaining the capital we are beginning to generate organically.

We are also making progress in creating a capital-light partnering model for DB de-risking transactions larger than £250m. Writing these larger transactions using mainly external capital provided by reinsurers enables us to play a part in this huge market and take fuller advantage of the strength of our award winning new business franchise. We have completed our first such transaction with the AA Pension Scheme (see page 20).

During the year we restructured our internal LTM securitisation to meet the revised regulatory requirements of PS19/19 and PS31/18.

We are working closely with the PRA and although our regulatory position is much clearer than a year ago, regulatory scrutiny remains high and some uncertainty and risk remains.

PERFORMANCE REVIEW

We took decisive action to moderate and refocus sales in 2019, in order to reduce new business strain. Retirement Income sales for 2019 were £1,918.1m, a reduction of 12% from the prior year (2018: £2,173.5m). This led to a corresponding decrease in new business operating profit, from £243.7m to £182.0m.

The IFRS profit before tax for 2019 was £368.6m (2018: IFRS loss before tax of £85.5m) helped by falls in interest rates. Capital is our focus, but this is a strong IFRS result.

Our new business pricing discipline, the decision to reduce new business volumes and a focus on more capital efficient products more than halved our new business capital strain from £160m in 2018 to £74m in 2019.

The significant reduction in new business strain helped the Group to achieve positive organic capital generation of £36m in 2019. This is an excellent achievement, that I am committed to building on in future periods.

OUR CUSTOMERS

We are reviewing and adapting our business model to ensure that we continue to provide value to our customers, with appropriate levels of capital security. During 2019 we helped more than 70,000 new customers achieve a better later life.

We continue to view LTMs as a highly valuable product for borrowers who want to use the value of their house to support a higher standard of living in retirement. They also remain an important component of the assets that we invest in, enabling us to provide competitive pricing to our GifL and DB De-risking customers.

We are delighted that our innovative customer-focused solutions and excellent customer service were again recognised in 2019. In the defined benefit market we were named "Risk Management Provider of the Year" at the Pensions Age Awards, and "Pensions Insurance Firm of the Year" at the European Pensions Awards. In the retail market we were awarded the outstanding achievement award and we achieved 5 stars in both the "Life & Pensions" and "Mortgage Lenders & Packagers" categories at the Financial Adviser Service Awards. Our new "Just for You" mortgage product was awarded "Best Innovation in Retail Finance" at the Retail Asset Management Awards.

INNOVATION

Although we are managing our costs carefully, we continue to invest selectively in developing new disruptive solutions that meet customer needs. We are piloting two exciting developments in 2020; one is to help close the financial advice gap for people in middle Britain with more modest pension savings; and the second is a highly innovative solution to deliver guaranteed income to retail investors who manage their portfolios on modern investment platforms.

COLLEAGUES

We are rightly proud of our award-winning service, and of our strong social purpose, which together deliver a "Just" experience to our customers day after day. Our colleagues are at the heart of this and I am grateful for the immense contribution they make to our business.

CORONAVIRUS

Just Group is paying close attention to the epidemiology of the COVID-19 outbreak, which is now spreading in countries outside of China. If this occurs in the UK, we anticipate widespread disruption, which may affect our ability to deliver services from our existing office space. We are therefore upscaling our ability to deliver core business services from home, reducing the possibility of staff-to-staff transmission. We are also making plans to minimise the likelihood of transmission within our office space. Although the virus has not yet become widespread across the UK, it has already had a significant impact on financial markets. The impact on the Group's financial and capital position to date has been limited as we do not hold equity investments and the Solvency II capital position is actively hedged to minimise the impact of movements in long-term interest rates.

AND FINALLY...

During 2019 we have prioritised capital, particularly our goal of achieving organic capital generation. We recognise that the regulatory landscape will continue to evolve and remain committed to ensuring that our business model continues to adapt to deliver optimum results for our customers and shareholders. In parallel, we remain open to all options that maximise shareholder value.

On a personal note, I was delighted to be asked to lead the Just Group at this challenging but exciting time.

DAVID RICHARDSON

Group Chief Executive Officer

MARKET CONTEXT

Structural drivers in our markets mean we can grow profits while delivering better outcomes for customers

DELIVERING BETTER OUTCOMES FOR CUSTOMERS

UK MARKETS

DEFINED BENEFIT DE-RISKING SOLUTIONS

Introduction

Defined benefit pension schemes have an obligation to pay a pre-determined monthly retirement income based on an employee's earnings history, tenure of employment and age. Operating these schemes has become unattractive and more costly for employers over the last decade and this has created an opportunity for guaranteed income providers to de-risk, fully or partially, an employer's existing defined benefit obligations to its members.

Taking the risk out of paying company pensions

Defined benefit de-risking can occur via a Buy-in, whereby a pension scheme pays a single premium to an insurance company to purchase an income stream that matches its obligations to its members, but retains legal responsibility for those obligations. An alternative is a Buy-out, where a pension scheme removes its obligations by purchasing individual insurance policies to replicate its obligations to some or all of its pension scheme members, who then become customers of the de-risking provider.

Current market and outlook

There are an estimated £1.8tn of UK defined benefit pension scheme liabilities (source: PPF), which is driving high demand for de-risking solutions with total transactions forecast to total £700bn between 2017 and 2032 (source: Hymans Robertson).

The defined benefit de-risking market has achieved strong growth year on year since 2017 and annual flows are now expected to exceed £40bn over the next decade (source: Aon, Hymans Robertson). Even this level of activity will only result in 2% of total defined benefit assets being de-risked each year.

2019 has been a record year for the defined benefit de-risking market, where transactions are expected to exceed £40bn (source: Aon), ahead of the previous record in 2018 of £24.2bn (source: LCP). There were 11 transactions written over £1bn and the largest transaction to date, written in 2019, was £4.7bn.

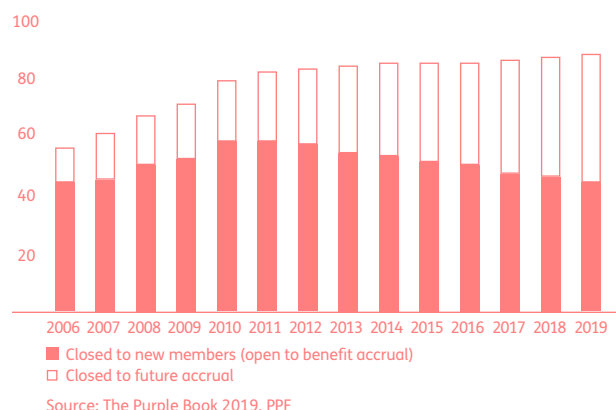
While insurer capacity to write a higher volume of individual transactions will increase in the long term, over the medium term we believe the demand for the number of de-risking transactions exceeds the current supply available from providers.

The defined benefit de-risking market is usually characterised as starting slowly in the early part of the year and building pace, with a peak of activity often seen in the final quarter. For a market with traditional peaks and troughs, 2019 was different, with high levels of activity and demand throughout the year.

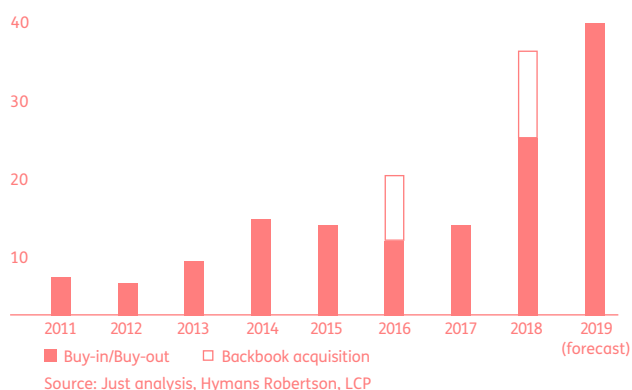
Employee benefits consultants are predicting another busy year in 2020 based on the pipelines of new business expected from their clients.

The Department for Work and Pensions collected views on a new legislative framework for authorising and regulating defined benefit superfund (or consolidation) vehicles of the type envisaged by the White Paper – Protecting defined benefit pension schemes – published in March 2018. These consolidation vehicles, which are effectively still subject to government legislation, are seeking to provide a new de-risking solution for schemes and sponsors that cannot achieve a Buy-out from an insurance company. These so-called consolidators are proposed to be regulated outside of the insurance regime and so are not subject to the more robust capital requirements of the Solvency II Directive. If these new arrangements are regulated as proposed they would provide a cheaper solution to a Buy-out of liabilities for some pension schemes, although at the cost of reduced protection for members compared to an insurance solution.

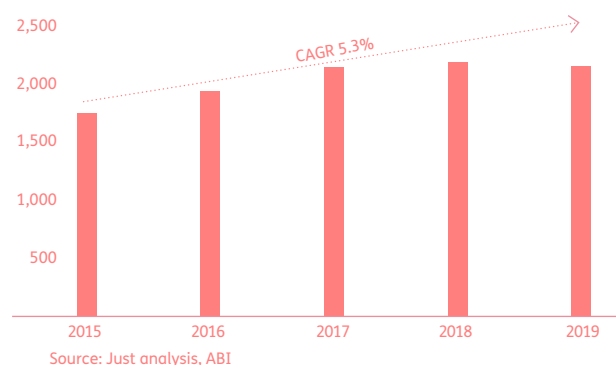
89% OF DEFINED BENEFIT PENSION SCHEMES ARE CLOSED TO NEW MEMBERS AND INCREASINGLY TO FUTURE ACCRUAL (%)



EXPECTED GROWTH IN DB DE-RISKING TRANSACTIONS (£BN)



EXTERNAL GIFL MARKET (£M)



Just Group and our peers in the industry are actively engaging with government to ensure any new arrangements are created in a regulated environment that does not allow members of defined benefit pension schemes to receive a poor deal and that regulatory arbitrage is eliminated.

INDIVIDUAL RETIREMENT INCOME MARKET

Introduction

Guaranteed Income for Life ("Gifl") products are bought by individual customers to convert some or all of their accumulated pension savings into a guaranteed lifetime retirement income. The solution provides people with peace of mind from the security of knowing the income will continue to be paid for as long as the customer and, where relevant, for as long as they or, typically, their spouse lives. In the UK, Gifls traditionally offered an income payable without reference to the individual's health or lifestyle, and were differentiated only by reference to a limited number of factors such as age, postcode, premium size and, prior to 31 December 2012, gender.

An individually underwritten Gifl takes into account an individual's medical conditions and lifestyle factors to determine their life expectancy. People who are eligible and purchase an individually underwritten Gifl typically achieve double-digit percentage increases in income compared to purchasing a Gifl which is not individually underwritten.

Providing security and peace of mind

Pension customers are encouraged to compare the Gifl offer provided by their existing pension company to those offered on what is the open or external market. In March 2018 the Financial Conduct Authority ("FCA") introduced rules requiring pension companies to provide customers with an external Gifl quotation showing the best quote available from the external market alongside the quotation from the incumbent firm. They have subsequently announced rules which firms must have implemented between November 2019 and January 2020 to strengthen this requirement and, where the customer is eligible, require firms to provide a medically underwritten comparison. This should provide new opportunities for Just Group as we compete in the open market when these customers choose to shop around; this is our addressable market as we do not have an existing base of pension savings customers. The open market maintained a 50% share of the total Gifl market, unchanged from 2018 (source: ABI).

MARKET CONTEXT CONTINUED



People are becoming increasingly positively disposed to accessing some of the equity in their homes to improve the quality of their later lives or to help their family

Continuing developments are driving growth in our addressable market:

- the structural drivers of growth in the retirement income market are strong and assets accumulating in defined contribution (“DC”) pension schemes are projected to increase consistently over the next decade. This growth arises from an increase in the number of people joining workplace pension schemes as a result of the successful state auto-enrolment policy and the increase in contribution rates implemented in 2018;
- growth in DC pension assets also arises as companies close down final salary or defined benefit pension schemes and offer their employees DC pensions instead;
- some people are transferring out of defined benefit pension schemes into DC pension schemes to take advantage of Pension Freedoms. When transferring, many people are choosing to secure a guaranteed income for life, by using some of the transfer value to purchase an individually underwritten GIfl; and
- many life and pension companies are choosing to put in place broking solutions to offer their pension savings customers access to the best individually underwritten GIfl deals in the market. Some are choosing to transfer their obligations to provide a guaranteed GIfl rate to their customers to an alternative product provider or broking solution. This grows our addressable market and provides customers with better outcomes. Our HUB group of companies is providing many of these corporate services.

The number of individual retail customers transferring their pension benefits into defined contribution pensions from their final salary (defined benefit) pension has reduced significantly in 2019. This reduction follows a review and introduction of remediation measures by the FCA into the quality of advice provided to individual retail customers exploring transferring their benefits. A proportion of the proceeds from these transfers are used to secure a guaranteed income by investing in a GIfl. This reduction in activity will be a drag on the positive growth factors above.

LIFETIME MORTGAGES

Introduction

A lifetime mortgage (“LTM”) allows homeowners to borrow money secured against the equity in their home. The amount borrowed is repayable together with accrued interest on the death of the last remaining homeowner or their move into permanent residential care. This product can be used by retirees to supplement savings, top up retirement income or to settle any outstanding indebtedness.

The typical lifetime mortgage customer is around 70 years old, has a house valued at around £200,000 and agrees a facility to borrow up to 30% of the house value.

Enabling people to improve their later-life living standards

People are becoming increasingly positively disposed to accessing some of the equity in their homes to improve the quality of their later lives or to help their family. The compound annual growth rate of the lifetime mortgage market between 2011 and 2019 was 22.5% and this has attracted new providers to enter the market in the last few years.

Just Group is a leading product provider of lifetime mortgages. Our HUB Financial Solutions business is a leading distribution business providing consumers with regulated advice on equity release solutions from across the market.

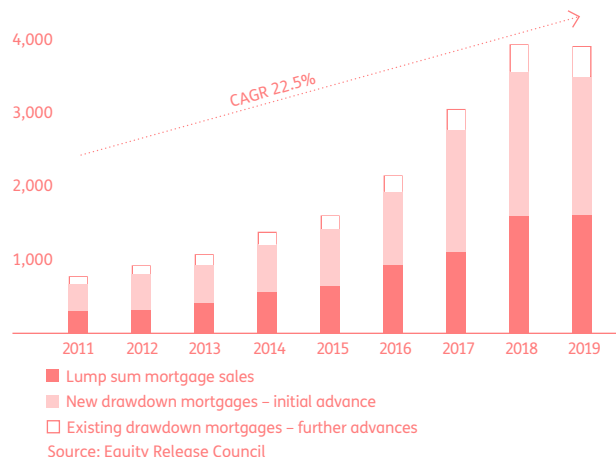
Current market and outlook

Homeowners aged over 55 are estimated to own property wealth of over £3.2tn (source: ONS). We estimate that the existing industry loan book including interest is just £29bn. Increased competition stemming from the new entrants to the marketplace has increased the availability of product variants, resulting in greater product choice and flexibility for customers. Despite this, market growth has stalled in 2019, driven by the uncertainty created by Brexit. Looking forward, the structural growth drivers in retirement lending remain compelling, the market remains under-penetrated and there is significant headroom for growth.

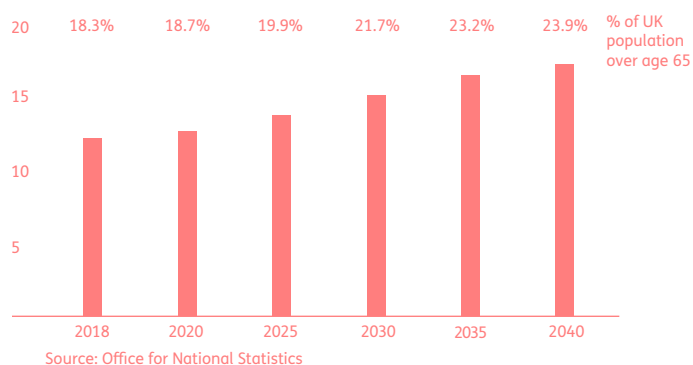
Just is forecasting that the LTM market will grow to around £6.5bn per annum by the end of 2023, which is a compound annual growth rate of 13.5% from 2019. The primary drivers of growth are:

- households wanting to top up their retirement income to improve their standard of living in later life;
- an increase in the number of people with outstanding interest-only mortgages who are entering retirement and require a solution to settle the debt with the existing mortgage company;
- strong demographic growth. The number of people aged 65 and over is forecast to increase from around 12 million today to over 18 million by 2040; and
- an increase in new entrants who spend money on advertising which results in people becoming aware of LTMs, combined with people becoming more disposed to using some of their housing equity.

LIFETIME MORTGAGE MARKET SIZE AND GROWTH RATE (£M)



NUMBER OF PEOPLE (MILLIONS) AGE 65+



LONG-TERM CARE SOLUTIONS

Introduction

Care Plans, or immediate needs annuities, are a segment of purchased life annuities. A Care Plan offers a guaranteed income paid directly to a registered care provider or an individual for the life of the insured, in exchange for an up-front lump sum premium. Under current rules this income is tax free when paid directly to the registered care provider. Care Plans are available to individuals entering care facilities or receiving domiciliary support. As such, Care Plans provide a form of longevity insurance to the individual against the costs of receiving care until their death.

Just has a strong pedigree in the market, having been one of the market leaders for 18 years. Two new companies have entered the market in 2019 and whilst their activity has been limited we would expect them to make a greater impact in 2020.

Current market and outlook

There is a substantial market for care in the UK. The drivers of the need for care are strong because:

- there are currently around 1.6 million people aged 85 or over in the UK – this is the average age at which people go into care homes. It is expected that this number will more than double over the next two decades, suggesting a growth rate in excess of 2.7%;
- around 33% of women aged 65 and 20% of men aged 65 are likely to enter a care home at some point in the future; and
- there is uncertainty over government policy for long-term social care. The government has withdrawn the cap on care fees that was due to become effective in 2020 and planned to publish a Green Paper on care and support for older people by summer 2018, which has been delayed. This will set out how the government proposes to improve care and support for older people and tackle the challenge of an ageing population.

18 YEARS

AS A LEADER IN UK LONG-TERM CARE

BUSINESS MODEL

Just is a leading and established provider of retirement income products and services to both individual and corporate clients

CREATING LONG-TERM VALUE IN THE RETIREMENT MARKET

We are adapting our business model to ensure it is economically attractive in a challenging regulatory environment.

WHAT SETS US APART



LATER LIFE FOCUS

We are specialists in retirement, focused on helping people achieve a better later life. This is our purpose.



UNDERWRITING EXPERTISE

We invest in our proprietary intellectual property ("IP") to increase profitability through superior risk selection. Our in-house medical team is made up of epidemiologists, doctors and bio-statistical modellers. This team enables us to develop superior pricing and reserving processes and maintain the latest medical and longevity developments.



SUPERIOR SERVICE

We are experts in what we do and this is reflected in our service to customers and partners. We are known and trusted for delivering outstanding service. We have a consistent record of achieving Financial Adviser 5 Star service awards.

HOW WE CREATE VALUE

RISK SELECTION

Selecting the right risks and pricing our products appropriately.

PrognoSys™ is a powerful proprietary tool for pricing and reserving. It allows the Group to identify and price for the risks we want and improve customer outcomes.



INVESTMENT STRATEGY

Continuous improvements in our investment strategy to generate value for shareholders and better value for customers.

The asset portfolio is selected to match the cash flows we pay to Retirement Income customers, seeking an appropriate balance between risk and expected return. Lifetime mortgages we originate are key in providing matching cash flows for longer durations and achieve a higher return than liquid financial assets. We also invest in private placements, commercial property mortgages and infrastructure loans, as well as investment grade fixed income securities such as government and corporate bonds.

INNOVATION

Innovatively utilising funding and reinsurance tools to improve our capital position.

This includes:

- development of a capital light origination business via a new DB de-risking partnering model;
- further reinsurance options on the front and back book; and
- a pioneering no-negative equity guarantee risk transfer solution.

OUTCOMES



INVESTORS

By managing our resources effectively we generate profits in excess of our cost of capital. We manage our capital conservatively and are focused on delivering capital self-sufficiency.



CUSTOMERS

INDIVIDUALS

We help our customers enjoy a better quality of life in retirement by making their savings and property wealth go further through medical underwriting.

CORPORATE CLIENTS

We solve problems for companies through scalable retirement focused solutions.

TRUSTEES AND SCHEME SPONSORS

We provide member security and de-risk pension liabilities.



PEOPLE

We develop, recognise and reward our colleagues to secure a skilled and motivated team.

STRATEGIC PRIORITIES

In 2019, capital has been the Group's number one priority



Our purpose is crystal clear. We help people achieve a better later life. Every colleague across the Group contributes to this purpose, whether they are serving the customer or providing support to someone who is

The regulatory changes introduced by the PRA during 2018 and 2019 in relation to equity release mortgages have had a significant impact on the Group's capital position. In response to the changes the Group raised new equity and debt capital over 2019 as well as completing management actions to de-risk the balance sheet and restructuring the Group's new business to be less capital intensive. The progress we have made in facing up to these challenges is testament to our colleagues' adaptability and dynamism. The changing regulatory environment means we continue to be focused on capital management, which should both improve policyholder security and reduce risk. We are also reviewing other strategic and business options to enhance shareholder value.

PRINCIPAL RISKS AND UNCERTAINTIES

- A** Risks from regulatory changes
- B** Risks from the economic environment
- C** Risks from our pricing assumptions
- D** Risks arising from operational processes and IT systems
- E** Risks from our chosen market environment
- F** Risks to the Group's brands and reputation



IMPROVE OUR CAPITAL POSITION

FOCUS

We need to deliver a sustainable capital model to maximise opportunities available to us.

2019 PROGRESS

- Pricing actions and controlling new business volumes have contributed to a significant reduction in new business strain.
- We have improved our capital efficiency through originating a greater proportion of shorter-dated GfL policies, helping customers with more severe medical conditions, and through focusing on shorter duration Lifetime Mortgage loans to older borrowers and lower LTV business.
- In August, we increased the amount of longevity reinsurance from 70% to 100% on our existing post-Solvency II DB de-risking business.
- We will reinsure 90% of longevity risk on future DB de-risking new business.
- Positive organic capital generation of £36m in 2019.
- We have made progress towards meeting regulatory capital changes for LTMs and have restructured our internal LTM securitisation to meet revised regulatory requirements, a cost of £219m in 2019 with the remaining cost of fully implementing the regulatory requirements for LTMs estimated to be £80m.
- Capital raised during the year benefited capital resources by a net amount of £452m.

2020 FOCUS

- We will make progress on organic capital generation.
- Continue to de-risk our balance sheet to reflect economic and regulatory challenges.

LINK TO RISKS AND UNCERTAINTIES:



2.

TRANSFORM HOW WE WORK

FOCUS

To improve our capital position we will enhance our processes to become more efficient and productive.

2019 PROGRESS

- Given our shift to a less capital intensive and lower new business volume model, we have re-examined the cost base.
- We have consolidated our property footprint in Reigate and have moved our London location.
- We closed our United States operation to new care business and outsourced our UK income drawdown service.

2020 FOCUS

- Continue to optimise our business processes.
- Review our operating model to maximise efficiency.

LINK TO RISKS AND UNCERTAINTIES:

A B C D E F

3.

GET CLOSER TO OUR CUSTOMERS & PARTNERS

FOCUS

As we transition our business model we will continue to ensure the customer is at the heart of everything we do.

2019 PROGRESS

- Through DB de-risking partnering we are pairing our highly effective new business franchise with third party capital to this high growth market. See page 20 for further details.

2020 FOCUS

- Create value by introducing solutions to reduce the growing financial advice gap amongst those with more modest pension savings.

LINK TO RISKS AND UNCERTAINTIES:

A B C D E F

4.

GENERATE GROWTH IN NEW MARKETS

FOCUS

We will improve returns on new business by working to grow market demand.

2019 PROGRESS

- We have shifted our focus to capital efficient opportunities. Our markets are attractive and we have strong access to markets through our wide distribution network.
- Our new Secure Lifetime Income solution provides guaranteed income that can be blended with a customer's investment funds within a self invested personal pension. A modern and innovative way to meet the needs of customers.
- Continue efforts to increase share of Gifl new business which is transacted in the open market.

2020 FOCUS

- Maximise value from long-term growth in later life lending.
- Leverage expertise and intellectual property in core retirement markets.

LINK TO RISKS AND UNCERTAINTIES:

A B C D E F

5.

BE PROUD TO WORK AT JUST

FOCUS

Building the right organisational culture, strengthening our capabilities and developing an engaging employee experience.

2019 PROGRESS

- Achieved our highest level of employee engagement since becoming Just.
- Delivered a successful programme of activities to ensure employees felt well led and well managed, with opportunities for growth and development.
- Particular progress was achieved with an enhanced leadership communication and engagement programme, including CEO quarterly town halls and conversations with the Board.
- People manager capabilities were further improved through internal programmes/activities such as Just Lead, Just Engage and external training including a Chartered Management Institute accredited management qualification.

2020 FOCUS

- Ensure employees continue to feel well led and well managed, with opportunities for growth and development.
- Enhance our support/programmes for employee wellbeing.
- Offer further growth and development opportunities for all employees.
- Strengthen and diversify our leadership population and talent pipeline.

LINK TO RISKS AND UNCERTAINTIES:

A B C D E F

SUSTAINABLE INVESTMENT STRATEGY

MAKING JUST CHOICES

Environmental, Social and Governance (“ESG”) factors are a growing focus for Just Group, and the way we manage our investment portfolio is increasingly influenced by ESG priorities

We consider key ESG factors in all our investment analysis and decisions, and for some time we have excluded new investments into tobacco, oil and gas exploration and production companies.

Our ESG credentials are evident in the significant investments we have already made in renewables such as offshore wind farms (Walney and Hornsea projects), solar and positive social impact, such as social housing. Additionally, we utilise the expertise of specialist asset managers to support the business community via small and medium-sized enterprises (“SME”) loans and provide microfinance in emerging markets via agriculturally dominated commodity trade finance. We expect to continue increasing investments in all of these areas going forward. We were the first UK insurer to sign up to the United Nations Principles for Responsible Investment (“PRI”) as an asset owner. In addition we are defining our enhanced ESG framework, measuring our portfolio ESG score through data analysis and assessing the threat of climate change on our investments.

ESG is embedded in our investment process both for new investments and in monitoring and managing our existing book. We screen all new asset purchases for ESG issues as a supplement to traditional fundamental credit analysis. An ESG database forms part of the periodic scoring of the portfolio. ESG considerations also inform decision making on participation in new asset classes and the alignment of potential business partners.

On climate change, we have completed a stress test of our public rated bonds and the results were encouraging as the physical and transition risk impacts were limited. We are evaluating different potential data providers specifically focused on climate change that will help us manage investments at risk from climate change e.g. physical risks such as wildfires, flooding, heatwaves, transition risks and carbon emissions.

We have a responsibility to our clients and the community to take ESG issues seriously by proactively taking concrete measures and improving our framework. We believe that ESG represents an important risk framework that will help avoid the medium and long-term problems which can come from backing companies or sectors that fail to adapt to a fast-changing environment.

We are delighted our efforts have been recognised by satisfying the requirements to become a constituent of the FTSE4Good Index Series. The index is designed to measure the performance of companies demonstrating strong ESG practices.

Finally, the Board and the Group’s leadership team are exploring how we may continue to enhance the positive impact we make on society through our sustainable investments and through the decisions we take as a business in how we organise and manage our wider supply chains.

“

Long-term institutional investors face a multiplicity of complex and rapidly changing factors. Having a sustainable investment framework in place complements traditional fundamental credit analysis. Whilst accepting that investment decisions are based on incomplete information and judgement, the sustainable investment framework supports risk management and is in keeping with the Just ethos.

GARETH COLLARD

Chief Investment Officer, Just Group

- 1 Excludes LTM.
- 2 The capability to actively monitor ESG considerations/scores in our portfolio of public corporate bonds.
- 3 The value is subject to some bonds amortising during their lifetime. Note all figures are market values as at 31 December and as such might fluctuate from year to year.

65%

ASSETS WHERE ESG FACTORS ARE TAKEN INTO CONSIDERATION¹

£12.5BN 2018: £11.5bn, up 9%

ASSETS UNDER
MANAGEMENT

£20BN

2018: £18.5bn, up 8%

ACTIVE ESG PUBLIC
BOND MONITORING²

£9BN

INVESTED IN OFFSHORE
WIND FARMS³

£308M

2018: £305m, up 1%

INVESTED IN
SOCIAL HOUSING³

£158M

2018: £136m, up 16%

SME LOANS

£108M

2018: £69m, up 62%

INVESTED IN
SOLAR ENERGY³

£67M

2018: £58m, up 17%

MICROFINANCE
Commodity trade finance

£53M

2018: £nil

DEVELOPING NEW PARTNERING PROPOSITIONS

DEVELOPING CAPITAL LIGHT PROPOSITIONS

In March 2020, we completed our first Defined Benefit De-risking partnering deal

“

Our Defined Benefit De-risking partnering initiative is a game-changer for new business capital generation. It allows the Group to target larger de-risking transactions – a new segment for Just – and generate capital whilst continuing to complete transactions in our core market.

TIM COULSON

Director, Defined Benefit Solutions,
Just Group

This was an innovative quota share reinsurance arrangement that reinsured 100% of the investment, inflation and longevity risk for a Buy-in of just below £250m that was transacted in 2019 to secure the benefits of over 1,700 pensioners and dependants in payment of the AA Pension Scheme.

We have created capability in the Group to repeat the activity with reinsurance partners. Leveraging our strong reputation in the defined benefit de-risking market, we aim to develop a pipeline of business from a new segment of the market where the Group can generate fee-based income. It's a significant step towards developing the Group's capabilities to generate value without utilising the Company's capital.

The trustees of the scheme and the members covered will see no change as a result of this reinsurance arrangement. The scheme will continue to receive a monthly payment from us which exactly matches the benefits covered. Pensioners will continue to receive payments directly from the scheme.

As part of this arrangement, Just will use Lifetime Mortgages (“LTM”) to fund the deal. This provides suitable assets with a good match to the defined benefit pension scheme's liabilities and enables Just to leverage its successful lifetime mortgage new business franchise.

Our partnering proposition enhances our offering and enables us to grow our participation in the higher value segment of the market. For potential reinsurance partners Just offers a credible, low risk way to access the reinsurance of liabilities from the exciting DB De-risking market by utilising our award winning new business franchise.





£247M

BUY-IN TRANSACTION FOR THE AA PENSION SCHEME

RELATIONSHIPS WITH STAKEHOLDERS

The Board understands that the long-term sustainable success of Just is dependent on effective engagement with our key stakeholders

OUR STAKEHOLDERS



INDIVIDUALS

People approaching, at or in-retirement wanting help with their retirement finances.

HOW WE ENGAGE

- We engage directly when we provide regulated financial advice, guidance and other forms of help and customer service.
- We engage indirectly via financial intermediaries and other organisations such as pension schemes and corporates.
- We engage with research companies who collect the thoughts and opinions of individuals. This helps the Board to understand how Just is delivering its services and meeting the needs of our target customers.



PENSION SCHEME TRUSTEES

Individuals accountable for securing good outcomes for pension scheme members.

- We convene industry events to bring together trustees and subject matter experts to create dialogue and listen.
- We have individual meetings to understand the specific challenges facing the pension schemes of the trustees.
- We commission surveys and other research to listen to feedback from trustees.



COLLEAGUES

The team of colleagues at Just who deliver outstanding service to customers and to the people who support those that deliver the services.

- Directly, day to day through line management and using a variety of communication channels.
- We gather feedback using a range of techniques such as structured surveys; kiosks; and through more informal channels at colleague gatherings.



INVESTORS

The equity and debt investors who invest the capital to finance the business.

- Direct meetings with members of the Board.
- Shareholder communications.
- Annual General Meetings and results presentations.



REGULATORS

Organisations who regulate the conduct of firms and their financial stability.

- Direct meetings with members of the Board and the leadership team.
- Written responses to consultation documents.
- Participation in workshops directly with regulators and via trade associations.



SUPPLIERS

The companies providing the services, materials and resources to enable Just to operate the businesses in the Group.

- On-going direct communication through a variety of channels to inform on workloads, challenges and potential innovations.
- Regular performance reviews enable all parties to understand expectations and support each other to optimise delivery.
- Written feedback following each tender process to explain the outcomes.

We recognise the role that each stakeholder group plays in our success and our responsibilities towards them. Building strong stakeholder engagement based on dialogue and participation is essential. The table below identifies those key stakeholders and sets out how the Board and colleagues across the Group engage with them. The principal decisions taken by the Board impacting stakeholders are contained on page 50 within the Section 172 report.

WHAT MATTERS TO THEM

HOW WE HAVE/ARE ADDRESSING THESE CHALLENGES

- Quality of service delivered.
- Good value for money.
- Advice they can trust.
- Reputation of the Company.
- Security and peace of mind that Just will deliver its promises.

- Continued to invest in our colleagues and infrastructure to ensure we maintain our outstanding reputation for service design and delivery, evidenced by our portfolio of awards (see page 3).
- We have been developing a pioneering new service within our HUB Financial Solutions business to provide affordable regulated financial advice to those people with more modest pension pots.
- We behave prudently and have strong, effective governance to ensure we will always meet the promises we make to our policyholders.

- Reputation of the Company and service quality.
- Financial strength and strong counterparty credentials that deliver security for trustees and their members.
- Good value for money.
- A secure asset portfolio with ESG and sustainability at its heart.
- Access to the defined benefit de-risking market for smaller transactions.
- Policyholder experience and service quality as many schemes are targeting future buy-out.

- Attended industry events and delivered a Just defined benefit summit to build the profile of our DB de-risking offer and to educate trustees of smaller schemes on how to prepare for a transaction.
- Selectively participate in bulk annuity tenders and have deployed our innovative defined benefit partnering solution to preserve capital and help maintain our secure counterparty credentials.
- Developed strong asset sourcing capability and medical underwriting that delivers pricing advantage.
- Regular attendance at client trustee boards to update them on their Just buy-in assets.

- Being clear of the Company's vision and purpose.
- Working for a company that gives something back to its communities.
- Having the opportunity to grow and develop.
- Diversity and inclusion.

- CEO quarterly face-to-face briefing sessions for all colleagues across the Group.
- Organising events to involve colleagues in supporting our corporate charity.
- Developing colleagues through in-role experience, coaching, mentoring, online learning and face-to-face training.
- Non-Executive Director accountable for engaging with colleagues and bringing their voice into the boardroom (see people and culture section on page 40).
- We launched a new career framework in 2019 which provides a map of potential career paths. This helps us to offer opportunities for personal growth and career development to the right groups of people at the right stage of their career.

- Improve returns for shareholders.
- Deliver a sustainable capital model.
- Make progress achieving greater Board diversity.

- Designed and implemented a number of material management actions in response to PRA changes to the treatment of equity release mortgages.
- Further management actions identified to support our commitment to deliver a sustainable capital model.
- There is an active programme underway to improve Board diversity.

- Boards and senior management understand the regulatory objectives, and seek to ensure good consumer outcomes are achieved and policyholder commitments are met.
- A culture that supports adherence to the spirit and the letter of regulatory rules and principles.
- Dealing with the regulators in an open and cooperative way.
- Positive engagement to encourage effective competition and consumer protection which results in better customer outcomes.

- Response to regulators in a timely and constructive manner.
- Implemented a number of material management actions in response to PRA changes to the treatment of equity release mortgages.
- Active participation in policy development directly and via trade bodies.

- Collaborative relationships with open, honest and transparent communications.
- Fair, transparent and objective process and evaluation criteria when bidding for new business.
- Fair payment terms which are consistently met within deadlines.

- We introduced a Group procurement and outsourcing policy, ensuring tender processes are fair and transparent and all suppliers receive feedback on submissions.
- Risk-based profiling ensures all suppliers receive the relevant level of interaction with Just.
- Clearly defined performance metrics are agreed with the supplier at the outset to measure on-going success.
- Conflict of interest checks at on-boarding ensure advantages are not gained through personal relationships.
- Payment terms are met and shared via governmental payment practice reporting.

KEY PERFORMANCE INDICATORS

The Board has adopted the following metrics, which are considered to give an understanding of the Group's underlying performance drivers. These measures are referred to as key performance indicators ("KPIs")

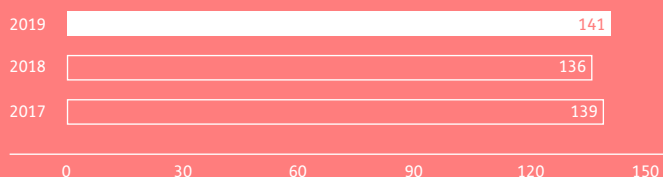
The Board keeps KPIs under review to ensure they continue to reflect the Group's priorities and strategic objectives. The focus of the Group's strategic objectives has moved towards capital and capital generation, with a reduced focus on sales.

In line with this change in focus, two of the Group's KPIs have been updated. Economic capital has been replaced by organic capital generation/(consumption), and new business sales has been replaced by Retirement Income sales. These new KPIs are explained below.

SOLVENCY II CAPITAL COVERAGE RATIO²

Solvency II capital is the regulatory capital measure and is focused on by the Board in capital planning and business planning. It expresses the regulatory view of the available capital as a percentage of the required capital.

141% (ESTIMATED)



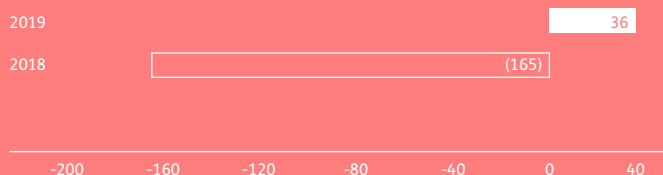
[Link to strategic objective](#)



ORGANIC CAPITAL GENERATION/(CONSUMPTION)^{1,2}

Organic capital generation/(consumption) is the net increase/(decrease) in Solvency II excess own funds over the year, excluding equity and debt capital changes, economic variances, accelerated TMTF amortisation, and the impact of regulatory changes. The Board believes that this measure provides a good view of the progress made towards achieving a sustainable capital model. As noted above, this KPI has replaced economic capital. Economic capital had become of decreasing relevance because it is not based on the regulatory capital position of the Group.

£36M



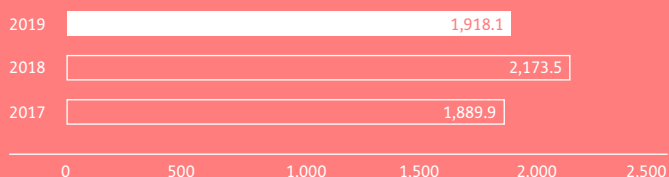
[Link to strategic objective](#)



RETIREMENT INCOME SALES¹

Retirement Income sales include DB, GfL and Care premiums written and are a key measure of the Group's performance in these core product areas. As noted above, this KPI has replaced new business sales. The new business sales KPI included LTM advances, which are a balance sheet rather than a revenue item. Retirement Income sales are reconciled to IFRS gross premiums in note 6 to the consolidated financial statements.

£1,918.1M



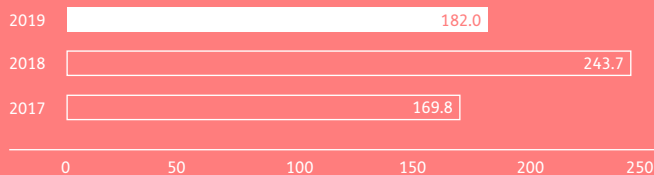
[Link to strategic objective](#)



NEW BUSINESS OPERATING PROFIT¹

New business operating profit represents the profit generated from new business written in the year after allowing for the establishment of prudent reserves for future expected annuity payments and maintenance expenses and for acquisition expenses. Acquisition expenses include the commission and trading costs, plus overhead costs, associated with writing new business. New business operating profit is reconciled to IFRS profit before tax in the Financial Review.

£182.0M



[Link to strategic objective](#)



MEASURED AGAINST OUR STRATEGIC OBJECTIVES

1.

IMPROVE OUR
CAPITAL POSITION

2.

TRANSFORM
HOW WE WORK

3.

GET CLOSER TO
OUR CUSTOMERS
& PARTNERS

4.

GENERATE GROWTH
IN NEW MARKETS

5.

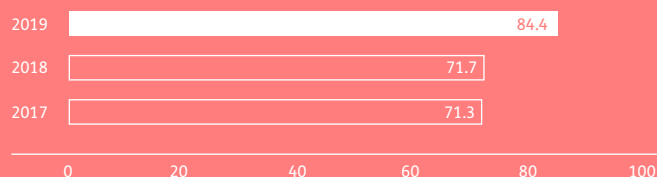
BE PROUD TO
WORK AT JUST
 SEE PAGE 16 FOR OUR
STRATEGIC OBJECTIVES

- 1 Alternative performance measure. See glossary on page 169 for definition.
2 These figures allow for a notional recalculation of TMTP as at 31 December 2018.

IN-FORCE OPERATING PROFIT¹

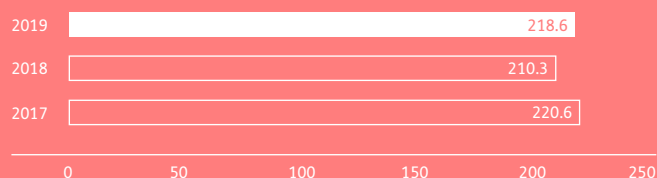
In-force operating profit captures the expected margin to emerge from the in-force book of business and free surplus, and results from the gradual release of prudent reserving margins over the lifetime of the policies. Prudent reserving margins exist for future expectations of mortality, expenses and asset yield deductions for defaults. In-force profit provides a view of the contribution to profits from the business written by the Group during prior periods and aligns with the longer-term nature of these products. In-force operating profit is reconciled to IFRS profit before tax on pages 29 and 30.

£84.4M


[Link to strategic objective](#)
ADJUSTED OPERATING PROFIT BEFORE TAX¹

Adjusted operating profit before tax is the sum of the new business operating profit and in-force operating profit together with the impact of one-off assumption changes, experience variances, results of the other Group companies and financing costs. The Board believes that adjusted operating profit, which excludes effects of short-term economic and investment changes, provides a better view of the longer-term performance and development of the business and aligns with the longer-term nature of the products. Adjusted operating profit is reconciled to IFRS profit before tax on page 30.

£218.6M


[Link to strategic objective](#)


IFRS PROFIT BEFORE TAX

IFRS profit before tax represents the profit before tax attributable to equity holders.

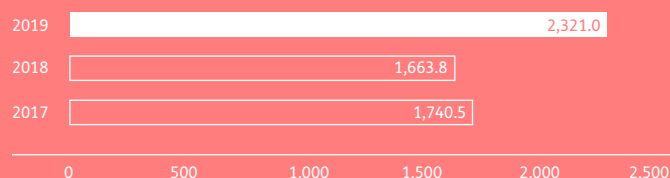
£368.6M


[Link to strategic objective](#)


IFRS NET ASSETS

IFRS net assets represents the net assets attributable to equity holders.

£2,321.0M


[Link to strategic objective](#)


FINANCIAL REVIEW

The Financial Review presents the results of the Group for the year ended 31 December 2019, including IFRS and Solvency II information

DELIVERING RESULTS



ANDY PARSONS
Group Chief Financial Officer

SOLVENCY II CAPITAL COVERAGE RATIO (ESTIMATED)

141%

2018: 136% (after notional recalculation of TMTP)

ORGANIC CAPITAL GENERATION¹

£36M

2018: £(165)m, up 122%

ADJUSTED OPERATING PROFIT BEFORE TAX¹

£218.6M

2018: £210.3m, up 4%

¹ Alternative performance measure.

I am pleased to present my first Financial Review since joining the Group in January.

CAPITAL MANAGEMENT

Just Group plc estimated Solvency II capital position

The Group's solvency coverage ratio was estimated at 141% at 31 December 2019, after recalculation of transitional measures on technical provisions ("TMTP") (2018: 136% including notional recalculation of TMTP). Steps taken by the Group during the year to reduce new business strain and expenses and identify management actions to de-risk the balance sheet have led to positive organic capital generated of £36m. The new equity, Restricted Tier 1 and Tier 2 capital raised during the year benefited capital resources by a net amount of £452m.

Unaudited	31 December 2019 £m	31 December 2018 ¹ £m
Capital resources		
Own funds	2,562	2,172
Solvency Capital Requirement	(1,814)	(1,595)
Excess own funds	748	577
Solvency coverage ratio	141%	136%

1 These figures allow for a notional recalculation of TMTP as at 31 December 2018.

The Group has approval to apply the matching adjustment, volatility adjustment and TMTP in its calculation of technical provisions and uses a combination of an internal model and the standard formula to calculate its Group Solvency Capital Requirement ("SCR").

Movement in excess own funds¹

The waterfall chart and table below analyse the movement in the capital growth over 2019.

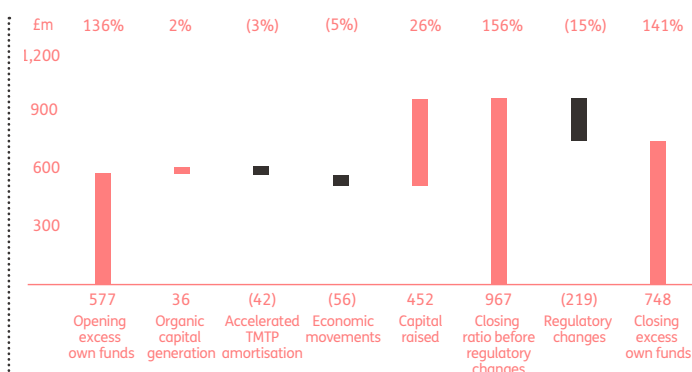
Unaudited	2019 £m	2018 £m
Excess own funds at 1 January	577	596
Operating		
In-force surplus net of TMTP amortisation ³	150	125
New business strain	(74)	(160)
Finance cost	(47)	(31)
Expenses	(44)	(45)
Other	51	(54)
Total organic capital generation/(consumption)²	36	(165)
Non-operating		
Accelerated TMTP amortisation	(42)	(58)
Regulatory changes	(219)	–
Economic movements	(56)	(2)
RT1, T2 and equity issuance, net of costs ⁴	452	230
Ordinary dividend	–	(24)
Excess own funds at 31 December	748	577

1 All figures are net of tax, and assumptions allow for a notional recalculation of TMTP as at 31 December 2018.

2 Organic capital generation/(consumption) includes surplus from in-force, new business strain, overrun and other expenses, interest and other operating items. It excludes economic variances, regulatory changes, accelerated TMTP amortisation, and capital issuance.

3 The in-force line excludes the accelerated amortisation of a portion of TMTP which has been shown separately.

4 2019 figure is net of £37m repayment in respect of PLACL's Tier 2 bond tender in October 2019.



Organic capital generation

Positive £36m of organic capital generation is a significant improvement on the £165m of capital consumption in 2018. This reflects focused new business pricing discipline, cost reductions and reinsurance which have halved new business strain. In-force surplus has continued to increase as the size of the in-force book grows, more than offsetting the increase in finance cost from the new debt instruments issued in the year. "Other" activities in the movement in excess own funds table includes the impact of basis changes, the expansion of DB reinsurance completed in August 2019, and internal model changes.

Regulatory changes

The updated regulatory expectations for equity release mortgages set out in SS3/17 and PS19/19 have had a significant impact on the Group's capital position. Overall, the impact of these regulatory changes was a reduction in capital resources of £219m in 2019 with a further cost of £80m envisaged to fully meet the new requirements by the end of 2021.

Just has restructured and updated its internal Lifetime Mortgage ("LTM") securitisation to meet better the revised regulatory framework. The restructure was effected on 31 December 2019, and involved the redemption of existing notes and issuance of new LTM notes. The restructure removes much of the uncertainty on the level of matching adjustment ("MA") relating to LTMs in the regulatory balance sheet. Following the restructure Just passes the PRA effective value test ("EVT") with a material buffer (0.67%) over the minimum deferment rate of zero required at 31 December 2019. The SCR at the end of 2019 is also sufficient to cover our estimate of the impact of EVT in stress under PS19/19.

Our expectation for the future cost of moving by the end of 2021 to a MA position meeting the EVT with a volatility of 13% and deferment rate of 1%, is £80m. The £219m 2019 cost and £80m envisaged future cost compares to our £350m estimate at 30 June 2019. The regulatory changes of £219m in 2019 have had a negative impact of 15% on the Group's capital coverage ratio.

Whilst the Group continues to experience a high level of regulatory supervision, there is a risk of further negative impacts on the Group's capital position. We continue to work closely with the PRA on various aspects of our capital model, in particular as we apply the new regulatory requirements for LTMs.

FINANCIAL REVIEW CONTINUED

RETIREMENT INCOME SALES¹

£1,918.1M

2018: £2,173.5m, down 12%

ADJUSTED OPERATING PROFIT BEFORE TAX¹

£218.6M

2018: £210.3m, up 4%

IFRS PROFIT BEFORE TAX

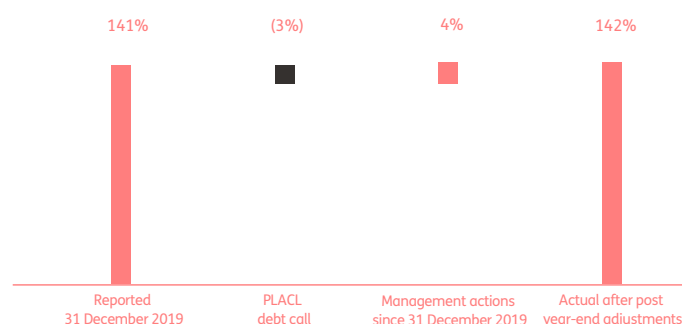
£368.6M

2018: £(85.5)m

¹ Alternative performance measure.

Post year end actions

The chart below shows the impact on the Group's solvency position from actions since 31 December 2019. Adjustments since 31 December 2019 relate to calling the remaining £63m 9.5% PLACL Tier 2 debt, which will take place on 24 March 2020, and from the new no-negative equity guarantee ("NNEG") hedge and the DB partnering deals entered into since year-end.



Sensitivities to economic and other key metrics are shown in the table below.

Estimated Group Solvency II sensitivities

Unaudited	%	£m
Solvency coverage ratio/excess own funds at 31 December 2019	141	748
-50 bps fall in interest rates	(3)	5
+100 bps credit spreads	1	10
+10% LTM early redemption	2	21
-10% property values ¹	(15)	(256)
-5% mortality	(10)	(183)

¹ Pro forma after application of NNEG reinsurance.

The property sensitivity has reduced to 15% (2018: 17%) following the LTM notes restructuring and reflecting the impact of NNEG hedging. The Group aims to minimise its sensitivity to interest rates through the active use of hedges. For more significant movements some exposure remains. The interest rate and property sensitivities allow for a partial offset from a notional TMTP recalculation.

Reconciliation of IFRS shareholders' net equity to Solvency II own funds

Unaudited	31 December 2019 £m	31 December 2018 ¹ £m
Shareholders' net equity on IFRS basis	2,321	1,664
Goodwill	(34)	(34)
Intangibles	(120)	(137)
Solvency II risk margin	(873)	(851)
Solvency II TMTP	1,891	1,738
Other valuation differences and impact on deferred tax	(1,271)	(793)
Ineligible items	(35)	(6)
Subordinated debt	684	590
Group adjustments	(1)	1
Solvency II own funds	2,562	2,172
Solvency II SCR	(1,814)	(1,595)
Solvency II excess own funds	748	577

¹ These figures allow for a notional recalculation of TMTP as at 31 December 2018.

ALTERNATIVE PERFORMANCE MEASURES

Within the Financial Review, the Group has presented a number of alternative performance measures ("APMs"), which are used in addition to IFRS statutory performance measures. The Board believes that the use of APMs gives a more representative view of the underlying performance of the Group. The APMs used by the Group are: organic capital generation, new business operating profit, in-force operating profit, underlying operating profit, adjusted operating profit, Retirement Income sales and adjusted earnings per share. Further information on our APMs can be found in the glossary, together with a reference to where the APM has been reconciled to the nearest statutory equivalent.

ADJUSTED OPERATING PROFIT

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m	change %
New business operating profit	182.0	243.7	(25)
In-force operating profit	84.4	71.7	18
Underlying operating profit	266.4	315.4	(16)
Operating experience and assumption changes	42.2	(33.5)	N/A
Other Group companies' operating results	(13.1)	(14.6)	(10)
Development expenditure	(10.3)	(8.7)	18
Reinsurance and finance costs	(66.6)	(48.3)	38
Adjusted operating profit before tax¹	218.6	210.3	4

1 See reconciliation to IFRS profit before tax in the IFRS results section of this Financial Review.

ADJUSTED OPERATING PROFIT BEFORE TAX

Adjusted operating profit before tax of £218.6m increased by 4% in 2019 with continued growth in in-force operating profit and positive operating experience and assumption changes more than offsetting the reduced new business operating profit and higher financing costs.

New business operating profit

New business operating profit has decreased by 25%, from £243.7m in 2018 to £182.0m in 2019. This mainly reflects the planned decrease in the level of Retirement Income sales written, in order to reduce new business strain as part of the Group's commitment to improving capital efficiency. Retirement Income sales for 2019 were £1,918.1m (year ended 31 December 2018: £2,173.5m). The overall margin achieved on Retirement Income sales in 2019 was 9.5%, down from 11.2% in 2018. The reduction in margin for 2019 was expected, following the changes to IFRS property assumptions made at 31 December 2018, and the reduction in the LTM backing ratio for new business in order to reduce capital strain. Margins have improved slightly over the course of the year, with good resilience shown in light of the price increases to accommodate the LTM regulatory changes.

In-force operating profit

In-force operating profit has increased by 18% compared to the prior year, from £71.7m to £84.4m, reflecting growth in profit from the Group's growing in-force book of business, and the return on the Group's surplus assets.

Operating experience and assumption changes

Operating experience and assumption changes contributed a positive variance of £42.2m for 2019, compared to a negative variance of £33.5m in the prior year.

Operating experience variances resulted in a charge of £8.9m for 2019 (2018: £1.4m charge), of which £8.4m has arisen from adverse mortality and redemption experience on mortgages (after allowance for early redemption charges).

Operating assumption changes and other operating items were £51.1m positive overall. The Group has updated its maintenance and investment expense assumptions, leading to a positive contribution at 31 December 2019 of £55.4m, of which £26.1m relates to maintenance expense assumptions. The Group has also modelled allowances for LTM early redemption charges, which has given rise to a further positive contribution of £97.0m. These have been offset by a strengthening of the Group's LTM voluntary redemption assumptions to reflect recent adverse experience which has led to a £116.5m charge at 31 December 2019. Other items include improvements made to data, models and minor assumptions.

The prior year operating experience and assumption changes charge of £33.5m was mainly in relation to updates to the Group's mortality assumptions and mortgage voluntary redemptions assumptions at 31 December 2018.

Other Group companies' operating results

The operating result for other Group companies was a loss of £13.1m in 2019 compared to a loss of £14.6m in 2018. The benefit of actions taken during 2019 to reduce our cost base is starting to come through, with the full run-rate benefit expected in 2020. Included within this line item is the operating result for the HUB group of companies which generated a loss of £3.9m in 2019 but has made significant progress towards profitability during the year.

Development expenditure

Development expenditure mainly relates to product development and new initiatives. These include the Just for You Lifetime Mortgage range, which gives additional flexibility to take a cash lump sum, or release cash as and when it is needed from a pre-agreed facility, or to choose to service some or all of the monthly interest. The Secure Lifetime Income solution for investment platforms enables financial advisers to offer their clients a guaranteed income for life solution within a self invested personal pension. Both of these are now available to new customers. The development costs of less capital-intensive products, such as our new DB De-risking partnership business are also included here.

Reinsurance and finance costs

The increase in reinsurance and finance costs for the period relates to the coupon on the Group's £300m Restricted Tier 1 notes issued in March 2019, and the coupon on the Group's £125m Tier 2 notes. On a statutory IFRS basis the Restricted Tier 1 coupon is accounted for as a distribution of capital, consistent with the classification of the Restricted Tier 1 notes as equity, but the coupon is included as an interest cost on an adjusted operating profit basis.

RETIREMENT INCOME SALES

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m	change %
Defined Benefit De-risking Solutions ("DB")	1,231.3	1,314.2	(6)
Guaranteed Income for Life Solutions ("GIFL")	615.7	786.5	(22)
Care Plans ("CP")	71.1	72.8	(2)
Retirement Income sales	1,918.1	2,173.5	(12)

As part of the Group's commitment to achieving organic capital generation, during 2019 we chose to write less new business in order to reduce new business capital strain. Retirement Income sales decreased by 12%, from £2,173.5m in 2018 to £1,918.1m in 2019, with reductions across all lines.

The defined benefit de-risking market remains strong and almost doubled in 2019, being estimated to exceed £40bn (2018: £24.2bn), driven by a number of very large transactions.

The Group closed its US care business during 2019, which had been loss-making.

FINANCIAL REVIEW CONTINUED

OTHER NEW BUSINESS SALES

Lifetime Mortgage advances were £415.8m in 2019 (2018: £602.1m), a decrease of 31%. We chose to write less new business to conserve capital. In 2019, there was a reduction in the amount of new business advanced in the lifetime mortgage market compared to 2018. We believe some customers deferred their decisions to use a lifetime mortgage until the Brexit uncertainty was brought to a conclusion. We also observed increased competition in the first half of the year as market participants sought to secure new business volumes.

Following the publication of PS13/18, we chose to be more selective in the mortgages we advanced during 2019, with a focus on shorter duration loans to older borrowers, lower LTV business and on customers with sufficient income to service interest on their borrowings.

Drawdown sales were £26.7m for the year (2018: £51.0m) and represented sales of the Group's Flexible Pension Plan ("FPP"). The FPP product was closed to new business from July 2019 and existing customers have been migrated to a third party platform.

ADJUSTED EARNINGS PER SHARE

Although total earnings were higher in 2019, share capital increased by 9.9% following the Group's capital raise in March. As a result, adjusted EPS (based on adjusted operating profit after attributed tax) has decreased slightly by 4% to 17.6 pence compared to the prior year.

	Year ended 31 December 2019	Year ended 31 December 2018
Adjusted earnings (£m)	177.1	170.3
Weighted average number of shares (million)	1,007.5	932.7
Adjusted EPS (pence)	17.6	18.3

EARNINGS PER SHARE

	Year ended 31 December 2019	Year ended 31 December 2018
Earnings (£m)	285.8	(63.7)
Weighted average number of shares (million)	1,007.5	932.7
EPS (pence)	28.4	(6.8)

RECONCILIATION OF OPERATING PROFIT TO STATUTORY IFRS RESULTS

The following tables present the Group's results on a statutory IFRS basis.

	31 December 2019 £m	31 December 2018 £m
Adjusted operating profit before tax	218.6	210.3
Non-recurring and project expenditure	(8.3)	(19.6)
Implementation of cost saving initiatives	(13.5)	–
Investment and economic profits/(losses)	173.8	(252.0)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	16.8	–
Amortisation costs	(18.8)	(24.2)
IFRS profit/(loss) before tax	368.6	(85.5)

Non-recurring and project expenditure

Non-recurring and project expenditure, which includes significant one-off project spend associated with restructuring the Group's securitisation to meet the recent regulatory changes and to meet major new financial reporting requirements was £8.3m for 2019 (2018: £19.6m). Non-recurring expenditure for 2019 includes costs associated with the equity placing, Restricted Tier 1 notes issuance, new Tier 2 notes issue and the tender for existing Tier 2 notes which were all undertaken during the year. Other project expenditure included in this category includes preparations for the new insurance accounting standard, IFRS 17, restructuring of the Group's internal LTM notes, and the costs of responding to the requirements of SS3/17, PS31/18 and PS19/19. The costs of on-going interaction with our regulators and the costs of implementing less significant regulatory changes are included in operating costs.

Implementation of cost saving initiatives

These costs are in respect of the significant cost savings initiated during the year to optimise the Group's business model and prioritise capital efficiency. During the year the Group rationalised its property footprint, reducing its Reigate office locations from three to two, and moved to more cost efficient London premises. We simplified our senior management structure and made improvements to our business processes to create long-term savings. As previously mentioned, we have also closed our US care business and outsourced our drawdown service. These actions have resulted in a 10% reduction in our full year 2019 recurring core management expenses, with a total saving of £16m. These savings are expected to reduce both acquisition and maintenance costs. We expect on-going savings as new cost initiatives in 2020 drive further cost savings across the business.

Investment and economic profits/losses

Investment and economic profits for 2019 were £173.8m (2018: losses of £252.0m).

Investment and economic profits for 2019 include the benefit of a decrease in risk-free rates and a narrowing of credit spreads, partly offset by an actual property growth rate lower than the long-term expected rate. In contrast, during 2018, we experienced IFRS losses from increases in risk-free rates and widening credit spreads.

Investment and economic losses for 2018 included the impact of changes to the Group's IFRS property growth and volatility assumption, in particular the reduction of the property growth assumption from 4.25% to 3.8% and an increase in volatility assumptions from 12% to 13%, which gave rise to a £211m loss reported through this line in the prior period.

Once again there were no corporate bond defaults within our portfolio during the year (2018: no defaults).

Amortisation costs

Amortisation mainly relates to the acquired in-force business asset relating to Partnership Assurance Group plc, which is being amortised over ten years in line with the expected run-off of the in-force business.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The table below presents the Condensed consolidated statement of comprehensive income for the Group, with key line item explanations.

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Gross premiums written	1,921.0	2,176.9
Reinsurance premiums ceded	2.8	(8.0)
Reinsurance recapture	436.8	543.3
Net premium revenue	2,360.6	2,712.2
Net investment income	1,451.7	142.6
Fee and commission income	12.7	8.2
Total revenue	3,825.0	2,863.0
Net claims paid	(861.1)	(749.9)
Change in insurance liabilities	(2,237.8)	(1,689.0)
Change in investment contract liabilities	92.2	0.4
Acquisition costs	(35.2)	(52.4)
Other operating expenses	(227.8)	(254.8)
Finance costs	(186.7)	(202.8)
Total claims and expenses	(3,456.4)	(2,948.5)
Profit/(loss) before tax	368.6	(85.5)
Income tax	(66.2)	21.2
Profit/(loss) after tax	302.4	(64.3)

Gross premiums written

Gross premiums written for the year were £1,921.0m, a decrease of 12% compared to the prior year (2018: £2,176.9m). As discussed above, the year-on-year decrease reflects the Group's planned reduction in new business volumes in order to preserve capital.

Reinsurance recapture

The Group's subsidiary JRL has a number of quota share reinsurance treaties with financing arrangements, which allowed a capital benefit under the old Solvency I regime. These treaties were closed to new business prior to the introduction of Solvency II on 1 January 2016 but the Group retains a capital benefit under Solvency II from the financing arrangements under transitional arrangements. The treaties allow JRL to recapture business once the financing loan from the reinsurer has been repaid. During the year the Group has repaid financing and recaptured business in respect of certain underwriting years, resulting in a decrease of reinsurance assets of £436.8m and a reduction of equal amount in the deposits received from reinsurers recognised within other financial liabilities in the statement of financial position. These movements are reflected in the statement of comprehensive income within net premium revenue and net claims paid respectively.

Net premium revenue

Net premium revenue decreased from £2,712.2m to £2,360.6m, driven by the reduction in gross premiums written, plus the impact of the reinsurance recaptures made during the year, and reinsurance premiums ceded.

Net investment income

Net investment income increased from £142.6m to £1,451.7m in 2019. The main components of investment income are interest earned and changes in fair value of the Group's corporate bond, mortgage and other fixed income assets. During 2019, risk-free rates have decreased and credit spreads have narrowed, giving rise to unrealised gains on the Group's mortgage and corporate bond assets. This is in contrast to the prior year, where risk-free rates increased and credit spreads widened, leading to unrealised losses.

Net claims paid

Net claims paid increased to £861.1m, from £749.9m in 2018, reflecting the growth of the in-force book.

Change in insurance liabilities

Change in insurance liabilities was £2,237.8m for the current year, compared to £1,689.0m in 2018. The increase compared to 2018 mainly reflects the growth in gross insurance liabilities due to the change in valuation interest rate, driven by the fall in risk-free rates as noted above.

Acquisition costs

Acquisition costs have decreased from £52.4m in 2018 to £35.2m in 2019, mainly as a result of the planned reduction in volumes of Retirement Income sales and LTM advances.

Other operating expenses

Other operating expenses decreased from £254.8m in 2018 to £227.8m for the current year. This reduction reflects the benefit of the cost-saving initiatives carried out during the year.

Finance costs

The Group's overall finance costs decreased from £202.8m in 2018 to £186.7m in 2019. The main driver relates to a reduction in reinsurance deposits (described in the notes opposite), which have fallen in line with the planned recaptures made. This decrease has been partly offset by a full year's interest on the Group's Tier 3 loan notes issued in February 2018, and interest on the new Tier 2 loan notes issued in October 2019. Note that the coupon on the Group's Restricted Tier 1 notes is recognised as a capital distribution directly within equity and not within finance costs. This includes reinsurance finance costs as well as the core expense base.

Income tax

Income tax for the year ended 31 December 2019 was £66.2m (2018: tax credit of £21.2m), with an effective tax rate of 18.0% in line with corporation tax rates (2018: effective tax rate of 24.8%). The effective tax rate for the prior year was affected by one-off adjustments relating to the recognition of deferred tax in relation to tax overpaid in prior periods.

FINANCIAL REVIEW CONTINUED

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table presents selected items from the Condensed consolidated statement of financial position, with key line item explanations below.

Condensed consolidated statement of financial position

	31 December 2019 £m	31 December 2018 £m
Assets		
Financial investments	21,606.0	19,252.5
Reinsurance assets	3,732.0	4,239.2
Other assets	555.8	454.1
Total assets	25,893.8	23,945.8
Share capital and share premium	198.0	188.6
Other reserves	949.9	885.5
Accumulated profit and other adjustments	879.9	590.3
Total equity attributable to ordinary shareholders of Just Group plc	2,027.8	1,664.4
Tier 1 notes	294.0	–
Non-controlling interest	(0.8)	(0.6)
Total equity	2,321.0	1,663.8
Liabilities		
Insurance liabilities	19,003.7	17,273.8
Other financial liabilities	3,678.9	4,063.3
Insurance and other payables	72.6	78.3
Other liabilities	817.6	866.6
Total liabilities	23,572.8	22,282.0
Total equity and liabilities	25,893.8	23,945.8



We believe in sustainable investment. Just Group was the first UK insurer to become a signatory to the United Nations Principles for Responsible Investment

Financial investments

During the year, financial investments increased by £2.4bn, from £19.3bn at 31 December 2018 to £21.6bn at 31 December 2019. The increase is mainly a result of investing the Group's new business premiums. The credit quality of the corporate bond portfolio remains high, with 58% of the Group's corporate bond and gilts portfolio rated A or above (2018: 60%) and continues to be well balanced across a range of industry sectors. At 31 December 2019 the Group's holding in liquidity funds was higher than in prior periods (2019: £1,384.0m, 2018: £882.5m), awaiting investment into corporate bonds and other fixed income assets. During the year the Group continued to increase its investment in private assets, including infrastructure loans and commodity trade finance. The loan-to-value ratio of the mortgage portfolio at 31 December 2019 was 34.3% (2018: 32.5%), and the percentage of lifetime mortgages reduced marginally to 36.9% of financial investments.

The following table provides a breakdown by credit rating of financial investments.

	31 December 2019 £m	31 December 2019 %	31 December 2018 £m	31 December 2018 %
AAA ¹	2,319.3	10.7	1,798.9	9.3
AA ¹ and gilts	1,500.4	7.0	1,799.8	9.3
A	3,345.0	15.5	3,151.1	16.4
BBB	4,791.1	22.2	4,072.0	21.1
BB or below	156.3	0.7	208.2	1.1
Other ²	1,513.4	7.0	1,031.0	5.4
Lifetime mortgages	7,980.5	36.9	7,191.5	37.4
Total	21,606.0	100.0	19,252.5	100.0

¹ Includes units held in liquidity funds.

² Includes private rated bonds, internally rated assets and own-rated assets.

Economic, Social and Governance and investing

Just Group is a signatory to the United Nations Principles for Responsible Investment ("PRI"). We were the first UK insurer to do this. In making investment decisions, sustainable investing principles are formally embedded within our processes, as set out in our Sustainable Investment Framework approved by the Board.

We are delighted our efforts have been recognised by satisfying the requirements to become a constituent of the FTSE4Good Index Series. The index is designed to measure the performance of companies demonstrating strong ESG practices.

Reinsurance assets

Reinsurance assets decreased from £4.2bn at 31 December 2018 to £3.7bn at 31 December 2019. The decrease relates to the impact of reinsurance recaptures made during the year (see Reinsurance recapture section above), and to the receipt of reinsurers' share of claims paid during the year. Since the introduction of Solvency II in 2016, the Group has increased its use of reinsurance swaps rather than quota share treaties.

Other assets

Other assets mainly comprise cash and cash equivalents, and intangible assets.

The sector analysis of the Group's financial investments portfolio at 31 December 2019 is shown below and continues to be well balanced across a variety of industry sectors.

	31 December 2019 £m	31 December 2019 %	31 December 2018 £m	31 December 2018 %
Basic materials	329.8	1.5	272.4	1.4
Communications	1,148.2	5.3	963.8	5.0
Auto manufacturers	446.6	2.1	319.4	1.7
Consumer	1,122.1	5.2	878.3	4.6
Energy	422.7	2.0	313.1	1.6
Banks	1,859.7	8.5	1,855.7	9.5
Derivatives and collateral	381.9	1.8	230.6	1.2
Insurance	724.2	3.4	733.9	3.8
Financial – other	876.7	4.1	936.3	4.9
Government	1,128.9	5.2	1,253.3	6.5
Industrial	628.6	2.9	447.4	2.3
Utilities	1,708.2	7.9	1,512.1	7.9
Liquidity funds	1,384.0	6.4	882.5	4.6
Lifetime mortgages	7,980.5	36.9	7,191.5	37.4
Commercial mortgages	494.5	2.3	392.3	2.0
Infrastructure loans	892.9	4.1	858.9	4.5
Other	76.5	0.4	211.0	1.1
Total	21,606.0	100.0	19,252.5	100.0

Insurance liabilities

Insurance liabilities increased from £17.3bn at 31 December 2018 to £19.0bn at 31 December 2019. The increase in liabilities arose mainly as a result of new insurance business written less claims paid and the impact of changes to the valuation interest rate as a result of the fall in risk-free rates during the year.

Other financial liabilities

Other financial liabilities decreased from £4.1bn at 31 December 2018 to £3.7bn at 31 December 2019. These liabilities are mainly reinsurance related and include deposits received from reinsurers, reinsurance financing and other reinsurance-related balances. The change in the financial liability balance mainly reflects the reduction in deposits received from reinsurers, due to the reinsurance recaptures made in the year.

Insurance and other payables

Insurance and other payables decreased from £78.3m at 31 December 2018 to £72.6m at 31 December 2019.

Other liabilities

Other liability balances decreased from £866.6m at 31 December 2018 to £817.6m at 31 December 2019. Other liabilities includes £12.4m in relation to lease liabilities which has been recognised upon adoption of IFRS 16, Leases, and which relates to the Group's leasehold buildings. A related right-of-use asset of £11.9m is included within property, plant and equipment.

IFRS net assets

The Group's total equity at 31 December 2019 was £2,321.0m, compared to £1,663.8m at 31 December 2018. Total equity includes the Restricted Tier 1 notes of £294m (after issue costs) issued by the Group in March 2019. Total equity attributable to ordinary shareholders increased from £1,664.4m to £2,027.8m resulting in net asset value ("NAV") per ordinary share of 196p (2018: 177p).

DIVIDENDS

Whilst the Group continues to build its capital position following the significant regulatory changes relating to equity release mortgages the Board considers it appropriate not to pay a final dividend for 2019 (total 2018 dividend: nil).

ANDY PARSONS

Group Chief Financial Officer

RISK MANAGEMENT

The Group's enterprise-wide risk management strategy is to enable all colleagues to take more effective business decisions through a better understanding of risk

PURPOSE

We use risk management to make better informed business decisions that generate value for shareholders while delivering appropriate outcomes for our customers and providing confidence to other stakeholders. Our risk management processes are designed to ensure that our understanding of risk underpins how we run the business.

RISK FRAMEWORK

Our risk management framework is continually developed to reflect our risk environment and emerging best practice. The framework, owned by the Group Board, covers all aspects of risk management, including risk governance, reporting and policies. Our appetite for different types of risk is embedded across the business to create a culture of confident risk taking.

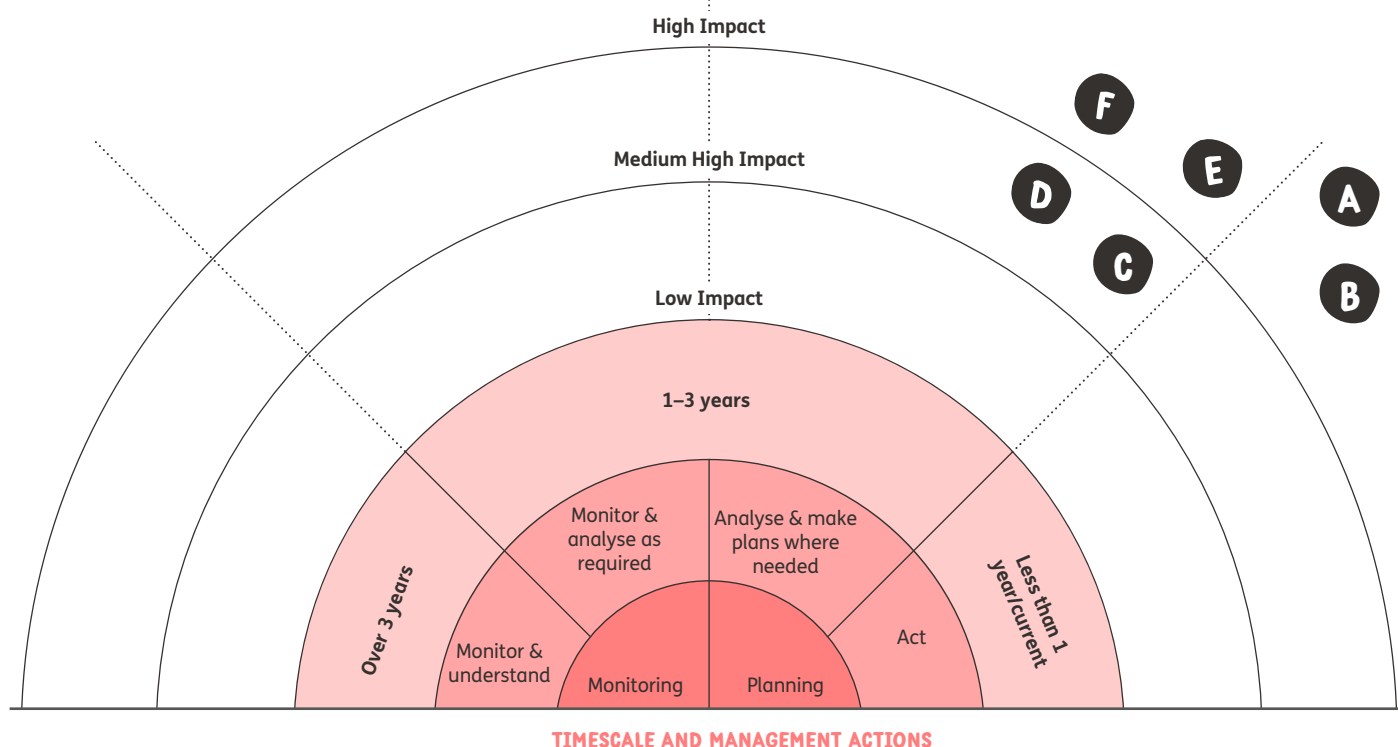
RISK EVALUATION AND REPORTING

We evaluate our principal and emerging risks and decide how best to manage them within our risk appetite. Management regularly reviews its risks and produces reports to provide assurance that material risks in the business are being appropriately mitigated. The Risk function, led by the Group Chief Risk Officer ("GCRO"), challenges the management team on the effectiveness of its risk evaluation and mitigation. The GCRO provides the Group Risk and Compliance Committee ("GRCC") with his independent assessment of the principal and emerging risks to the business.

Financial risk modelling is used to assess the amount of each risk type against our capital risk appetite. This modelling is principally aligned to our regulatory capital metrics. This modelling allows the Board to understand both the risks included in the Solvency Capital Requirement ("SCR") and how they translate into regulatory capital needs and those not included in the SCR, such as liquidity and strategic risks. By applying stress and scenario testing, we gain insights into how risks might impact the Group in different circumstances.

OWN RISK AND SOLVENCY ASSESSMENT

The Group's Own Risk and Solvency Assessment ("ORSA") embeds comprehensive risk reviews into our Group management structure. Our annual ORSA report is a key part of our business cycle and informs strategic decision making. ORSA updates are prepared each quarter to keep the Board apprised of the Group's evolving risk profile.



EMBEDDING GOVERNANCE VIA THREE LINES OF DEFENCE

1ST LINE	BUSINESS OPERATIONS The first level of the control environment is the business operations which perform day-to-day risk management activity	Risk & Control • An established risk and control environment
2ND LINE	OVERSIGHT FUNCTIONS Oversight functions in the Company, such as Risk Management, Compliance and Chief Actuary, support the Board in setting risk appetite and defining risk and compliance policy	Risk & Control • Oversight of the risk and control environment • Independent challenge and reporting on the risk profile and conduct of the business • Monitoring actions being taken to mitigate risk
3RD LINE	INDEPENDENT ASSURANCE Internal Audit is the third line of defence, offering independent challenge to the levels of assurance provided by business operations and oversight functions	Risk & Control • Provide independent challenge and assurance

VIABILITY STATEMENT

The Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities, as they fall due, over the next five years. The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, and make this assessment with reference to the risk appetite of the Board and the processes and controls in place to mitigate the principal risks and uncertainties as detailed in the Strategic Report, including the risks from the UK's withdrawal from the European Union.

The Directors have also assessed the impact of complying with the updated regulatory expectations set out in SS3/17 "Solvency II: matching adjustment – illiquid unrated assets and equity release mortgages" and PS19/19 "Solvency II: Equity release mortgages – Part 2" over the next five years, including the restructuring of the Group's internal LTM securitisation, which was effected on 31 December 2019. The impact of meeting these updated regulatory expectations is included in the Group plan approved by the Board.

The Board has considered the ability of the Group to continue to write the anticipated levels of new business over the next five years and the associated capital requirements in order to write that level of new business. The Group has raised additional capital during 2019 through the issue of equity, Restricted Tier 1 and Tier 2 capital, a total of £500m new capital (before issue costs), £100m of which is being used to re-finance the Partnership Life Assurance Company Limited 9.5% Tier 2 loan notes. The Group has also taken steps to improve its capital efficiency during 2019, including reduction in new business volumes and cost saving initiatives. The Group plans to continue to strengthen its capital position in order to support the new business franchise over the next five years, both through organic capital generation and potentially including raising new capital, in order to achieve its stated goal of a sustainable capital model.

In assessing viability the Board has considered the risk that the Group may not be able to raise new capital.

The Group undertakes stress and scenario testing to consider the Group's capacity to respond to a series of relevant financial, insurance, or operational shocks or changes to financial regulations should future circumstances or events differ from current assumptions. Such testing includes assessment of the impact of a property price shock on the Group, given that the Group holds a significant proportion of its assets in Lifetime Mortgages. The review also considers mitigating actions available to the Group should a severe stress scenario occur, such as raising further capital, varying the volumes of new business written and a scenario where the Group ceases to write new business. In particular, if adequate capital is not available to fund continued writing of material levels of new business, the scope of the Group's business would change. In that case, even if the Group ceases to write new business, the Group would still be viable, although as a Group managing its existing book of business in run-off.

The Directors note that the Group is subject to the Prudential Regulatory Regime for Insurance Groups which monitors the Group's compliance with Solvency Capital Requirements. Given the inherent uncertainty which increases as longer time frames are considered, the Directors consider five years to be an appropriate time frame upon which they can report with a reasonable degree of confidence. A five year time frame has been selected for this statement, although the Group, as with any insurance group, has policyholder liabilities in excess of five years and therefore performs its modelling and stress and scenario testing on time frames extending to the expected settlement of these liabilities, with results reported in the Group's ORSA. The Directors have no reason to believe that the Group will not be viable over a longer period.

- A** Risks from regulatory changes
- B** Risks from the economic environment
- C** Risks from our pricing assumptions
- D** Risks arising from operational processes and IT systems
- E** Risks from our chosen market environment
- F** Risks to the Group's brands and reputation

PRINCIPAL RISKS AND UNCERTAINTIES

RISK	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION
RISK A RISKS FROM REGULATORY CHANGES Strategic objective 1. 2. 3. 4. 5. Change in the year Risk outlook	The financial services industry continues to see a high level of regulatory activity and intense regulatory supervision. The regulatory agenda for the coming year covers many areas directly relevant to the Group. The Prudential Regulation Authority (“PRA”) published PS19/19, which follows on from PS31/18, both of which updated SS3/17 in respect of the valuation of no-negative equity guarantees (“NNEG”) in equity release mortgages (“ERMs”). The PRA’s proposals took effect on 31 December 2019, subject to a two year phase-in period. The PRA has published CP22/19 which consults on their expectations of firms’ compliance to the Prudent Person Principle with regard to managing investment risk. The Group is currently assessing the full implications and has responded to the consultation. The PRA also published CP23/19, consulting on their expectations of firms to undertake a robust risk identification exercise in respect of income producing real estate (“IPRE”) lending and for the credibility of insurance firms’ internal credit ratings of IPRE loans and other illiquid, unrated assets. The Group is currently assessing the full implications and has responded to the consultation. There has been an increase in regulatory focus on the issue of sustainable finance, particularly the impacts that climate change risks could have on the safety and soundness of firms and stability of the financial system. The PRA Supervisory Statement SS3/19 set out regulatory expectations about the management of the financial risks linked to climate change. The related PRA Policy Statement PS11/19 requires firms to set out plans for identifying and managing financial risks from climate change. Climate change could affect Just Group’s financial risks in two key ways: (i) as investors increasingly consider sustainability in their investment choices this may restrict investment choice and compress yields in the existing investment universe; it may also create new opportunities to invest in assets that are perceived to be more sustainable; and (ii) increased physical risks such as flooding due to severe rainfall or tidal surges, wildfires, extreme windstorms or heatwaves leading to increased subsidence may affect the value of properties not seen as having such an exposure at present. This could affect our ability to recover the full balances of lifetime mortgages in light of the no-negative equity guarantee. The PRA and Financial Conduct Authority (“FCA”) have issued several consultation papers on new requirements to strengthen operational resilience in the financial services sector. This is a key priority for the regulators and builds on the discussion paper issued last year. Just Group is currently reviewing the latest papers. There has been significant recent academic and market debate concerning the methodology and models for valuation of no-negative equity guarantees. The approach used by the Group is in line with common industry practice.	We monitor and assess regulatory developments on an on-going basis. We actively seek to participate in all regulatory initiatives which may affect or provide future opportunities for the Group. Our aims are to implement any required changes effectively, and to deliver better outcomes for our customers and competitive advantage for the business. We develop our strategy by giving consideration to planned political and regulatory developments and allow for contingencies should outcomes differ from our expectations. The Group also keeps under regular review the possible need to reduce new business volumes or close to new business. A key focus for the Group is addressing the expectations of the updated SS3/17 which came into effect on 31 December 2019, whilst maintaining the confidence of our stakeholders. This includes using our capital wisely. Any changes to the regulatory environment as a result of the UK’s withdrawal from the EU are being monitored, notably with regard to Solvency II, although significant divergence is not expected. It is anticipated that the UK’s withdrawal from the EU will have limited direct impact on the Group as it and its customers and policyholders are predominantly UK based. The outcome of the European Commission’s review of Solvency II regulations may have an impact on how Solvency II continues to be applied in the UK even in a post-Brexit world. We are monitoring developments. Just has an approved partial internal model to calculate the Group Solvency Capital Requirement, which it reviews for continued appropriateness. In 2020 it expects to review the model to reflect changes in the risk profile of the balance sheet arising from the requirements of PS19/19 and other business developments. We participated in the PRA’s 2019 Insurance Stress Test on our investments in publicly listed bonds in relation to climate change and we consider Environmental, Social & Governance (“ESG”) factors in all our investment analysis and decisions (see page 18 for further details). Just is enhancing its ESG approach in its investment strategy. Just is implementing a plan to ensure that the potential impacts of climate change on the Group’s financial risks are identified, assessed and monitored. The plan will also ensure the Group’s risk management framework appropriately accommodates and reports on climate change-related risks. We intend to continue to actively monitor the academic and market debate concerning the valuation of no-negative equity guarantees.

STRATEGIC OBJECTIVES

1.

IMPROVE OUR
CAPITAL POSITION

2.

TRANSFORM
HOW WE WORK

3.

GET CLOSER TO OUR
CUSTOMERS & PARTNERS

4.

GENERATE GROWTH
IN NEW MARKETS

5.

BE PROUD TO
WORK AT JUST

RISK OUTLOOK

- ▶ No Change/Stable
- ▲ Increasing
- ▼ Decreasing

RISK	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION
RISK B RISKS FROM THE ECONOMIC ENVIRONMENT Strategic objective 1. 2. 3. 4. 5. Change in the year ▲ Risk outlook ▶	The premiums paid by the Group's customers are invested to enable future benefits to be paid when expected with a high degree of certainty. The economic environment and financial market conditions have a significant influence on the value of assets and liabilities and on the income the Group receives. An adverse economic environment (resulting, for example, from a COVID-19 pandemic impacting the global economy) could impact on the availability and attractiveness of certain securities and could increase the risk of credit downgrades and defaults in our corporate bond portfolio. The lack of clarity regarding the UK's future trading arrangements with the EU has introduced material uncertainty for the UK's macro-economic outlook in the medium and long term. The Group remains exposed to impacts that the uncertainty around the UK's withdrawal has on the UK economy as a whole, including residential house prices – the UK's withdrawal from the EU could result in property values stagnating or falling. In an environment of low interest rates, investors may be more willing to accept higher credit and liquidity risk to improve investment returns. These conditions create additional competition for assets and make it more challenging to source sufficient assets to offer attractive DB de-risking and GfL terms. Low credit spreads similarly affect the income that can be made available, although margins from our equity release portfolio help offset this risk. Most defined benefit pension schemes link member benefits to inflation through indexation. As the Group's defined benefit de-risking business volumes grow, its exposure to inflation risk increases. A fall in residential property values could reduce the amounts received from equity release redemptions and may also affect the relative attractiveness of the equity release product to customers. The regulatory capital needed to support the possible shortfall on the redemption of equity release mortgages also increases if property values drop. Conversely, significant future rises in property values could increase the incidence of early mortgage redemptions, leading to an earlier receipt of anticipated cash flows with the consequential reinvestment risk. Market risks may affect the liquidity position of the Group by, for example, having to realise assets to meet liabilities during stressed market conditions or to service collateral requirements due to the changes in market value of financial derivatives. A lack of market liquidity and availability is also a risk to any need that the Group may have to raise capital.	Economic conditions are actively monitored and alternative scenarios modelled to better understand the potential impacts of significant economic changes on the amount of capital required to be held to cover risks, and to inform management action plans. The Group's strategy is to buy and hold high-quality, lower-risk assets in its investment portfolio to ensure that it has sufficient income to meet outgoing as they fall due. Portfolio credit risk is managed by specialist fund managers executing a diversified investment strategy in investment grade assets within counterparty limits. In a low interest rate environment, improved returns are sought by diversifying the types, geographies and industry sectors and classes of investment assets. Such diversification creates exposures to foreign exchange risk, which is controlled using derivative instruments. Derivative instruments are used to reduce exposures to interest rate volatility. The credit exposure to the counterparties with whom we transact these instruments is mitigated by collateral arrangements. The Group's exposure to inflation risk through the defined benefit de-risking business is managed with inflation hedges. Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. Sufficient liquid assets are maintained so the Group can readily access the cash it needs should business cash inflows unexpectedly reduce. There is some short-term volatility in the Group's cash flows, which can be reliably estimated in terms of timing and amount. Regular cash flow forecasts predict liquidity levels over both short term and long term and stress tests help us understand any potential periods of strain. The Group's liquidity requirements have been comfortably met over the past year and forecasting confirms that this position can be expected to continue for both investments and business operations.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION
RISK C RISKS FROM OUR PRICING ASSUMPTIONS Strategic objective 1. 2. 3. 4. 5. Change in the year  Risk outlook 	Writing long-term DB de-risking, GIFL and equity release business requires a range of assumptions to be made based on market data and historical experience, including customers' longevity, corporate bond yields, interest and inflation rates, property values and expenses. These assumptions are applied to the calculation of the reserves needed for future liabilities and solvency margins using recognised actuarial approaches. Experience may differ materially from the Group's assumptions on these risk factors, requiring them to be recalibrated. This could affect the level of reserves needed, with an impact on profitability and the Group's solvency position.	To manage the risk of our longevity assumptions being incorrect, the Group has the benefit of extensive underwritten mortality data to provide insights and enhanced understanding of the longevity risks that the Group chooses to take. Longevity and other decrement experience is analysed to identify any outcomes materially different from our assumptions and is used for the regular review of the reserving assumptions for all products. Some longevity risk exposure is transferred to reinsurers. The Group performs due diligence on our reinsurance partners and they undertake due diligence on the Group's approach to risk selection. The Group monitors its exposure to reinsurers on an on-going basis. Exposure is managed through the posting and receipt of collateral into third party trusts or similar security arrangements, or the deposit of premiums back to the Group. The Group measures its counterparty exposure as the change in excess own funds above Solvency II SCR from a default of each individual counterparty. The measures used include the change immediately upon default and after the Group has re-established cover. The Group's exposure to individual counterparties is subject to limits set by the Board. For equity release, the Group underwrites the properties against which it lends using valuations from expert third parties. The Group's property risk is controlled by limits to the initial loan-to-property value ratio, supported by product design features, limiting specific property types and exposure to each region. We also monitor the exposure to adverse house price movements and the accuracy of our indexed valuations.
RISK D RISKS ARISING FROM OPERATIONAL PROCESSES AND IT SYSTEMS Strategic objective 1. 2. 3. 4. 5. Change in the year  Risk outlook 	The Group relies on its operational processes and IT systems to conduct its business, including the pricing and sale of its products, measuring and monitoring its underwriting liabilities, processing applications and delivering customer service and maintaining accurate records. These processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by human error, unauthorised access, natural disaster or similarly disruptive events. Any failure of the Group's IT and communications systems and/or third party infrastructure on which it relies could lead to costs and disruptions that could adversely affect its business as well as harm its reputation. Large organisations continue to be targets for cyber-crime, particularly those organisations that hold customers' personal details. The Group is no exception and a cyber-attack could affect customer confidence, or lead to financial losses.	The Group maintains a suite of risk management tools to help identify, measure, monitor, manage and report its operational risks, including those arising from operational processes and IT systems. These include a risk management system, risk and control assessments, risk event management, loss reporting, scenario analysis and risk reporting through the ORSA. The Group maintains plans and controls to minimise the risk of business disruption due to information security or continuity related events including civil unrest and pandemics. Detailed incident and crisis management plans exist to ensure effective responses and these are supported by specialist third parties for our workplace recovery centre. Protecting our customers' interests is our top priority. Flexing the Group working arrangements in stressed times, such as during a pandemic, helps to ensure that our customers do not experience any material detriment. Our approach to information security is under constant review as the cyber-threat landscape evolves. Due diligence is performed on all partners to ensure that they work to the same high security standards as the Group. Just believes that every member of staff has a duty of care to protect the data that they handle. Using federated models for data protection, resilience (business continuity) and information security, we operate a Group wide network of Data Protection Champions to promote awareness. The Group invests in tools to help identify, manage and report on data and cyber threats, including tools to monitor user access to sensitive data sets and the movement of data across the network. Using artificial intelligence and machine learning, these tools provide early warning of suspicious activity on IT systems. In 2019 the Group committed a significant additional spend on upper quadrant security related products deployed on end-points. Further investment has been made on core infrastructure such as firewalls and secure architecture, with proactive monitoring by our specialist partner, responsible for managing our Security Operations Centre.

STRATEGIC OBJECTIVES

1.

IMPROVE OUR
CAPITAL POSITION

2.

TRANSFORM
HOW WE WORK

3.

GET CLOSER TO OUR
CUSTOMERS & PARTNERS

4.

GENERATE GROWTH
IN NEW MARKETS

5.

BE PROUD TO
WORK AT JUST

RISK OUTLOOK

-  No Change/Stable
-  Increasing
-  Decreasing

RISK	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION
RISK E RISKS FROM OUR CHOSEN MARKET ENVIRONMENT	The Group operates in a market where changes in pensions legislation can have a considerable effect on our strategy and could reduce our sales and profitability or require us to hold more capital. Customers' need for a secure income in retirement continues and the Group expects that demand for guaranteed income for life solutions will continue. The availability to insurers of defined benefit de-risking transactions is expected to continue to grow. The equity release market has been dominated by a limited number of specialist providers, but new entrants – both providers and funders – have emerged along with new product launches and the intensity of competition has increased. The equity release asset class provides good cash flow matching for the Group's longer duration DB de-risking and GifL liabilities, where suitable longer duration corporate or government bonds or other appropriate assets are less readily available. Customer needs and expectations continue to evolve and change in profile, and there is a risk that we fail to customise and tailor our professional services and distribution models to suit their specific requirements. Poor management of customer or distributor relationships as well as misleading customers or misrepresenting products to customers are also risks which could lead to regulatory censure as well as loss of customers.	Our approach to legislative change is to participate actively and engage with policymakers. The Group offers a range of retirement options, allowing it to remain agile in this changing environment, and has flexed its offerings in response to market dynamics. We believe we are well placed to adapt to changing customer demand, supported by our brand promise, innovation credentials and financial strength. The most influential factors in the successful delivery of the Group's plans are closely monitored to help inform the business. The factors include market forecasts and market share, supported by insights into customer and competitor behaviour. Work continues to improve the customer appeal of the Group's equity release products, explore new product variants and meet distributors' digital and service needs. We continue to gather customer insight and enhance our distribution services accordingly. In 2019 we have expanded the portfolio of partners for whom we provide GifL broking services as well as including comparisons with closed book rates where life company partners offer these. Recognising the increased demands for advice from members of defined benefit pension schemes, our defined benefit member options business purchased last year has continued its safe growth in a highly regulated environment. We have developed and plan to launch in 2020 a pioneering and exciting fully advised online financial planning service targeted at people close to or in-retirement with modest pension savings. The service will provide the opportunity to receive tailor-made regulated financial advice without paying the costs associated with a traditional financial adviser.
RISK F RISKS TO THE GROUP'S BRAND AND REPUTATION	Our purpose is to help people achieve a better later life. Our Group's brands reflect the way we intend to conduct our business and treat our customer and wider stakeholder groups. The Group's reputation could be damaged if the Group is perceived to be acting, even unintentionally, below the standards we set for ourselves. Damage to our reputation may adversely affect our underlying profitability, through reducing sales volumes, restricting access to distribution channels and attracting increased regulatory scrutiny. Additionally, the Group's reputation could be threatened by external risks such as regulatory intervention or enforcement action, either directly or as a result of contagion from other companies in the sectors in which we operate.	The Group actively seeks to differentiate its business from competitors by investing in brand-enhancing activities. Fairness to customers and high service standards are at the heart of the Just brand, and we encourage our colleagues to take pride in the quality of service they provide to our customers. Engaging our colleagues in the Just brand and its associated values has been, and remains, a critical part of our internal activity. The Group maintains a system of internal control, and associated policies and operational procedures, which define the standards we expect of all colleagues.

Strategic objective

1. 2. 3. 4. 5.

Change in the year



Risk outlook



Strategic objective

1. 2. 3. 4. 5.

Change in the year



Risk outlook



PEOPLE AND CULTURE

During 2019 we have continued to drive our people and organisation strategy around three priorities – building the right organisational culture, strengthening our capabilities and developing an engaging employee experience

PROUD TO WORK AT JUST

“

We were delighted to achieve our highest level of employee engagement since becoming Just

OUR APPROACH

Our objective has been to ensure that all employees feel well led, well managed, with growth and development opportunities.

WELL LED

We are committed to developing visible, authentic and inclusive leaders who inspire and engage our teams around a shared sense of purpose.

WELL MANAGED

Our people managers help teams to succeed by setting clear and motivating goals, having regular open conversations, coaching and supporting our people.

GROWTH & DEVELOPMENT OPPORTUNITIES

We encourage colleagues to learn, grow and develop by providing opportunities for each employee to fulfil their potential, both professionally and personally.

PROUD TO WORK AT JUST

We want all of our employees to feel proud to work at Just and our focus has remained on engaging colleagues and ensuring that Just is a great place to work. During October and November we once again took part in the Sunday Times best companies to work for survey. 81% of employees shared their views and we were delighted to have achieved our highest level of employee engagement since becoming Just Group. We are particularly proud of the improvements we have seen in our scores relating to “leadership”, “my manager” and “giving something back” which have been areas of increased focus. Overall, we have strengthened our accreditation as “one to watch” and continue to have good levels of employee engagement. Throughout the year we have shared the specific and tangible actions we have taken in these key areas via an email newsletter called Just Action! and our Company intranet, HQ.

OUR CULTURE

Our culture is at the heart of how we “get things done” and we understand the importance of leaders setting, communicating and challenging the Company’s culture. We want to enable our people to do even better things and work in a way that builds good culture and good conduct. Our aim is to have a healthy culture that makes working at Just a positive experience, enhances our reputation, attracts and retains the right talent and promotes innovation. This approach has been underpinned by a new executive team charter focused on how the team can create an environment for success which clears the way so that employees can deliver.

WELL LED

Conversations with the Board

Building on the success of sessions we held with employees and Board members in 2018, during 2019 Steve Melcher, one of our Non-Executive Directors, assumed responsibility for engaging with employees and bringing their voice into the boardroom. To foster regular, meaningful, dialogue, Steve held four face-to-face sessions with employees. Branded as “conversations with the Board,” they took place in Reigate, London and Belfast. Conversations were framed around topics on the Board’s agenda and employees could ask questions and provide feedback on these and other matters relating to the business. The sessions were interactive and positive, with many of the questions aligned to the areas of strategy, performance and regulation (see page 50 “colleague engagement” on how employee feedback has been considered in Board decision making). A highlights video from one of the sessions was also produced which was shared with all employees on our Company intranet.

Executive team communication and engagement

Following the appointment of David Richardson as the Company’s permanent CEO in September, David launched a programme of quarterly town halls with all colleagues, discussing the Company’s priorities, successes and challenges. The first sessions took place during October and were a great opportunity for employees to ask questions on topics that were important to them. In addition to these face-to-face sessions, during the year the broader executive team held regular engagement sessions, branded “lean coffees”, for groups of colleagues, blogged on topical issues, and emailed business updates aligned to achieving our organisational priorities. Following the success of our Company-wide “Just be proud” events last year, which focused on the things that make our organisation special, we held “Just be proud 2”. Approximately 770 employees attended the sessions, which highlighted the importance of innovating to transform the Group’s businesses to become more efficient and effective in delivering services to our customers and business partners.

WELL MANAGED

A commitment to diversity and inclusion

Our CEO, David Richardson, is also our executive sponsor for diversity and inclusion and has driven initiatives to build a truly inclusive culture at Just (outlined in our diversity and inclusion policy). We recognise and embrace the benefits of a diverse workforce across all aspects of diversity, including gender, race, sexuality, skills, knowledge, experience, education, age, personality and work style. We know that having a diverse, talented workforce with people from different



“
Having a motivated and engaged team is essential to equip the Group with the talent required to meet its ambitious goals

PEOPLE AND CULTURE CONTINUED



“

I'm really excited to be part of the 30% Club cross-company mentoring scheme. The launch event was energetic and fun and I'm looking forward to working with people from different businesses and industries

backgrounds with different experiences will help us to succeed, innovate and better serve our customers now and into the future.

We have rolled out unconscious bias training to the Board and all employees which has created an awareness of bias and the impact it has on decisions we make and how we recruit new employees. We have also delivered a face-to-face session on inclusive leadership to our entire executive and wider leadership population. Our broader leadership and management development programmes reinforce key messages regarding diversity and inclusion. For the second year in a row, we co-hosted a session on inclusion as part of “Dive In”, the festival for diversity and inclusion in insurance and have also registered Just's support for “inclusive behaviours in insurance.”

We have prioritised gender diversity, which is a particular challenge within our industry. In 2019 we reported a gender pay gap of 37.7%. The data shows that this is not an equal pay for equal roles issue, but is due to the relatively lower proportion of females in senior roles within the organisation compared to males. We have signed up to the HM Treasury Women in Finance Charter and set a “33 by 23” target to increase the proportion of women in senior leadership roles. We are taking a wide range of actions to progress towards this target, including providing opportunities to support the development of our female talent. Examples include our participation in the industry Actuarial Mentoring Programme, which aims to improve diversity at senior levels of the actuarial profession by helping retain female actuaries for longer, and the 30% Club cross-company mentoring scheme delivered by Women Ahead, which aims to support the career development and progression of women at all levels. We are proud to participate as a signatory to the Association of British Insurers' innovative, transparent leave and pay initiative. As part of this we have published our parental leave and pay policies on our Group website. Our support for this initiative demonstrates our commitment to supporting working parents and champions diversity and inclusion. Our commitment and initiatives were recognised in our nomination for a diversity award at the 2019 Women in Pensions conference.

As well as supporting the development of our internal female talent, we are also focused on ensuring that we have gender balanced shortlists when hiring into key technical and leadership positions, including Board level roles. We were delighted to announce two new Non-Executive Director appointments. Michelle Cracknell has been appointed to the role of Non-Executive Director of Just Group plc. Until recently Michelle was Chief Executive of the Pensions Advisory Service and has 30 years' experience focused on the challenges facing consumers in later life and the retirement income market. Mary Kerrigan has been appointed as a Non-Executive Director of the Board of our life company subsidiaries. Mary is an experienced Non-Executive Director and Committee Chair and brings extensive experience within the pensions, life insurance and investment management industries. These appointments further strengthen our leadership capability and reflect our commitment to improving diversity in the boardroom (supported by our Board diversity policy).

Wellbeing and giving something back

We have continued to undertake activities which focus on the mental, physical and financial wellbeing of our employees. These included sessions on resilience and mental health, encouraging open and honest conversations at all levels and building a culture where employees can bring all of themselves to work. After asking for volunteers, this year we appointed a number of mental health first aiders who attended a two day intensive training course to gain an in-depth understanding of mental health. They were taught practical skills to spot the triggers and early warning signs of mental health issues, learnt enhanced interpersonal skills such as non-judgmental listening, and took a detailed look at the mental health resources that are available.

From a charity perspective, a highlight of our year was Just Walk. 83 employees walked either a full or half marathon between London and Reigate, totalling 1,951 miles, and raising over £30,000 for our corporate charity Re-engage (formerly Contact the Elderly). In addition,



“

I feel so proud to have been part of Just Walk. It was challenging, but so rewarding

elderly guests were welcomed to our offices for tea parties with cake, conversation and a performance from our Just choir, as a way to help combat the loneliness and isolation felt by many people in later life. We were also proud to sponsor Run Reigate in September, awarding the trophies and prizes for the fastest runners in the over 55 half marathon categories. The event was a great opportunity to increase our presence in the local community, promote our brand and demonstrate our purpose of helping people achieve a better later life (as outlined in our corporate social responsibility policy).

GROWTH AND DEVELOPMENT

Investing in our people

We are committed to developing leaders and managers who inspire, energise and engage their teams around our purpose. During the year we have designed and delivered two flagship development programmes, Just Lead and Just Engage. These bespoke in-house modular programmes are based around insights into our leaders' strengths and gaps, following a leadership benchmarking exercise last year. The programmes draw on contemporary thinking and practice and comprise face-to-face workshops, group and individual coaching sessions, videos, articles and discussion forums to enable collaboration and learning. We complement these programmes with sessions from external speakers on topics such as inclusive leadership, influence and impact and resilience. In addition, a number of our people managers are taking part in a manager Level 5 apprenticeship standard which leads to chartered manager status. Participants will develop skills in operational management, project management, leading people, building relationships and managing self. Our commitment to the growth and development of our people is reflected in our Group training and competence policy.

A new approach to career planning

We are committed to supporting the development of every employee at Just, either through in-role experience, coaching, mentoring, online learning or face-to-face training. In line with this focus, we launched a new career framework in 2019 which provides a map of potential career paths. This helps us to offer opportunities for personal growth and career development to the right groups of people at the right stage of their career. At the end of the year we were also pleased to start working with LinkedIn Learning, a new e-learning platform which will give our people the resources, autonomy and ownership to grow their own skills and advance their development at Just.

INVESTING IN FULFILLING OUR PURPOSE

JUST GET ACTIVE

In 2019 we have been investing in our communities to help older adults get active for a happier, healthier life through our new programme, Just Get Active

It's easy to feel that sport is a younger person's game – but we believe that sport belongs to everyone. In fact, there's a huge number of sports that have been adapted to suit players who want to get involved later in life. No matter what their age or ability, whether people fancy playing or supporting from the sidelines, it's never too late to bring sport into people's lives.

For us at Just, the solution lies in walking sports. There's no running – instead, people play sports at their pace in a sociable, fun and inclusive environment. It can be as exhausting or energetic as much as they want it to be! There's no pressure. Just are raising awareness of walking sports as an alternative way to introduce exercise into people's lives and guide them to opportunities to get involved.

Walking sports are just what they sound like – versions of sports like football, cricket or hockey that follow the rules of the standard game, but the players walk instead of run. They're great if people want the fun of the game without the strenuous pace and intense contact.

After all, sport of any kind has so many benefits for both physical and mental health – it reduces the risk of many illnesses, from heart disease to dementia, as well as combating loneliness and depression. So, we're here to make it as easy as possible for people to be part of a sporting community.

So we've been encouraging people to just get active – at their own pace, in their own style – and have lots of fun along the way!

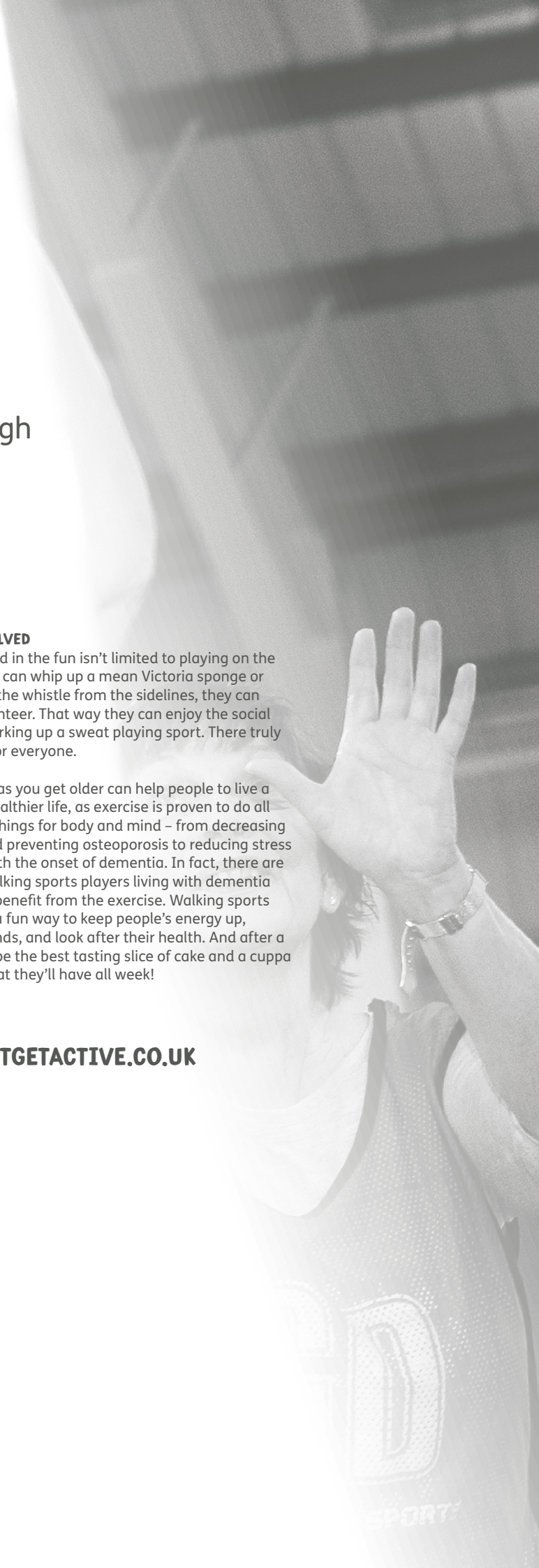
GETTING INVOLVED

Getting involved in the fun isn't limited to playing on the pitch. If people can whip up a mean Victoria sponge or fancy blowing the whistle from the sidelines, they can become a volunteer. That way they can enjoy the social life without working up a sweat playing sport. There truly is something for everyone.

Staying active as you get older can help people to live a happier and healthier life, as exercise is proven to do all kinds of good things for body and mind – from decreasing cholesterol and preventing osteoporosis to reducing stress and helping with the onset of dementia. In fact, there are remarkable walking sports players living with dementia who find they benefit from the exercise. Walking sports are especially a fun way to keep people's energy up, make new friends, and look after their health. And after a session, it will be the best tasting slice of cake and a cuppa with friends that they'll have all week!

WWW.JUSTGETACTIVE.CO.UK

**JUST.
GET
ACTIVE**





£7.7BN

NHS and healthcare savings if one third of inactive over 55s were supported to be active over the next ten years

(Source: Reimagining Ageing Report, UK Active)

ENVIRONMENT

We recognise the risks to society presented by climate change and are committed to doing our part to support a sustainable environment

MODERNISING OUR WORKPLACE



Investment in our modern workplace has contributed to Just Group delivering a 41% reduction in total emissions during 2019

BUILDING A MODERN WORKPLACE TO IMPROVE FLEXIBILITY FOR COLLEAGUES AND REDUCE OUR IMPACT ON THE ENVIRONMENT

We relocated our London HQ to The Minster Building into an area half the size of that previously used, whilst consolidating from three buildings down to two in our Reigate base; as a result, our property footprint has reduced by over 30%. Improvements in our core infrastructure have also enabled a five-fold increase in remote working capabilities.

In 2020 we are continuing to modernise our workplace by integrating our property and technology strategies. This will ensure we are making most of the space we have, creating the capabilities to enable colleagues to work more flexibly which means we can grow our colleague base without necessitating increases in our property footprint.

We recognise the risks to society presented by climate change and are committed to doing our part to support a sustainable environment. We do this by developing policies and programmes to ensure we conduct business in a safe, environmentally sound manner in accordance with relevant legislation and regulations.

In advance of the emission reductions we would expect from consolidating our property footprint, upgrades to boiler and air conditioning systems and reduction in refrigeration units have lessened our hydrochlorofluorocarbons (“HCFC”) production and R22 (HCFC refrigerant) usage.

We promote car-sharing, Easit (an organisation that help to make commuting easier, greener and healthier for our colleagues) and cycle-to-work schemes.

Our new procurement policy requires prospective suppliers to provide evidence of their environmental management processes. We use environmental performance as a criteria when appointing new suppliers.

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors’ Reports) Regulations 2013. These sources fall within our consolidated financial statements.

CARBON FOOTPRINT DOWN

41%

1,547 tonnes of CO₂e (2018: 2,644 tonnes of CO₂e)

GHG emissions data

Tonnes of CO ₂ e (tCO ₂ e)	Year ended 31 December 2019	Year ended 31 December 2018
Scope 1 – Gas consumption	144	163
Scope 2 – Purchased electricity	579	700
Scope 3 – Business travel	824	1,781
Total emissions	1,547	2,644
Intensity measurement “tCO ₂ e per full time employee”	1.42	2.41
Intensity measurement “tCO ₂ e per £m gross premiums written”	0.81	1.21

1. Approach

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting Standard Set 2019 (2).

2. Organisational boundary

We have used the financial control approach to identify the GHG emissions for which Just Group have responsibility. The boundaries of the reported emissions comprise all UK offices and building related emissions including business travel, covering car, train and flights (long haul and domestic).

3. Operational scopes

We have identified and measured our Scope 1 and 2 emissions, and significant Scope 3 emissions with the support of independent consultants, Alphacello Ltd.

4. Targets

Just Group has set annual targets in accordance with the recommendations that are included within our ESOS energy pack, which has been submitted to the Environment Agency.

5. Intensity measurement

We use both a financial emissions intensity metric (tonnes of CO₂e per £m gross premiums written) and an employee intensity metric (tonnes of CO₂e per employee) to normalise our data and provide useful performance indicators.

6. Approach to assurance

Alphacello Ltd conduct an annual review of Just Group's data collation and calculation processes and provide verification of their GHG emissions statement.

7. Carbon offsets

At present, carbon offsets do not form part of our carbon mitigation strategy. We are currently implementing energy saving initiatives throughout our buildings as a result of our ESOS report. This includes updating out-of-date air conditioning units and the installation of energy-efficient LED lighting. The building we occupy in London uses photovoltaic cells to generate renewable energy.



ISO 14001:2015 CERTIFIED

Just Group complies with the internationally recognised standard for environmental management, ISO 14001:2015. We have established policies and programmes that specifically outline how we conduct business in a safe, environmentally sound manner in accordance with relevant legislation and regulations.



SUSTAINABLE OPERATIONS

It is imperative that we conduct business in an operationally efficient way. Our internal energy-saving programme supports the principles of sustainable operations and aims to improve the environmental performance of our offices and facilities. We have recently relocated our London HQ to The Minster Building, which is an ultra-efficient, BREEAM certified building.



ENVIRONMENTAL AWARENESS

We promote environmental awareness across the Group, focused on providing colleagues with the information that they need to work in an environmentally conscious way. Our environmental focus includes recycling, conserving resources and preventing pollution. Our operational planning and processes take into account environmental considerations such as energy consumption, travel emissions and efficient use of office space.



ENVIRONMENTAL GOVERNANCE

We are committed to continual improvement, delivering an environmental programme with robust policies, governance and reporting, backed by a Group-wide education and awareness plan through 2020 and beyond.

SECTION 172 STATEMENT

The Board has set a clear purpose and strategy for the Group. We help people achieve a better later life through the advice, products and services we offer and our purpose runs through the company culture and everything we do

HOW THE DIRECTORS MAKE DECISIONS

DIRECTORS' STATEMENT IN PERFORMANCE OF THEIR DUTIES UNDER SECTION 172(1)

The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year.

LONG TERM EFFECT OF OUR DECISIONS

We focus on all of our stakeholders when developing and executing our strategy. We are adapting our business model to address the changing regulatory environment. The Group is committed to delivering capital self-sufficiency, while in parallel developing other strategic and business options to maximise shareholder value. Achieving capital self-sufficiency demonstrates the on-going rigour of our capital management and should deliver a sustainable business enabling us to generate value for shareholders and contribute to wider society. This is why the Board has instigated a less capital intensive strategy.

We seek to achieve our objectives by taking into account the needs of our stakeholders and the impact our business may have on them. The Board is aware that its decisions may impact on one or more groups of stakeholders, the environment and the communities in

which we operate. We are also aware that the needs of our stakeholders may differ in some circumstances. Effective engagement with stakeholders is important for the Board and helps to promote the interests of stakeholders into boardroom discussions and decisions. This will ensure we continue to provide services and products our customers need, remain a great place to work for all of our colleagues, work effectively with our regulators, business partners, suppliers and other counterparties and ultimately deliver enhanced long-term shareholder value.

More information about our key stakeholders, how we engage with them, what matters to them and how we are addressing their concerns and needs is included in our Relationships with Stakeholders report on page 22.

EMPLOYEES

We want all of our employees to feel proud to work at Just and our focus has remained on engaging colleagues and ensuring that Just is a great place to work. 'Proud to work at Just' on page 40 details Just's commitment to their interests, including increasing diversity and inclusion. The section also includes information on engagement, including how the employee voice is heard in the boardroom through 'Conversations with the Board' and details about the Non-Executive Director appointed with responsibility for employee engagement.

BUSINESS RELATIONSHIPS – SUPPLIERS, CUSTOMERS

The Board is committed to fostering the Company's business relationships with suppliers, customers and other stakeholders. Page 22 details our relationships with our principal suppliers and customers as well as other stakeholders and how we engage, what matters to them and how we have addressed any challenges they have raised with us.

COMMUNITY AND ENVIRONMENT

The Board recognises Just's place in society and has set the Group's purpose 'to help people achieve a better later life'. In 2019 the Group has invested in our communities and promoted helping older adults get active for a healthier life through our new programme, 'Just Get Active'. Further information can be found on page 44 or www.justgetactive.co.uk. In addition we recognise the risks to society presented by climate change and are committed to doing our bit to support a sustainable environment. Page 18 details the Group's investment strategy 'Making Just choices' and page 46 details the progress we are making to reduce our carbon footprint in the Environment report.

We understand that we operate in society and it sets its expectations and requirements through legislation and regulation. We receive feedback from stakeholders including our regulators, the PRA and FCA, as well as other bodies such as the FRC. The Board listens actively to them, taking stakeholders' feedback into account, making judgements and taking decisions.

HIGH STANDARDS OF BUSINESS CONDUCT

Our intention is to ensure that we and our colleagues operate the business in an ethical and responsible way. A healthy corporate culture is the cornerstone of high standards of business conduct and governance. Our culture is at the heart of how we "get things done" and we understand the importance of leaders setting, communicating and challenging the Company's culture.

For our suppliers we introduced a Group procurement and outsourcing policy, ensuring tender processes are fair and transparent and suppliers receive feedback on submissions.

INVESTORS

We receive capital investment from shareholders and from debt investors and without their investment we would not be able to achieve our purpose. We recognise that at certain times conditions impact our stakeholders differently. Like any business, there may be times when we have to take decisions that adversely affect one or more of these groups and, in such cases, we always look to ensure that those impacted are treated fairly. See page 52 for the various ways in which we engage with our different shareholder and investor groups.

SECTION 172 – EXAMPLES OF DECISIONS DURING THE YEAR

This report assesses how the Directors have taken into consideration the Company's business relationships with suppliers, customers and other stakeholders. It explores how the Directors have engaged with colleagues across the Group and how the principal decisions taken by the Board may impact them.

AREA OF DECISION	MATTER CONSIDERED	WHAT WE DID	STAKEHOLDERS
EMPLOYEES COLLEAGUE ENGAGEMENT	Based on the strategic priority "Be proud to work at Just" and informed by the UK Governance Code 2018 (the "Code") the Board considered the most appropriate way for the Group to hear the employee voice in the boardroom.	The Board appointed Steve Melcher, Non-Executive Director, to be responsible for championing workforce engagement activities. He held four face-to-face sessions with colleagues across Reigate, London and Belfast and conversations were framed around topics on the Board's agenda. Colleagues could ask questions and provide feedback on these and other matters relating to the business, with many of the questions aligned to the areas of strategy, performance and regulation. Frequently asked questions from colleagues covering themes such as our share price and markets and products are being addressed as part of our CEO's communication and engagement programme (see page 41 "Executive team communication and engagement"). In addition we received feedback on our HUB group of businesses, with a focus on the physical environment, information technology and infrastructure and flexible working. This has been included as part of the strategy development and operational planning processes for the HUB group.	The decision was to the benefit of all employees.
LONG TERM STRATEGY AND CAPITAL	Following changes in the regulatory landscape, the Board considered the sustainability of the Group and concluded that capital was the number one priority. The Group committed to delivering capital self-sufficiency.	The Group has made several steps to meet the new requirements including. • The Group raised £375m of gross proceeds by means of an equity placing and Restricted Tier 1 bond issue in 2019 and this greatly strengthened our capital base. The Board considered the options available and decided to raise the equity capital through an equity placing. A number of shareholders disagreed with the approach chosen by the Board and consequently voted against the share placement authorities at the AGM. • Later in the year, we successfully completed a £125m Tier 2 capital raise via an 8.125% sterling denominated BBB rated ten year issue and the proceeds of the issue will be used mainly to refinance the £100m 9.5% Partnership Life Assurance Company Limited subordinated notes due in 2025. • The Group restructured and updated its internal LTM securitisation to meet revised regulatory requirements. • Further steps have included reducing our new business volumes; extending reinsurance; and taking significant steps to right-size the cost base, including consolidating our property footprint, simplifying our senior management structure, and repricing our products. These management actions have contributed to a markedly reduced new business capital strain and strengthened the capital position of the Group. Further information on the Group's focus on capital and creating shareholder value can be found on page 8.	The decision was for the benefit of all stakeholders but principally for the Group's customers, shareholders and employees.
SHAREHOLDERS DIVIDEND POLICY	Given the focus of the Board on the sustainability of the Group and in particular capital self-sufficiency along with regulatory and economic uncertainty, the Directors' judged it was in the best interests of stakeholders as a whole not to recommend the payment of a final dividend.	The Board reviewed the dividend policy taking into account feedback received from shareholders and the Board's commitment to achieve capital self-sufficiency. The Board concluded it was not in the best interests of shareholders to recommence dividend payments at this time.	This decision benefited customers, society and ultimately shareholders. It will enable the Group to meet the new regulatory capital requirements sooner.
SHAREHOLDERS DIRECTORS' REMUNERATION POLICY	Every three years the Group is required to ask shareholders to approve the policy for Directors' remuneration.	The Remuneration Committee on behalf of the Board has considered the Remuneration policy and changes to it from the perspective of the Group's purpose and aligning the interests of management with that of stakeholders. In particular whether the new policy would drive behaviours and help meet the strategic objectives especially with regards to organic capital generation. The new policy has been developed based on guidance from UK regulators on best practice and after extensive interaction with major investors, who were consulted on the proposed changes. The Remuneration Committee approved the new policy and a resolution will be put to the AGM in May to approve the policy. More information on the new remuneration policy and the consultation process can be found in the Directors' Remuneration Report.	This decision benefited customers, shareholders, and ultimately all stakeholders as it will drive the right behaviours to enable the delivery of the Group's purpose.

AREA OF DECISION	MATTER CONSIDERED	WHAT WE DID	STAKEHOLDERS
LONG TERM, COMMUNITY & ENVIRONMENT BOARD GOVERNANCE	Strengthening of the Just Group plc and Life Company Boards as well as progressing the Board's diversity targets.	In line with the Code the Board has always taken succession planning seriously. In April 2019 the CEO Rodney Cook stepped down as part of his longer term retirement plans. The Board along with the Nomination Committee decided to strengthen the Group's leadership team in light of the organic capital target. Taking into account the Board's requirements, extensive interaction took place with both regulators and shareholders giving rise to the appointments of the new CEO and consequently the new CFO. The Board was satisfied that the appointments of David Richardson as CEO and Andy Parsons as CFO were the most likely to promote the best interests of all stakeholders and enable the delivery of the strategy. In addition noting its diversity objective and the needs of the Board, Michelle Cracknell was appointed as a Non-Executive Director on 1 March 2020. Michelle is a qualified pensions actuary, with 30 years' experience, focusing on the challenges facing consumers in later life and until recently was Chief Executive of the Pensions Advisory Service. The Board was satisfied that Michelle's experience would enhance the Board's ability to make the right decisions for all stakeholders. During the year the Board also considered the operation and composition of the Boards of the Group's two regulated life companies (Just Retirement Limited and Partnership Life Assurance Company Limited). It was recognised that in order to enhance the governance of those two companies and to enhance the management of conflicts of interests, should they arise, it was appropriate to appoint an additional independent Non-Executive Director to the Life Company Boards. Mary Kerrigan has been added to the Boards. Further information on all of these appointments can be found in the Corporate Governance Report and particularly the Nomination Committee report on page 69.	Improving the strength of our executive and non-executive leadership team and improving Board gender balance. These changes will benefit all stakeholders by enhancing Board decision making to deliver the Company strategy.
COMMUNITY & ENVIRONMENT SUSTAINABLE INVESTMENT STRATEGY	Environmental, Social and Governance ("ESG") factors are a growing focus for our Group.	The Board is mindful of the Group's impact on the environment and whilst the Group does not manufacture goods it has considered ways the Group can reduce its impact on the environment. As referred to more fully in the report on the GRCC there are a number of different emerging risks which could be aggregated under climate change. Whilst relatively low in terms of impact on the Group these could in due course have more significant impacts over time and the Committee monitors these closely on behalf of the Board. The Group's Investment Committees were mandated to pursue a sustainable investment strategy and the way it manages our investment portfolio is increasingly influenced by ESG priorities. More detail can be found on page 18, which details the Group's Sustainable Investment Strategy. 65% of the Group's assets (excluding lifetime mortgages) are invested whilst having regard to ESG factors. We have reduced our carbon footprint by reducing our property footprint and modernising the workplace to enable more colleagues to take advantage of flexible working.	All stakeholders will benefit from a more sustainable business model.
HIGH STANDARDS OF BUSINESS CONDUCT PROCUREMENT AND OUTSOURCING POLICY	The Board considers it important how the Group deals with suppliers.	As more fully detailed on page 22 in our report on relationships with stakeholders, we have a fair, open and collaborative relationship with our suppliers and business partners and introduced a Group procurement & outsourcing policy that requires prospective suppliers to provide evidence of their environmental management processes. We use environmental performance as a criteria when appointing new suppliers.	Suppliers and partners.

NON-FINANCIAL INFORMATION STATEMENT

This statement sets out how we comply with the non-financial reporting requirements set out in sections 414CA to 414CB of the Companies Act 2006 and where you can find further information on those matters in the Annual Report

OUR BUSINESS MODEL

We are making changes to our business model to make the Group more capital efficient and to ensure we deliver long-term value for shareholders and great value for customers. Our business model on page 14 sets out our strengths and how we create value. Our business model impacts on our colleagues and our customers as well as having wider impacts on the environment and society.

OUR NON-FINANCIAL POLICIES

We have non-financial policies which govern how we do business and how we interact with each other and with the community to help ensure that we have a positive impact and fulfil our purpose. Our policies reflect our commitment to acting ethically and with integrity in all of our business relationships. We are also mindful and focused on our financial and capital position. This in turn also enables us to protect our policyholders, customers and colleagues by growing the business sustainably.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

The Board does not currently monitor any non-financial performance indicators, but the Board receives reports and management information regarding key non-financial matters. For example, during the year the Board reviewed the Sunday Times Best Companies Survey results including comparative information from the prior year. The all employee bonus scheme uses non-financial metrics to decide part of the bonus pool which the Board and Remuneration Committee review.

	MATERIAL AREA OF IMPACT	POLICIES	POLICY DESCRIPTIONS
1. ENVIRONMENTAL	- Carbon footprint - Use of resources - Investments (responsible investing) - Impact of the operations of our suppliers	- Group corporate social responsibility policy - Sustainable investing framework (a framework used by our Investments team) - Group procurement and outsourcing policy	- CSR Policy: see "social" below - ESG framework: see the report on Sustainable Investing on page 18 - Group procurement and outsourcing policy – ensures that high standards of honesty, impartiality and integrity are maintained in our business relationships. It ensures that contractual arrangements with third parties are undertaken with due regard for the associated risks
2. COLLEAGUES	- Well-being of colleagues, including mental health, fulfilment, work-life balance, career and development opportunities - Ensuring our colleagues' actions do not have a detrimental impact on customers, suppliers or other stakeholders	- Diversity and conscious inclusion policy - Flexible working policies - Group training and competence policy - Group fitness and propriety policy - Group operational risk policy	- Diversity and conscious inclusion policy: see the Nomination Committee report on page 69 - Flexible working policies: to enable our colleagues to work flexibly, where possible, to manage other responsibilities outside of work - Group training and competence policy: ensures that all colleagues have the skills, knowledge and expertise to carry out their roles effectively and mitigate against poor customer outcomes and other risks - Group fitness and propriety policy: complies with the requirements of the PRA and FCA - Group operational risk policy: the Group's framework for managing operational risks
3. SOCIAL	- Volunteering - Charity partners - Local community engagement - Championing social and health activities for older adults (Just Get Active)	Group corporate social responsibility policy	Corporate social responsibility policy: defines the minimum standards for managing opportunities and risks related to the conduct of CSR by the Group
4. HUMAN RIGHTS	- Data protection - Modern slavery - Impacts of our products and services on vulnerable customers	- Group procurement and outsourcing policy - Modern Slavery Statement - Group data protection policy - Group vulnerable customers policy	- Modern Slavery Statement sets out our policies and processes to combat modern slavery in all its forms - Group data protection policy: sets out the overarching data protection principles and controls to safeguard personal data and associated risks - Group vulnerable customers policy: ensures that the Group has processes to identify vulnerable customers so that such customers are suitably supported with an appropriate level of care
5. ANTI-CORRUPTION AND ANTI-BRIBERY	Preventing corruption or bribery from happening by or on behalf of Just	- Group financial crime policy - Group compliance policy - Group whistleblowing policy	- Group financial crime policy: provides standards and controls relating to financial crime risk management. All employees are trained to understand what constitutes financial crime, the regulatory requirements and their obligations - Group compliance policy: sets out the Group's approach to ensuring that it operates in compliance with the relevant laws and regulations - Group whistleblowing policy: provides processes and systems for workers to feel safe in raising any concerns about wrongdoing

THE OUTCOME OF OUR POLICIES ON OUR MATERIAL AREAS OF IMPACT

1. Environment

- The direct impact of our operations on the environment is relatively low due to the office based nature of our work. The Group is UK based with a small operation in South Africa. We are committed to reducing our environmental impact, including: the amount of travel undertaken by all of our colleagues; the “going paperless” transformation which was reported on in our 2018 report; reducing our office footprint; and introducing environmental standards into our Group procurement and outsourcing policy.
- We are committed to promoting good corporate environmental practice and have ISO 14001:2015 certification.
- Information on our policies and the ways in which we are reducing our impact on the environment, including the greenhouse gas emissions for which we are responsible, is set out in our Environment report on page 46.
- Information about our Investments team and their sustainable investment strategy and framework is included on page 18.

2. Colleagues

- Colleague engagement and making Just a great place to work for all of our people is very important to us. We recognise that passionate and engaged colleagues are crucial to delivering our strategy.
- The Group is taking positive steps towards building a diverse workforce and inclusive environment. The CEO is our diversity and inclusion champion. We have rolled out unconscious bias training to all employees. We support LGBT rights, gender equality and mental health awareness with topics on our employee intranet and events.
- As a result of our policies and initiatives in this area we recently analysed our recruitment, promotion and performance management processes and reported no evidence of gender bias. In recruitment, the data shows that our challenge is to attract higher numbers of female applicants to apply for senior and technical roles with the Group (e.g. actuarial, finance, IT). As a result, we are actively seeking partnerships with organisations and networks who can help us to attract and engage more diverse candidates.
- More information regarding our policies in relation to our employees and the impact of those policies is set out in our People and Culture report from page 40.
- We also have policies to help ensure that our colleagues act ethically and do the right thing in the performance of their work, to reduce the risk of detrimental impact on other stakeholders through the actions of our colleagues. Our activities to help our colleagues feel proud to work at Just and our compliance policies work together to help mitigate against colleagues acting unethically.

3. Social

- We give back to the communities in which we operate and are committed to good corporate citizenship, supporting charity and community initiatives which are relevant to our business, employees, customers and other stakeholders. Our colleagues also benefit from participating in our social activities. The risk to the business from our social impacts is considered to be low.
- For further information about our social and volunteering activities and the impacts see our People and Culture report on page 40. Our Just Get Active insight on page 44 provides information about our new community programme.

4. Human rights

- While the Board considers that the risk of human rights violations is low, we have implemented effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains or in any part of our business anywhere we operate. Our Modern Slavery Statement available on our Group website provides further information. We conduct due diligence on potential suppliers, impose obligations on those suppliers and monitor their compliance with those obligations.
- We have a responsibility to protect our customers' privacy when processing and using their data. We sometimes handle sensitive data and it is important that this is used appropriately. We have training in place for all of our colleagues, including those who are not customer facing, on data protection as well as internal

communications campaigns to remind staff of the importance of data privacy. We also operate and enforce a clear desk policy.

- We are cognisant that some of our customers could be vulnerable and we want to ensure that all of our customers receive the right support, the right outcome and an appropriate level of care. Our policy, captures this approach and is applied throughout our customer facing teams. The GRCC received an in-depth report on our approach to vulnerable customers during the year.

5. Anti-corruption and anti-bribery

- We have a Group financial crime policy which is a zero tolerance policy. This policy helps us to prevent and detect financial crime. Our whistleblowing policy, and our whistleblowing hotline, encourages colleagues to report any wrongdoing. All such reports are fully investigated and appropriate remedial actions taken.
- We have a comprehensive mandatory compliance training programme which covers the above policies as well as other important areas of compliance which all colleagues must complete on an annual basis. Completion is monitored by the Compliance team and reported to the Board, with repeated failure to complete the training being a disciplinary matter.

NON-FINANCIAL RISKS AND RISK MANAGEMENT

The risk management report on page 34 sets out our approach to risk management. Our approach helps us make informed business decisions which generate value while delivering appropriate outcomes for our stakeholders. The report sets out our principal risks and uncertainties including non-financial risks and how we mitigate those risks. The GRCC has reviewed environmental risks from climate change. The GRCC and Board also consider reputational risks, for example in relation to ensuring that our colleagues are motivated and engaged and do the right thing.

Our Risk team ensures that due diligence is carried out on our Group policies. Each employee and manager are responsible for risk management in their business area. Each policy has a policy owner and an executive level sponsor. The policies are reviewed by the policy owner annually and an attestation is provided. Changes to policies are approved by the GRCC or Board depending on the materiality of the changes. Breaches of policies are monitored and reported on a monthly basis and recorded in our risk management system. The Compliance and Operational Risk Committee review breaches of policies and advise the GCRO. Serious breaches are reported to the GRCC or Board. This on-going management of risks enables the business to take necessary action to remove or mitigate the risk where breaches have occurred. This could be through training or improving a process or policy. In serious or repeated cases, disciplinary action may be taken.

The aim is to prevent non-financial risks from materialising and having a detrimental impact on our business (including our reputation), our colleagues, our customers, our suppliers or other stakeholders.

APPROVAL

The Strategic Report was approved by the Board of Directors on 11 March 2020 and signed on its behalf by:



CHRIS GIBSON-SMITH
Chair

CHAIR'S INTRODUCTION TO GOVERNANCE

I am pleased to present
the Group's Corporate
Governance Report for 2019



CHRIS GIBSON-SMITH
Chair

Dear Shareholder

On behalf of the Board I am pleased to present the 2019 Corporate Governance Report.

We welcomed the new Corporate Governance Code 2018 (the "Code") and the FRC Guidance on Board Effectiveness. The Code was adopted by the Board from 1 January 2019. The Board considers that it has complied with the provisions of the Code. Our Governance Report explains further how we have applied the principles of the Code.

LEADERSHIP AND PURPOSE

The Board has agreed an effective corporate governance model for the Group, based on the principles and provisions of the Code. We welcome the Code's strengthened focus on companies generating long-term, sustainable value for shareholders, as well as consideration for other stakeholders and the impact of the business's operations on wider society. We have upheld these values in our approach to governance throughout the year. The Board oversees the Group's governance framework that promotes transparency, accountability and challenge as the fundamental underlying principles for the Board's entrepreneurial and prudent approach to developing the business. During the year we have reviewed our matters reserved for the Board and the terms of reference of our key Committees.

During 2019 there continued to be a significant regulatory workload for the Group. The Board continued to work constructively with the PRA to implement the changes required following the publication of PS31/18 in December 2018 and PS19/19 in September 2019. The regulatory environment remains challenging and the impact of changing regulations remain principal risks for the Group. We have faced some difficult decisions that have required us to consider all stakeholders and the long-term sustainable success of the Company. Not all of these decisions, we acknowledge, have been well received by our shareholders. Through our commitment to good governance, the refocus of our strategy to ensure our business model remained economically attractive and taking actions to achieve capital self-sufficiency, the Board believes that the outlook for the business is improving. The share price fell at the start of the year, however the Board was pleased to see the share price recovering at the end of 2019, while noting the share price volatility since year-end. There remains more to do. We will continue to evaluate all of our strategic and business options in line with both the regulatory and economic challenges that we face. I continue to be confident that we are on track to deliver long-term sustainable value for our shareholders and continue to provide good value and outstanding service to our customers.

SHAREHOLDER ENGAGEMENT FOLLOWING THE AGM

The 2019 AGM saw a number of our shareholders vote against the following resolutions, with the result that they fell below the 80% approval:

- Resolution 3 to re-elect me as a Director.
- Resolution 14 to renew the authority to allot shares.
- Resolution 15 to disapply pre-emption rights.

While I was disappointed with these outcomes, in accordance with the Code, we engaged with our shareholders, and in particular those who had voted against, to understand the reasons for the results. This was primarily undertaken through meetings with our Senior Independent Director, Keith Nicholson.

Specifically regarding my re-appointment, we understand this was predominantly because of the lack of diversity on the Board. I acknowledge that as Chair of the Company and of the Nomination Committee this is my accountability to progress and we have taken further action on this point.

During the year we have focused on creating a more diverse Board, particularly in relation to female representation on the Board. We have also sought to increase female representation on our key subsidiary boards. In November Mary Kerrigan was appointed to the Boards of Just Retirement Limited and Partnership Life Assurance Company Limited. I was delighted to announce in February 2020 that we had appointed Michelle Cracknell to the Group Board. My Nomination Committee Report provides further detail on our work in this area, including the strengths and expertise which these new appointments bring to the Board.

The feedback received in relation to the resolutions giving us authority to allot shares and disapply pre-emption rights was that the dissent was due to the way in which the March capital raise was structured. The equity capital was raised using a “cash-box” placing rather than using a rights issue. At the time, the way in which the equity capital raise was structured was a key consideration of the Board. We engaged with a number of our shareholders to ascertain their views on the proposed structure. Having taken advice from our external financial advisers, the Board concluded that the “cash-box” placing structure was in the best interests of the shareholders and the Company as a whole. The structure enabled the Company to raise equity and Restricted Tier 1 debt concurrently to manage the regulatory requirements of Policy Statement 31/18 in a cost effective and timely way. We have included further information on this decision in our analysis of our principal decisions in our Section 172 Report on page 48.

STAKEHOLDERS

Stakeholder engagement is of key importance to the Board. We take into account the interests of a wide range of stakeholders, including shareholders, customers, our colleagues and others. Of prime importance is the requirement to understand the views of our stakeholders and we do this through a variety of engagement activities. Some of these activities have been undertaken for many years, however during 2019 we have introduced some new ways of engaging with our stakeholders, particularly our colleagues. We appointed Steve Melcher as the Non-Executive Director responsible for seeking the views of our colleagues and bringing these back into the boardroom. Steve has undertaken a series of “conversation with the Board” sessions at all of our UK sites. Further details regarding our engagement with the wider stakeholder groups and how this has impacted on our decision making is included in our Strategic Report on pages 50 to 51.

BOARD COMPOSITION AND SUCCESSION PLANNING

There have been a number of changes to the Board during the year. Succession planning at both the Board and senior management level has continued to be a primary focus of the Board and the Nomination Committee.

Rodney Cook stepped down from the Board and from his role as Group Chief Executive Officer in April 2019. David Richardson was appointed as Interim Group Chief Executive in April and we were delighted to announce on 19 September that this appointment had been made permanent. The Board has been further strengthened by the appointment of Andy Parsons as Just’s Chief Financial Officer. Andy joined on 1 January 2020 and was also appointed to the Board on that date. As mentioned in my Chair’s Report, my fellow Directors and I were deeply saddened to learn in July that Michael Deakin, one of the Group’s Non-Executive Directors passed away.

I am pleased to report that Michelle Cracknell was appointed as a Non-Executive Director of Just Group plc on 1 March 2020.

A number of the Directors have long tenures with the Group or its predecessor companies, Just Retirement Group plc and Partnership Assurance Group plc pre-merger. There has been a focus on succession planning during the year and further information is available in our Nomination Committee Report.

DIVERSITY

Diversity remains a key focus for the Board and Group Executive team if we are to truly benefit from the enhanced contributions a set of diverse people can bring to our business and wider society. During 2019 the Board continued to focus on diversity and inclusion, with a particular focus on gender diversity. There is a clear aim to ensure a more balanced set of boards across the Group and Life Companies. The appointment of Michelle Cracknell, with over 30 years’ experience in retirement solutions is a great addition to the Group Board. Mary Kerrigan, appointed to the Boards of the Life Companies, brings strength in investment management and deep pensions experience.

Just remains committed to achieving the external targets and has set its own internal target after signing up to the Women in Finance Charter of 33% of senior leadership roles being held by women by the end of 2023. As at the date of this report the percentage of women in senior leadership roles is 20.66% (including the Group Executive Committee and senior management).

You can read more about the Nomination Committee’s work in the area of diversity in the Committee’s report on pages 69 to 71. A copy of the Board diversity policy can be found on our Group website.

CULTURE

We want our people to be proud to work at Just. Engaged colleagues are crucial to delivering innovative products and services to our customers. The Board is committed to having a culture where our people feel proud to work at Just, where our people can thrive and are well led, well managed and have opportunities for growth and development. This culture is also reflected in how we work. We are proud of our award-winning customer service. This is enabled by the strong values underpinning our behaviour: we do the right thing so we can deliver our purpose of helping people achieve a better later life.

BOARD EVALUATION

The Board evaluation is an important annual process. This year we conducted an internal Board evaluation. I am pleased to report that following consideration of this year’s report, the Board concluded that it was effective. More information about the Board evaluation is on page 67.

AUDIT TENDER

During 2019 the Board and Audit Committee carried out an audit tender to select a new auditor for the year ending 31 December 2020. We were pleased to appoint PricewaterhouseCoopers LLP (“PwC”), subject to shareholder approval at the AGM. Further information is included in the Audit Committee report.

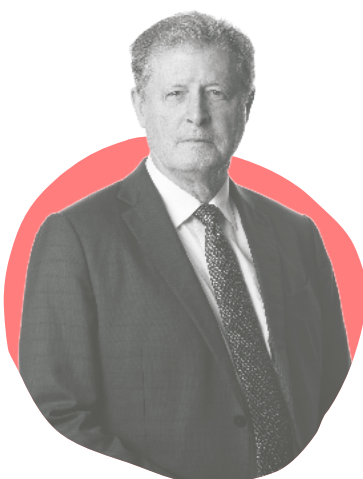
2020 AGM

Our AGM is one of the most important methods of engaging with all of our shareholders. I am pleased to confirm that the 2020 AGM will be held on 14 May 2020 at Just Group plc, Enterprise House, Bancroft Road, Reigate, Surrey RH2 7RT at 10.00 am. I would encourage you to attend, where you will have the opportunity to meet with members of the Board and senior management.

CHRIS GIBSON-SMITH

Chair
11 March 2020

BOARD OF DIRECTORS



CHRIS GIBSON-SMITH,
Group Chair

Appointed: 4 April 2016

Chris Gibson-Smith was appointed Chair of Just Group plc in April 2016. He previously served as Chair of Partnership Assurance Group plc from April 2013 until April 2016.

Chris brings over 47 years' business experience across a wide range of industries. This includes over 40 years of cumulative FTSE main board experience, 27 of which as Chair. Chris currently holds the role of Vice Chair of UBS Investment Bank as of July 2016, and was previously Chair of the London Stock Exchange Group plc from 2003 to 2015. He was Chair of the British Land Company plc from 2007 until 2012, and was a Director of the Qatar Financial Centre Regulatory Authority from 2006 to 2012.

Chris was Chair of NATS from 2001 to 2005, Group Managing Director of BP from 1997 to 2001, a Director of Lloyds TSB from 1999 to 2005 and a Director of Powergen from 2001 to 2002. He has also served on UK Government advisory committees on aviation and oil and gas and was awarded the CBE for his services to the financial industry.

Current other listed directorships

Vice Chair of UBS Investment Bank.

Committee and internal directorships

Chair of the Nomination Committee.

Member of the Market Disclosure Committee, Group Risk and Compliance Committee and Remuneration Committee.

Director of Partnership Life Assurance Company Limited and Just Retirement Limited.



DAVID RICHARDSON,
Group Chief Executive Officer and Managing Director of the UK Corporate Business

Appointed: 4 April 2016

David Richardson was appointed as Group Chief Executive Officer of Just Group plc on 19 September 2019, having previously held the role of Deputy Group CEO and Managing Director of the UK Corporate Business since April 2016. David was the Interim Chief Financial Officer of Just Group from 31 October 2018 until 1 January 2020. He was Chief Finance Officer of Partnership Assurance Group plc from February 2013 until April 2016.

Previously, David was Group Chief Actuary of the UK's largest closed life assurance fund consolidator, Phoenix Group, where he was responsible for restructuring the group's balance sheet and overall capital management. Prior to this, David worked in a number of senior roles at Swiss Re, across both its Admin Re and traditional reinsurance businesses. Those roles included Chief Actuary of its Life and Health business, Head of Products for UK and South Africa and Global Head of its Longevity Pricing teams. David commenced his career at the actuarial consultancy Tillinghast. David is a Fellow of the Institute and Faculty of Actuaries and a CFA charter holder.

Current other listed directorships

None.

Committee and internal directorships

Member of the Market Disclosure Committee.

Director of Just Retirement Limited, Partnership Life Assurance Company Limited, Just Retirement Money Limited and Partnership Home Loans Limited.



ANDY PARSONS,
Group Chief Financial Officer

Appointed: 1 January 2020

Andy Parsons was appointed as Group Chief Financial Officer of Just Group plc on 1 January 2020.

Previously, Andy was Group Finance Director at LV= from June 2017 to December 2019, having held executive positions at several leading financial institutions. His career in finance has spanned over 25 years, with particular expertise in life and general insurance. Prior to joining LV=, he held the roles of finance director, divisional risk officer and life, pensions and investment director for the insurance business of Lloyds Banking Group. He previously worked at Friends Life, AXA and Zurich Financial Services in a number of executive financial roles.

Current other listed directorships

None.

Committee and internal directorships

Member of the Market Disclosure Committee.

Director of Just Retirement Limited, Partnership Life Assurance Company Limited, Just Retirement Money Limited and Partnership Home Loans Limited.

SENIOR INDEPENDENT DIRECTOR



KEITH NICHOLSON,
Senior Independent Director

Appointed: 9 October 2013

Keith Nicholson was appointed as Senior Independent Director of Just Group plc in April 2016. He was previously Senior Independent Director of Just Retirement Group plc from October 2013 until April 2016.

Keith is Chair of Liberty Corporate Capital Limited, Liberty Mutual Managing Agency Limited and Liberty Mutual Insurance Europe SE. He was Deputy Chair of Wesleyan Assurance Society until September 2014, and was Deputy Chair of The Equitable Life Assurance Society from August 2009 until December 2019. Keith was previously a partner at KPMG, where he led their UK insurance practice until he retired from the firm in March 2009.

Current other listed directorships

None.

Committee and internal directorships

Chair of the Group Risk and Compliance Committee.

Member of the Group and Subsidiary Audit Committees, Nomination and Market Disclosure Committees.

Director of Just Retirement Limited and Partnership Life Assurance Company Limited, HUB Financial Solutions and HUB Pension Solutions Limited.

BOARD OF DIRECTORS CONTINUED

NON-EXECUTIVE DIRECTORS



PAUL BISHOP,
Independent Non-Executive Director

Appointed: 4 April 2016

Paul Bishop was appointed as a Non-Executive Director of Just Group plc in April 2016. He previously served as a Non-Executive Director for Partnership Assurance Group plc from May 2014 until April 2016.

Paul has spent the majority of his career at KPMG, and from 1993 to the end of January 2014 was a Partner, apart from a brief period when he was employed at Atos KPMG Consulting as a Managing Director. He has specialised in the insurance sector for over 30 years, particularly life insurance, and led KPMG's insurance consulting practice for much of his time as a Partner. Paul also spent 18 months on secondment at Standard Life as Head of Financial Change in the period leading up to its demutualisation and IPO. Paul is a Chartered Accountant. He is currently a Non-Executive Director of the National House Building Council and the Police Mutual Assurance Society, and was appointed as Non-Executive Director of Zurich Assurance Limited on 8 March 2019.

Current other listed directorships
None.

Committee and internal directorships
Chair of the Group and Subsidiary Audit Committees, Just Retirement Money Limited Board and the Partnership Home Loans Limited Board.

Member of the Nomination Committee and the Just Retirement Limited/Partnership Life Assurance Company Limited Investment Committees.

Director of Just Retirement Limited and Partnership Life Assurance Company Limited.



IAN CORMACK,
Independent Non-Executive Director

Appointed: 4 April 2016

Ian Cormack was appointed as a Non-Executive Director of Just Group plc in April 2016. He previously served as Senior Independent Director for Partnership Assurance Group plc from May 2013 to April 2016.

Prior to his appointment, Ian spent over 30 years at Citibank up until 2000, latterly as UK Country Head and Co-Head of the Global Financial Institutions Group. From 2000 to 2002, he was Chief Executive Officer of AIG Europe. He was previously a Non-Executive Director of Pearl Group from 2005-2009, Aspen Insurance Holdings from 2002-2012, Qatar Financial Centre Authority from 2006-2012, Bloomsbury Publishing from 2011-2015, Xchanging from 2012-2016, and previously Chair of the CHAPS hi-value payment system. Ian is a former Chair of the LSE Taurus Review Committee, and a former member of the board of Cedel, the Executive Committee of the European Securities Committee, the settlement board of the London Stock Exchange, the Council of the British Bankers' Association and a former member of APACS. In addition, Ian previously served as Senior Independent Director of Phoenix Group Holdings Limited. Ian resigned as Chair of Maven Income & Growth VCT 4 plc on 15 May 2019 and as Non-Executive Director of Hastings Group Holdings plc on 23 May 2019.

Ian is currently a Non-Executive Director of the Royal Bank of Scotland plc (including the businesses of National Westminster Bank plc, Ulster Bank Limited, and NatWest Holdings Limited) and was appointed as a Non-Executive Director of the Foundation for Governance Research and Education on 10 June 2019.

Current other listed directorships
None.

Committee and internal directorships
Chair of the Remuneration Committee.

Member of the Nomination Committee and Group Risk and Compliance Committee.

Director of HUB Financial Solutions Limited, HUB Pension Solutions Limited, Just Retirement Money Limited, Partnership Home Loans Limited, Just Retirement Limited and Partnership Life Assurance Company Limited.



MICHELLE CRACKNELL,
Independent Non-Executive Director

Appointed: 1 March 2020

Michelle was appointed as a Non-Executive Director of Just Group plc on 1 March 2020.

Michelle was Chief Executive of The Pensions Advisory Service between October 2013 and December 2018, and a Director of Lighthouse Group between September 2016 and May 2019. In addition to the Just Group, Michelle is a Trustee of the Lloyds Bank Pension Funds, a Non-Executive Director of Fidelity International Holdings and a Non-Executive Director and Chair of the Audit & Risk Committee of Pension Bee.

Current other listed directorships
None.

Committee and internal directorships
None.



STEVE MELCHER,
Independent Non-Executive Director

Appointed: 15 May 2015

Steve Melcher was appointed as a Non-Executive Director of Just Group plc in April 2016. He was Non-Executive Director of Just Retirement Group plc from May 2015 until April 2016.

Steve has worked in financial services for over 40 years, during which time he has held posts at JP Morgan, Marsh & McLennan and as Chief Executive Officer of Eagle Star, Allied Dunbar and Sun Life of Canada UK. He now has a portfolio of roles, including as a Non-Executive Director of Allianz Re in Dublin and as Chair of Euler Hermes Pension Fund. He is also an executive mentor which takes him inside many different industries.

Current other listed directorships
None.

Committee and internal directorships
Chair of HUB Financial Solutions Limited and HUB Pension Solutions Limited.

Member of the Audit Committee, Group Risk and Compliance Committee, Remuneration Committee, and the Just Retirement Limited/Partnership Life Assurance Company Limited Investment Committee.

Director of Just Retirement Money Limited and Partnership Home Loans Limited, Just Retirement Limited and Partnership Life Assurance Company Limited.



CLARE SPOTTISWOODE,
Independent Non-Executive Director

Appointed: 4 April 2016

Clare Spottiswoode was appointed as a Non-Executive Director of Just Group plc in April 2016. She was Non-Executive Director of Partnership Assurance Group plc from October 2014 to April 2016.

Clare is a mathematician and economist by training; in June 2010, she was appointed by HM Treasury to the Independent Commission on Banking (The Vickers Commission). Her career has involved acting as Policyholder Advocate for Norwich Union's with-profits policyholders at Aviva, in which role she acted on behalf of one million policyholders tasked with reattributing Aviva's inherited estate, and included time as Director General of Ofgas, the UK gas regulator. Clare previously served as Chair of FlowGroup plc from 2011 to June 2017, and was previously a Non-Executive Director of Ilika plc from May 2010 to September 2019.

In addition to the Just Group, Clare is Chair of Xoserve Limited. She is also a Non-Executive Director of BW Offshore Limited, British Management Data Foundation, Gas Strategies Group Limited and Gas Strategies Holdings Limited.

Current other listed directorships
None.

Committee and internal directorships
Member of the Audit Committee and Group Risk and Compliance Committee.

Director of HUB Financial Solutions Limited, HUB Pension Solutions Limited, Just Retirement Limited and Partnership Life Assurance Company Limited.

NON PLC INDEPENDENT NON-EXECUTIVE DIRECTORS

MARY KERRIGAN,
Appointed: 1 November 2019

Mary was appointed as a Non-Executive Director of Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL"), the Group's life company subsidiaries, in November 2019.

Mary has considerable experience in the pensions, life insurance and investment industries. She is a former partner of Willis Towers Watson, a Non-Executive Director of New Ireland Assurance Company and a member of the Independence Governance Committee of Prudential Assurance UK.

Mary is Chair of the Just Retirement Limited/Partnership Life Assurance Company Limited Investment Committees.

NICK POYNTZ-WRIGHT,
Appointed as Chair: 30 April 2019

Nick was appointed as Chair of JRL and PLACL in April 2019. He was appointed as a Non-Executive Director of JRL in March 2016 and PLACL in April 2016.

Nick has significant experience of both insurance and retail financial services. He is a Fellow of the Institute of Actuaries and was previously CEO of Skandia UK and Director of Long-Term Savings and Pensions at the Financial Conduct Authority. Outside of Just Group Nick is a Non-Executive Director with the Phoenix Group, sitting on the boards of its life subsidiaries as well as chairing the Investment Committee. He is a Non-Executive Director of Unum Limited and Unum European Holding Company Limited.

Nick is a member of the Just Retirement Limited/Partnership Life Assurance Company Limited Investment Committees and the Subsidiary Audit Committees.

SENIOR LEADERSHIP

DAVID RICHARDSON,
Group Chief Executive Officer and
Managing Director UK Corporate
Business

See biography on page 56.

ANDY PARSONS,
Group Chief Financial Officer

See biography on page 57.

DAVID COOPER,
Group Marketing and Distribution
Director

Appointed: 4 April 2016

David Cooper was appointed Group Marketing and Distribution Director of Just Group in April 2016.

David joined Just Retirement in April 2006 as Marketing Director, his role then changed to Group Marketing & Distribution Director in 2009. David is also Chief Executive Officer of the group of companies trading under the HUB brands, which are subsidiaries of Just Group.

David has over 35 years' experience working in financial services. He has operated in a number of sectors including retail banking, general insurance, personal credit, actuarial consulting and the retirement industry. He has worked for a variety of large organisations including GE Capital, Centrica, Bradford & Bingley and Hymans Robertson as well as much smaller growth businesses such as the founder of enhanced annuities, Stalwart Assurance.

David is a Non-Executive Director of Origo Services Limited, the software standards and services supplier.

Current listed directorships
None.

ALEX DUNCAN,
Group Chief Risk Officer

Appointed: 4 April 2016

Alex Duncan was appointed Group Chief Risk Officer of Just Group in April 2016.

Alex joined Just Retirement in September 2012 as Group Chief Risk Officer. He is a fellow of the Institute and Faculty of Actuaries and has over 30 years of experience in the financial services industry covering many disciplines, including reinsurance, consulting, banking and industry. Prior to joining Just Retirement, Alex spent eight years at Old Mutual, where he held a number of positions, many involving mergers and acquisitions, and was most latterly Director of Finance-Capital, where he was responsible for capital management and treasury.

Current listed directorships
None.



KATHRYN GRAY,
Group Human Resources Director

Appointed: 3 August 2017

Kathryn Gray was appointed Group Human Resources Director in August 2017.

Kathryn has held a number of senior HR leadership roles, working in a range of sectors including pharmaceutical, retail, telecoms and, for the last ten years, in financial services. Prior to joining Just Group she spent six years at Legal & General where she was Divisional HR Director for the Protection & Savings business and Group Director for Reward, Performance and Leadership & Talent. Prior to that she worked for RBS in Edinburgh.

Kathryn holds an MSc in Organisation and People Development and is a member of the Chartered Institute of Personnel and Development.

Kathryn is a Board Trustee of the charitable organisation Greensleeves Care.

Current listed directorships
None.

GUY HORTON,
Group Actuarial Executive

Appointed: 1 September 2018

Guy Horton was appointed Group Actuarial Executive of Just Group in September 2018.

Guy was previously Chief Pricing Officer at Just Group, having joined Partnership in a similar role in September 2013. Guy is responsible for Group Actuarial, Capital Management and Group Underwriting, including Longevity & Medical, Pricing and Reinsurance teams.

Prior to joining Partnership, Guy was Managing Director of Commercial International Life Insurance, Legal & General's joint venture business in Egypt. He has also served as Chief Financial Officer at Siam Commercial New York Life Insurance in Thailand and, prior to his internal transfer, was Assistant Vice President with New York Life, focused primarily on their Mexican business. Guy commenced his career with Tillinghast, consulting first in Australia, and later in Brazil.

With over 20 years of insurance industry experience, Guy is a Fellow of the Institute of Actuaries Australia and graduated from Macquarie University, Sydney, with a Bachelor of Economics and Actuarial Studies.

Current listed directorships
None.

GILES OFFEN,
Group Chief Digital Information Officer

Appointed: 4 April 2016

Giles Offen was appointed Group Chief Digital Information Officer of Just Group in April 2016.

Giles is responsible for Technology, Change and Architecture as well as embedding modern methods of change delivery.

Prior to this, he was Chief Technology Officer at Partnership, which he joined in January 2014 to transform the company's IT capability and change programmes. Giles has over 18 years of diverse global experience which includes working at companies such as Reed Elsevier, Lexis Nexis and Cashplus, including the delivery of an eCommerce shared service that launched 21 global sites in multiple languages and currencies on a single platform.

Current listed directorships
None.

PAUL TURNER,
Managing Director, Retail

Appointed: 1 February 2019

Paul Turner was appointed Managing Director, Retail of Just Group in February 2019.

Paul is responsible for all of the Group's retail businesses in the UK and South Africa.

Previously, Paul led Just Group's mortgage, corporate development and international divisions. Paul joined Just Retirement in August 2014. Prior to Just Retirement, he held various senior international roles at Swiss Re in Asia and Australia. He has over 25 years of insurance industry experience.

Paul is a Director of Just Retirement Limited and Partnership Life Assurance Company Limited.

Paul is a Non-Executive Director of the Equity Release Council and EPPARG Limited.

Current listed directorships
None.



GOVERNANCE IN OPERATION

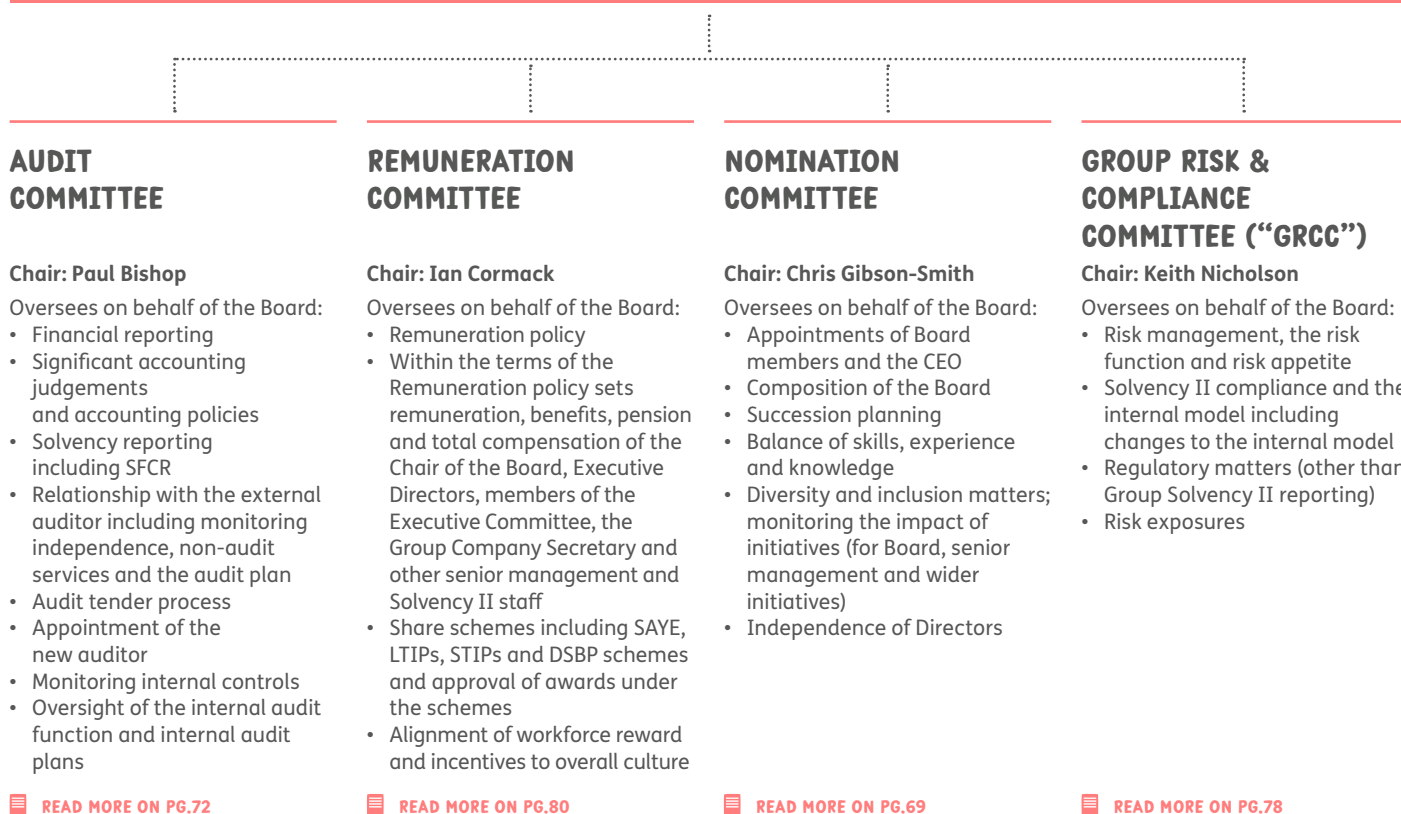
OUR GOVERNANCE STRUCTURE

The Board is responsible for the strategic direction and risk appetite of the Company. The Board promotes the long-term sustainable success of the Company, generating value for shareholders and wider society.

The Board has agreed an effective governance framework whose structure is set out below.

JUST GROUP PLC BOARD

Chair: Chris Gibson-Smith



CHIEF EXECUTIVE OFFICER AND THE GROUP EXECUTIVE COMMITTEE

The Board has delegated responsibility for implementing the strategy and business plans and for managing risk and operating effective controls across the Group to the Chief Executive Officer.

The Chief Executive Officer has established a committee of senior executives to assist him with the discharge of the duties delegated to him by the Board.

The Group Executive Committee is responsible for:

- Day-to-day leadership of the Company in accordance with the purpose, values and culture set by the Board
- Implementing the strategy set by the Board and recommending strategic development to the Board

- Risk management across the business and implementing effective controls to manage and mitigate risks
- Recommending the business plan and budgets to the Board for approval
- Monitoring the Group's performance
- Implementing policies and processes to ensure that people within the organisation feel well led, well managed with opportunities for development

There is also an Executive Risk Committee (“ERC”), chaired by the Chief Risk Officer, which focuses on risk management across the Group. This includes oversight of risk controls, regulatory and compliance matters and risk appetite. The ERC reviews reports from management before they are presented to the GRCC.

Other Group Committees

The Board has also established a Market Disclosure Committee which oversees the disclosure of information by the Company to fulfil its listing obligations under the Market Abuse Regulation. This ensures that decisions in relation to those regulations can be made quickly. The Committee's role is to approve disclosures, determine whether there is inside information and whether such information needs to be disclosed, and when to make an announcement and the contents of the announcement.

The Board may also establish other Committees of the Board or sub-committees of those Committees when required from time to time. All Committees are established by approval of the Board with agreed terms of reference.

Terms of reference

The matters reserved for the Group Board are defined and approved by the Board. Each Group Committee has terms of reference which are available on the Group website at www.justgroupplc.co.uk

Composition of Committees

The main Board Committees are comprised of independent Non-Executive Directors of the Company. The Committee members were appointed to each Committee following review and recommendation by the Nomination Committee and approval by the Board. At each Group Board meeting the Chairs of each Committee report on the activities of preceding Committee meetings. The Group Company Secretary supports the Chairs of all the Committees and is available to provide corporate governance advice to all Directors.

SUBSIDIARY GOVERNANCE – LIFE COMPANY BOARDS

The Group Board holds its Board meetings on a nested basis together with the Boards of the Group's regulated life companies, Just Retirement Limited and Partnership Life Assurance Company Limited. The governance structure is operated in this way due to synergies between their strategies and operations. The activities of Just Retirement Limited also have a strategic and material impact on the consolidated Group performance. Each Board considers each matter put before it from its own perspective, led by the independent Chair of each Board. Holding the meetings together ensures good communication and governance across the Group. The approach ensures the strategy is aligned and implemented effectively. Just Retirement Limited and Partnership Life Assurance Company Limited both have two independent Non-Executive Directors on the Board who are not Directors of the Group Board. Nick Poyntz-Wright¹ is the Chair of the Boards of Just Retirement Limited and Partnership Life Assurance Company Limited. Mary Kerrigan² is an independent Non-Executive Director of both life companies.

The Boards of Just Retirement Limited and Partnership Life Assurance Company Limited have not established separate remuneration committees, nomination committees or risk and compliance committees. These matters are overseen by the Group committees, to the extent relevant and necessary, for the regulated life subsidiaries.

¹ Nick Poyntz-Wright was appointed as a Director of JRL on 8 March 2016 and PLACL on 27 April 2016 and as Chair on 30 April 2019.

² Mary Kerrigan was appointed as a Director of JRL and PLACL on 1 November 2019.

Subsidiary Investment Committees

Chair: Mary Kerrigan

The Boards of Just Retirement Limited and Partnership Life Assurance Company Limited have delegated responsibility for oversight and management of investment management activities within an investment management governance framework to the Investment Committees. The Committees assist the Group Board with oversight of these activities.

The Investment Committees are responsible for:

- Overseeing the investment policy
- Oversight of the performance of the investment portfolio
- Reviewing performance of external investment managers and effectiveness of the reporting procedures
- Approving entry into Investment Management Agreements and other documentation within the remit of its terms of reference

Subsidiary Audit Committees

Chair: Paul Bishop

During 2019, Just Retirement Limited and Partnership Life Assurance Company Limited also established independent Audit Committees. The Audit Committees are held on a nested basis, together with the Group Audit Committee. The Committees consider topics of mutual interest at the same time, but from each Committee's perspective. Time is also set aside for each Committee to consider matters relevant to its respective company. Paul Bishop is Chair of all three Audit Committees, but Nick Poyntz-Wright is a member of the Just Retirement Limited and Partnership Life Assurance Company Limited Audit Committees to ensure their independence from the Group Audit Committee. Keith Nicholson is also a member of the subsidiary Audit Committees. Further information is available in the Audit Committee Report on page 72.

Subsidiary terms of reference

The matters reserved for the Life Company Boards are defined and approved by each Board. They work in synergy with the Group Board. The Investment Committees and the Audit Committees have approved terms of reference which set out their responsibilities.

GOVERNANCE IN OPERATION CONTINUED

BOARD ACTIVITIES

The Board played a pivotal role during 2019 in refocusing the Group strategy. The strategy remains aligned with our purpose of helping people achieve a better later life. The Board, including the executives, the Chair and the Non-Executive Directors were visible in the Company, holding meetings in our offices in London, Reigate and Belfast.

They lead by example and promote our values of doing the right thing. The Section 172 Report in the Strategic Report on page 48 looks at some of the principal decisions taken by the Board and how the factors listed in Section 172(1) of the Companies Act 2006 were taken into account in making those decisions.

AREA OF FOCUS	KEY BOARD ACTIVITIES
REVIEWING STRATEGIC PROGRESS • Improve our capital position • Transform how we work • Get closer to our customers and partners • Generate growth in new markets • Be proud to work at Just	• Held Board strategy sessions in January and October 2019 to review, agree and monitor progress in relation to the Group's strategy • The January strategy session focused on a review of the Group's strategy roadmap, business line strategies, strategy execution and strategic priorities in 2019 including a focus on improving the capital position and achieving organic capital generation • The October strategy session focused on capital preservation and generation, driving value and the response to the challenges identified in the strategic plan. The Board also reviewed strategic options for the future of the business • Reviewed the sustainability of the Group's business model • Reviewed and agreed the Group's capital plan and updates to the capital plan • Reviewed progress on a range of cost saving initiatives • Carried out deep dives into the HUB group of businesses and Just's South African business
RISK MANAGEMENT	• Material interaction with regulators • Received Group Chief Risk Officer reports and assessed the Group's significant risks, regulatory issues and emerging risks • Approved the risk policies and risk framework for managing risk across the Group • Strengthened the capital risk appetite ratios • Monitored the Group's capital and liquidity position • Reviewed the output of stress testing
FINANCIAL REPORTING AND CONTROLS AND DIVIDEND POLICY	• Reviewed the Group's financial performance on an on-going basis, and the Group's interim and annual financial results • Reviewed the dividend policy and agreed not to pay 2018 final or 2019 interim dividends • Reviewed and challenged reports provided by its Committees on key matters of financial reporting
STRUCTURE AND CAPITAL	• Issued £75m of new ordinary share capital in March 2019 • Issued a £300m BBB- rated Solvency II qualifying Restricted Tier 1 perpetual instrument with a first call date in April 2024 and coupon of 9.375% to strengthen the capital position in March 2019 • Assessed, on an on-going basis, the Group's capital and liquidity requirements including Solvency II position • Continuing oversight of external and inter-Group financing • Issued a £125m BBB rated Solvency II Tier 2 qualifying instrument with a maturity date in October 2029 and coupon of 8.125% in October 2019 • Continued examination of capital efficiency improvement measures • Approved the revised methodology to be used by the Group to determine the internal rating, amount and spread on the LTM notes, used to enable the LTM assets to be eligible for matching adjustment
CORPORATE GOVERNANCE	• Received regular updates from Committees, management and external advisers on legal and regulatory developments • Introduced nested Board meetings of the Group, Just Retirement Limited and Partnership Life Assurance Company Limited Boards • Reviewed and updated the schedule of matters reserved for the Group Board • Reviewed and updated the terms of reference of the principal Committees of the Group Board • Reviewed and approved updates to a number of Group policies • Approved an updated Share Dealing Code • Extensive Shareholder engagement by the Chair and Senior Independent Director in addition to the normal CEO/CFO programme
BE PROUD TO WORK AT JUST	• Updates on colleague engagement including Just Be Proud 2 • Reviewed outcomes and plans from the "Sunday Times Best Companies" survey • Appointment of Steve Melcher as the Non-Executive Director responsible for employee engagement and reviewing feedback from "Conversations with the Board" sessions
BOARD SUCCESSION PLANNING	• Significant focus was given to Board and executive succession planning (appointment of new CEO and CFO) • Reaffirmed its commitment to Board and senior management diversity • Undertook an externally facilitated evaluation of the Board's effectiveness and the performance of the Chair and individual Directors

Corporate Governance Code compliance statement

The Board considers that during the year, the Company has applied the main principles of the UK Corporate Governance Code 2018 (the “Code”). The Board considers that it has complied with the provisions of the Code during the year and up to the date of the Directors’ Report.

The Corporate Governance Report sets out how we have applied the principles of the Code.

Directors

Directors on the Board during the year and up to the date of this report are as follows:

- Chris Gibson-Smith, Chair
- Rodney Cook, Group Chief Executive Officer (resigned on 30 April 2019)
- David Richardson¹, Group Chief Executive Officer and Managing Director of the UK Corporate Business
- Andy Parsons, Group Chief Financial Officer (appointed on 1 January 2020)
- Paul Bishop, Independent Non-Executive Director
- Ian Cormack, Independent Non-Executive Director
- Michelle Cracknell, Independent Non-Executive Director (appointed on 1 March 2020)
- Michael Deakin, Independent Non-Executive Director (passed away 15 July 2019)
- Steve Melcher, Independent Non-Executive Director
- Keith Nicholson, Senior Independent Director
- Clare Spottiswoode, Independent Non-Executive Director

1 David Richardson was the Interim Chief Financial Officer of Just Group from 31 October 2018 until 1 January 2020, and Deputy Group Chief Executive Officer from April 2016. On 30 April 2019, he was appointed as Interim Group Chief Executive Officer, retaining his other responsibilities. On 18 September 2019, David Richardson was appointed as Group Chief Executive Officer. On 1 January 2020, David Richardson relinquished his responsibilities as Interim Group Chief Financial Officer.

Commitment

The Non-Executive Directors have made a significant contribution and commitment to ensuring the long-term sustainable success of the business during 2019. Of the meetings below 39 were scheduled and seven were additional Group Board and Committee meetings called due to the needs of the business. The Board held eight meetings during the period from 1 January 2019 to 31 December 2019. The table below shows Directors’ attendance at Board and Committee meetings for the period.

BOARD LEADERSHIP AND COMPANY PURPOSE

Leadership, purpose, values

Governance, good corporate behaviour and stakeholder engagement are critical to the long-term success of the Company. The regulatory framework has evolved following the new Code placing increased emphasis on corporate culture, purpose, values, stakeholder engagement and more generally a company’s contribution to wider society.

Pages 62 to 68 on “Governance in operation” set out how the Board is led and how it establishes the Company’s purpose and how it has monitored performance, including delegation to the Board Committees. Each of the Committees have set out their activities in their reports on pages 69 (Nomination Committee), 72 (Audit Committee), 78 (Group Risk and Compliance Committee) and 80 (Remuneration Committee).

Stakeholder engagement

The Board engages with its stakeholders and shareholders in a variety of ways.

The stakeholder engagement and Section 172 Report on page 48 sets out how the Board engages with and encourages participation from these parties and the effect the engagement has had on the principal decisions taken by the Board during the year.

The People and Culture Report on page 40 outlines more about our culture and our approach to colleague engagement. During 2019, in line with the Code, Steve Melcher was appointed as the independent Non-Executive Director responsible for championing workforce engagement activities. Further information on his appointment and activities is included in the report. The report also covers diversity and inclusivity and giving something back to our local and wider communities, topics on which the Board receives updates.

Shareholder engagement

The Group maintained a continuous dialogue with its major institutional shareholders and bondholders during 2019 through a programme of meetings undertaken by the Chair, Senior Independent Director, CEO and members of the investor relations team. Roadshows were held in March, June and September 2019, and management attended seven investor conferences and seminars. Ad hoc meetings were held throughout the year with both existing and prospective shareholders.

	Board ³	Audit ⁴	Remuneration	Nomination ⁵	Group Risk and Compliance ⁶	JRL & PLACL Investment
Chris Gibson-Smith	7/8	–	5/6	6/6	6/7	–
Rodney Cook ¹	2/2	–	–	–	–	–
David Richardson	8/8	–	–	–	–	–
Paul Bishop	7/8	12/13	–	6/6	–	6/6
Ian Cormack	8/8	–	6/6	6/6	7/7	–
Michael Deakin ²	4/4	–	4/4	1/2	–	4/4
Steve Melcher ⁷	7/8	13/13	5/6	–	6/7	1/1
Keith Nicholson	8/8	12/13	–	6/6	7/7	–
Clare Spottiswoode	7/8	12/13	–	–	6/7	–

1 Rodney Cook resigned from the Board on 30 April 2019.

2 Michael Deakin passed away on 15 July 2019.

3 One additional Board meeting was held to approve discrete items of business between 1 January and 31 December 2019. Chris Gibson-Smith, Paul Bishop, Steve Melcher and Clare Spottiswoode were unable to attend the late scheduled meeting due to prior commitments.

4 Three Audit Committee Working Group Sessions and three additional Audit Committee meetings were held between 1 January and 31 December 2019. Keith Nicholson was unable to attend the Working Group Session on 24 May 2019 due to prior commitments. Paul Bishop and Clare Spottiswoode were unable to attend the late scheduled meeting on 7 November 2019 due to prior commitments.

5 Two additional Nomination Committee meetings were held to approve discrete items of business between 1 January and 31 December 2019.

6 One additional Group Risk and Compliance Committee meeting was held to approve discrete items of business between 1 January and 31 December 2019. Chris Gibson-Smith, Steve Melcher and Clare Spottiswoode were unable to attend the late scheduled meeting due to prior commitments.

7 Steve Melcher became a member of the JRL and PLACL Investment Committee on 16 October 2019.

Nick Poyntz-Wright and Mary Kerrigan are independent members of the JRL/PLACL Investment Committees but not the Just Group plc Board. None of the Executive Directors hold a non-executive directorship in a FTSE 100 company.

GOVERNANCE IN OPERATION CONTINUED

There was a heightened level of activity during 2019 as the Group discussed a number of important issues with investors, including regulatory change, capital raising, the change in leadership and the focus on capital discipline. The programme this year included an increased number of shareholder meetings with the Chair and the Senior Independent Director.

The Investor Relations function provides the Board with regular analysis of shareholder movements, market and peer activity, in addition to share price performance. Analysts' and brokers' reports are made available to all Directors, while the Board receives detailed feedback from our corporate brokers following investor meetings.

The ordinary shares are covered by ten analysts currently. The Investor Relations team also maintains an open dialogue with non-covering analysts, banks, brokers, credit analysts and other market participants. Fitch have maintained their A/A+ credit ratings with a stable outlook for members of the Group. During 2019, we had an active programme of engagement with debt investors, including a dedicated roadshow.

During 2019 Just Group plc's shares fell by 14% to 79p, compared to the FTSE 350 life insurance index which rose by 20%. The Senior Independent Director is available for consultation by shareholders if they have concerns which are inappropriate to raise with the Chair, CEO or other Executive Directors. Further information for shareholders is included on page 166.

Whistleblowing

There is a Group whistleblowing policy which has been approved by the Board. Colleagues across the Group are able to raise any matters of concern through our dedicated and independent whistleblowing hotline. Reports are sent anonymously to the Group Company Secretary who then raises them with the Group Audit Committee Chair, who is the whistleblowing champion and leads the review and response from the relevant areas of the business. The Audit Committee has a regular agenda item on whistleblowing receiving updates on the operation of the policy and any concerns raised.

2019 AGM resolutions

The 2019 AGM saw three resolutions receive less than 80% of votes in favour. The Chair has addressed our response and activities in relation to this in his introduction to governance on page 54.

Conflicts of interest

A Group policy and process is in place to address possible conflicts of interest of Directors. Any relevant conflicts and potential conflicts with the interests of the Company that arise must be disclosed at the next Board meeting for consideration and, if appropriate, authorisation by relevant Board members in accordance with the Company's Articles.

DIVISION OF RESPONSIBILITIES

Board balance and independence

As at the date of this report there are nine Board members: the Chair (independent on appointment), two Executive and six Non-Executive Directors (all of whom are considered independent). Keith Nicholson is the Senior Independent Director. The Board considers that the current mix of Executive and Non-Executive Directors is appropriate, preventing the Board from being too large and ensuring that the Board remains predominantly independent.

The Code recommends that at least half the Board, excluding the Chair, should comprise Non-Executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, their judgement. The Board is comprised of more than half (excluding the Chair) Non-Executive Directors, all of whom are independent in the manner required by the Code.

Clear division of roles and responsibilities

The Board believes that documented roles and responsibilities for Directors, with a clear division of key responsibilities between the Chair and the Group Chief Executive Officer, are essential elements in the Group's governance framework and facilitate the effective operation of the Board.

The Chair is responsible for the effective leadership and governance of the Board but takes no part in the day-to-day running of the business. His key responsibilities include:

- leading the Board effectively to ensure it is primarily focused on strategy, performance, long-term value creation and accountability in line with the Group's purpose, values and culture;
- ensuring the Board determines the significant risks the Group is willing to embrace in the implementation of its strategy;
- leading the succession planning process and chairing the Nomination Committee;
- encouraging all Directors to contribute fully to Board discussions and ensuring that sufficient challenge applies to major proposals;
- fostering relationships within the Board and providing a sounding board for the CEO on important business issues;
- identifying development needs for the Board and Directors;
- leading the process for evaluating the performance of the Board, its Committees and individual Directors; and
- ensuring effective communication with major shareholders, regulator, and other stakeholders.

The CEO is responsible for leadership of the Group's business and managing it within the authorities delegated by the Board. His key responsibilities include:

- proposing and developing the Group's strategy and significant commercial initiatives;
- leading the executive team in the day-to-day running of the Group;
- ensuring the Group's operations are in accordance with the business plan approved by the Board, including the Board's overall risk appetite, the policies established by the Board, and applicable laws and regulations;
- representation of the Group's interests in the UK and abroad;
- maintaining dialogue with the Chair on important business and strategy issues;
- recommending budgets and forecasts for Board approval;
- providing recommendations to the Remuneration Committee on remuneration strategy for Executive Directors and other senior management;
- leading the communication programme with shareholders and ensuring the appropriate and timely disclosure of information to the stock market; and
- leading and ensuring effective engagement with the regulator.

The Senior Independent Director, Keith Nicholson, provides a sounding board for the Chair, and serves as an intermediary for the other Directors when necessary. The Senior Independent Director also meets annually with the Non-Executive Directors without the Chair being present to appraise the Chair's performance, and address any other matters which the Directors might wish to raise. The Senior Independent Director conveys the outcome of their discussions to the Chair. The Non-Executive Directors of the Board will meet at least twice per year without the Executive Directors being present.

Non-Executive Directors' time commitments

Non-Executive Directors' appointments are subject to review every three years. Their letters of appointment set out the expected time commitment. The need for availability in exceptional circumstances is recognised. We request that the Board is informed of any subsequent changes in the other significant commitments of the Directors.

The Board and Nomination Committee do not consider that any of the Non-Executive Directors have too many other commitments which would render them unable to devote sufficient time to the Company's activities. The other directorships of the Non-Executive Directors, are set out in their biographies on pages 56 to 59. None of the Directors hold directorships in FTSE 100 companies.

Information and support

Directors may seek independent professional advice at the Company's expense where they consider it appropriate in relation to their duties. All Directors have access to the advice and services of the Group Company Secretary and the Group General Counsel.

The role of the Group Company Secretary is to support the Chair and the Board, which includes bringing all governance matters to the attention of the Board and delivering a programme of Board and Committee meetings, training and senior management presentations to ensure that each Director has the information required in a timely manner to discharge their statutory duties.

COMPOSITION, SUCCESSION AND EVALUATION

The principles of section 3 of the Code are applied in practice through the activities undertaken by the Nomination Committee, to which the Board has delegated responsibility. The Nomination Committee Report on page 69 sets out, as required by provision 23 of the Code:

- the responsibilities delegated to the Nomination Committee;
- the process used for appointments of Executive and Non-Executive Directors;
- the approach to succession planning;
- the Group's policy on diversity and inclusion; and
- the gender balance of those in senior management.

Composition and succession planning

The Board is satisfied that there is the right balance of skills and experience on the Board and its Committees to support the Group's challenges ahead.

The Board acknowledges the lack of diversity on the Board and is committed to improving this. More information can be found in the Nomination Committee Report on page 71. In accordance with the Code, the Board believes that it has the appropriate balance of capabilities, skills, expertise, independence and knowledge to enable it and its Committees to discharge their duties and responsibilities effectively.

The Nomination Committee regularly reviews Board composition when considering succession planning. In particular it reviews the length of tenure of those Directors who have served on the Board for over two three-year periods. This includes that of the Chair who served as Chair of Partnership Assurance Group plc prior to the merger. During the year, the Nomination Committee also considered the long tenure of Keith Nicholson who entered his third three-year term as Senior Independent Director. Further information regarding succession planning is included in the Nomination Committee report on page 70.

All Directors' appointments are subject to annual re-election by shareholders and the reasons why their contribution is and continues to be important to the Company's long-term sustainable success is set out in the explanatory notes accompanying the resolutions.

Appointment of CEO and CFO

During the year the Nomination Committee led a process to appoint a new Chief Financial Officer, Andy Parsons, who joined the Company and the Board on 1 January 2020. The Nomination Committee also led a process to appoint a new Chief Executive Officer, with David Richardson, the previous Deputy Chief Executive Officer and Managing Director of UK Corporate Business, being appointed to this role on a permanent basis. Mr Richardson was already appointed as an Executive Director to the Group Board. More information about the appointment is included in the Nomination Committee Report.

Development

All new Directors receive a formal induction on joining the Board and a tailored training plan. Their induction includes discussions with the Chair and Executive Directors as well as one-to-one briefings and presentations from senior management on matters relating to the Group's business, its procedures and regulatory developments. As part of the annual Board effectiveness review, the Chair discusses with each of the Directors their training and development needs.

Board evaluation

Following the external Board evaluation during 2018, in 2019 the Board conducted an internal evaluation. Lintstock, an advisory firm that specialises in board performance reviews, was engaged to assist with the process. Lintstock has no other connection with the Group. The four principal Committees which were "in scope" for the review were the Audit, Nomination, Remuneration and Group Risk and Compliance Committees.

The Group Company Secretary and the Chair engaged with Lintstock to set the context for the evaluation and to tailor content of the review. All Board members were invited to complete the online survey addressing the performance of the Board, its Committees, the Chair as well as their own contribution to the Board. Lintstock subsequently produced a report of the results of the survey.

The Board considered the report and concluded that it was effective. Furthermore the Senior Independent Director considered the performance of the Chair and confirmed that he was effective. The Nomination Committee considered the report on each of the Directors and following an assessment of their other duties was satisfied that they continued to be effective.

Following the discussion at the Board meeting, the Company Secretary considered the themes in the report and prepared a number of actions, the completion of which will be monitored by the Nomination Committee. Pleasingly the actions identified built on matters identified in the external PwC board evaluation in 2018. The areas of work were:

Board composition – the survey noted that the Board was highly rated and whilst the gender balance on the Board had improved it was agreed that the Board should continue to focus on diversity over the next three to five years when considering Board succession.

GOVERNANCE IN OPERATION CONTINUED

Board support – the Group operates a nested Board approach with its two main companies which are life insurance companies. The life companies have independent Non-Executive Directors and it was considered that further work could be carried out to improve Board operation particularly with regards to documentation. Board intelligence had helped with the documentation and there had been a considerable improved focus and therefore focus on documentation will continue.

Focus of meetings – by necessity there had been great focus on capital over the last 12 months and there was a desire in the Boardroom for greater focus on the business and the markets that the Group operated in. The Company Secretary will work with the Chair to review the topics that are discussed by the Board during the year.

AUDIT, RISK AND INTERNAL CONTROL

The Board has established an Audit Committee and a separate Group Risk and Compliance Committee for oversight of audit, risk and internal controls.

Audit Committee

The Board has delegated responsibility for overseeing financial reporting, internal audit, external audit and the effectiveness of the internal controls to the Audit Committee. The Audit Committee conducts a review of the financial and non financial statements to satisfy itself of the integrity of the Annual Report and Accounts and reports its findings to the Board.

For information on the composition of the Audit Committee, its responsibilities and its activities during the year, including those activities required by provision 26 of the Code, please see the Audit Committee Report on pages 72 to 77.

The Board takes care to present a fair, balanced and understandable assessment of the Company's position and prospects. The Board believes that the Annual Report and Accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Audit Committee received a report from the internal auditor regarding its review of the effectiveness of the Group's internal controls. Information regarding this review is set out in the Audit Committee Report.

The going concern statement and a review of whether there are any material uncertainties to the Company's ability to continue to adopt the going concern basis of accounting in respect of the accounts is set out in the Audit Committee Report and Directors' Report.

Group Risk and Compliance Committee

The Company's risk management, including oversight of risk appetite and the risk management framework, is the responsibility of the Group Risk and Compliance Committee ("GRCC").

The information regarding management of risk can be found in the GRCC Report on page 78 and the risk management report in the Strategic Report on page 34, which sets out the assessment of principal and emerging risks including the procedures in place to identify emerging risks.

The Viability Statement is on page 35.

REMUNERATION

The Board has delegated oversight of remuneration policy and practices to the Remuneration Committee. The way in which the principles have been applied during the year and the information required by the Code in accordance with provision 41 of the Code, including a description of how executive pay policy was determined in accordance with provision 40 of the Code, is included in the Remuneration Committee report on pages 80 to 96. The report also sets out how the relevant principles and provision 40 of the Code were applied in applying the Group remuneration policies and setting the remuneration of David Richardson when he was appointed as permanent CEO and Andy Parsons when he was appointed as CFO.

In addition to the annual non-binding resolution on the Directors' Remuneration Report, a resolution will be put to the shareholders at the 2020 AGM to adopt a new remuneration policy for the Company in line with the requirement to submit the policy to shareholders every three years.

NOMINATION COMMITTEE REPORT

I am pleased to present the Committee's report for the year ended 31 December 2019



CHRIS GIBSON-SMITH
Chair

The report details the activities carried out during the year. These were focused around executive Board member recruitment for both the Chief Financial Officer and Chief Executive Officer roles, and succession planning for the Board and wider Group Executive Committee. We also reviewed plans and progress on diversity in relation to inclusion for the Group Board, the Life Company subsidiary Boards and the Group as a whole. In addition, we evaluated the effectiveness of the Board and its Committees.

ROLE AND RESPONSIBILITIES

A key role of the Nomination Committee is to keep under review the leadership needs of the Company, and regularly review the size and composition of the Board. Where appropriate the Committee makes recommendations for the orderly succession of Executive and Non-Executive Director appointments. In addition it oversees the refreshment of the Board and its Committees. The Committee has oversight of development of a diverse succession pipeline across the Group. In assisting and advising the Board, the Committee seeks to maintain an appropriate balance of capabilities, skills, knowledge, independence, experience and diversity on the Board, taking into account the Group's strategy and the challenges and opportunities facing the Group.

COMMITTEE MEMBERSHIP AND MEETINGS

The Committee meets at least twice a year and the CEO and the Group Human Resources Director are normally invited to attend meetings. The Group Company Secretary also acts as Secretary to the Committee. The Committee's duties are explained in more detail in its updated terms of reference which are available on the Group's website at www.justgroupplc.co.uk.

	Attendance scheduled meetings	Attendance unscheduled meetings ²
Committee members		
Chris Gibson-Smith (Chair)	4/4	2/2
Paul Bishop	4/4	2/2
Ian Cormack	4/4	2/2
Michael Deakin ¹	1/1	0/1
Keith Nicholson	4/4	2/2

¹ Michael Deakin passed away on 15 July 2019.

² Two additional meetings were held between 1 January to 31 December 2019 to cover discrete items. Michael Deakin was unable to attend due to prior commitments.

In addition to the members of the Committee, members of the executive team and senior management team were invited to attend meetings and submit reports on their areas of responsibility. Other Non-Executive Directors were also invited to attend and contribute to the challenge and debate.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

The Committee follows an annual rolling forward agenda which reflects the duties and responsibilities set out in its terms of reference. In addition, there were a number of standing items as well as topical business issues to which the Committee gave its attention.

During 2019, the Committee undertook a number of significant activities, which are outlined below.

CHANGES TO THE GROUP BOARD

During the first half of 2019 there were some changes to the Group Executive Board composition. On 30 April 2019 Rodney Cook stepped down as Chief Executive Officer. This meant the Committee shortly thereafter instigated a CEO succession process. Also in April, Andy Parsons accepted the role of Group Chief Financial Officer, to join in January 2020. On 30 April 2019, David Richardson was appointed as Interim Group CEO and remained Group CFO. To ensure a manageable portfolio for David, the Board appointed Gordon Wood (Ernst & Young) as CFO of the Life Companies (JRL and PLACL) on an interim basis, until Andy Parsons joined the Group.

NOMINATION COMMITTEE REPORT CONTINUED

During the summer the Committee was heavily involved in the CEO search and a full external process was instigated. The process is explained more fully on the adjacent page. David Richardson was appointed as Group CEO on 19 September 2019.

As mentioned in my introductory letter, the sudden passing of Michael Deakin, who sat on the Group Board, was an unexpected shock. We decided not to replace the role immediately. I would like to record my personal thanks for Michael's contribution on the Group Nomination, Group Remuneration, and subsidiary Investment Committees.

Following an extensive search, we identified Michelle Cracknell as an ideal Non-Executive Director of the Group. She has more than 30 years' experience in retirement solutions. The Nomination Committee, following appropriate due diligence checks, recommended to the Board Michelle's appointment and the Board subsequently approved. She was appointed with effect from 1 March 2020.

LIFE COMPANY BOARDS

To simplify our governance and create greater independent oversight, the Committee appointed Nick Poyntz-Wright, already an independent Non-Executive Director of our Life Companies (JRL and PLACL), as the Chair of these companies. This change meant that, as the Group Board Chair, I would no longer hold these roles. We also took the opportunity to add a further independent Non-Executive Director to these Boards, and I was delighted to confirm the appointment of Mary Kerrigan. Mary joined the Board from 1 November 2019 and in January 2020 was appointed as the Chair of the Investment Committees.

BOARD COMPOSITION AND SKILLS

As it does annually, the Committee also reviewed the composition and balance of the Board in light of some of the changes described above. As part of this review, the Committee considered:

- whether the balance between Executive and Non-Executive Directors was appropriate and agreed that we would not be appointing a Deputy CEO as per previous structures. Thereby, the Group Board Executive Directors reduced by one;
- the membership of the Committees and Board tenure and renewed the search process for an additional female Non-Executive Director for the Group Board;
- the independence of Non-Executive Directors, considering the judgement, thinking and constructive challenge that they demonstrate in the Board. In particular, there were discussions in relation to the continued independence of Keith Nicholson as a Non-Executive Director and Senior Independent Director (following completion of six years' service as a Director of Just Retirement Limited and Just Group plc). Following consideration of the evidence provided, the Committee was satisfied he would continue for a further three year term;
- the business strategy and how the Executive and Board skills and capability mix aligns with the current composition. This is discussed further in a separate section below;
- succession for the Group Board in light of tenure of the current members and using what opportunities this might create to improve Board diversity;
- the progress made on the diversity and inclusion plans across the enterprise as a whole;
- the effectiveness review of the Board, its principal Committees, the Chair and individual Directors. This process was conducted by Lintstock, an independent Corporate Advisory firm specialising in performance evaluation; and
- the continuing appropriateness of its workings and instigated updates to its terms of reference.

SUCCESSION PLANNING

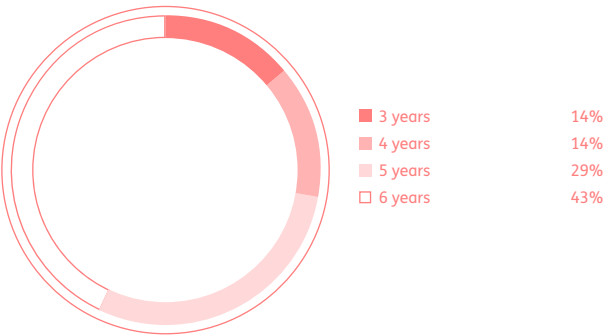
The Board comprises individuals with significant financial services experience, which has been valuable in supporting a challenging external regulatory environment, enabling it to have good oversight of these complex issues. The Committee looked at the strategic challenges and the balance of skills and experience across the current members and concluded that with any future appointments in 2020/21 it should look to strengthen in the areas of digital technology and business/customer process transformation. To support the digital agenda, the main subsidiary businesses within the HUB group of companies, added a Non-Executive Director, Paul Pettitt, with extensive digital experience, and the Board has access to this insight and capability.

The Committee considered both the Group Executive Committee ("GEC") and Board succession plans.

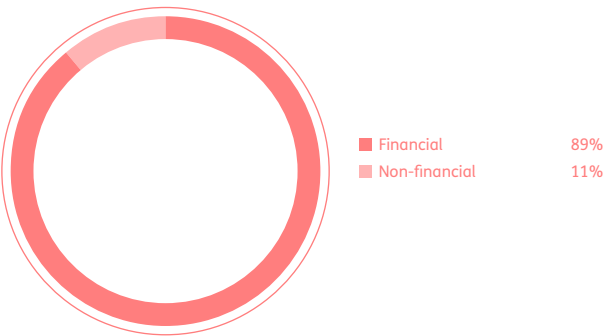
The GEC plan identified immediate emergency successors for critical roles, to mitigate risk events, and candidates with a longer-term development trajectory. The Committee remained satisfied that the plans were robust and requested a further review in the second quarter of 2020. It was noted that future senior vacancies needed balanced shortlists to enable the diversity targets to be reached by 2023.

The Committee also considered the Board succession plans and noted that in order to ensure orderly succession it needed to actively address this in 2020/21 as a number of the Non-Executive Directors will have more than six years' service during 2020. This will remain a key priority and an opportunity to continue to evolve the Board's skills, experience and diversity in line with the Just strategy.

BOARD TENURE 2019 (INCLUDES PARTNERSHIP & JUST)



NON-EXECUTIVE DIRECTORS: PRIMARY SECTOR EXPERIENCE





APPOINTMENT OF DAVID RICHARDSON AS CHIEF EXECUTIVE OFFICER

The Chair of the Board, assisted by the Senior Independent Director (“SID”) and Group HR Director, led the process that resulted in the appointment of David Richardson as the Chief Executive Officer for the Group. Key steps in the process are outlined below.

At its April meeting the Committee discussed the appointment of a search firm, following the interview of two firms, before it appointed Ridgeway Partners, who are signatories to the Voluntary Code of Conduct for Executive Search Firms. They are accredited by the Hampton-Alexander Review for compliance with the gender diversity code.

The Committee confirmed to the search consultancy the key criteria for the role along with a person specification. The process involved a full map of the external market, shortlisting process by the Chair and SID, reviewing candidate backgrounds, experiences against the key criteria and specification. Interviews were conducted by the Chair and SID and members of the Nomination Committee before a recommendation to the Group Board. The Board approved the appointment of David Richardson on 19 September 2019.

DIVERSITY

The Board’s diversity and inclusion policy has pledged to build a culture at Just that has diversity and inclusion at its core, and we are committed to hiring and developing diverse talent at all levels of the organisation. During 2019 we registered Just’s support for “inclusive behaviours in insurance” to demonstrate our commitment to a culture where inclusive behaviours are the norm and everyone is supportive of diversity. This reflects the Board’s view that in order to be effective it must reflect the wider environment in which it operates and our policy can be read in full on the Group’s website.

BOARD DIVERSITY POLICY OBJECTIVES AND PROGRESS

IMPROVE THE GENDER DIVERSITY IN THE JUST SENIOR LEADER POPULATION SO THAT 33% OF OUR POPULATION AT THIS LEVEL ARE FEMALE BY 2023.

PROGRESS IN 2019

The current female representation at our senior leader level is below this target at 21%, with the feeder pipeline at 38%. There are a number of activities underway to address the gap, including mentoring of talented individuals and focused personal development.

INCREASE FEMALE REPRESENTATION ON ITS GROUP AND LIFE COMPANY BOARDS AND ENSURE A RELEVANT BROAD MIX OF SKILLS.

PROGRESS IN 2019

We appointed a new Non-Executive Director, Mary Kerrigan, to the Life Companies Board in November 2019. She brings strong financial and investment management skills and chairs the Investment Committees.

PROGRESS IN 2020

We appointed a new Non-Executive Director Michelle Cracknell to the Just Group plc Board in March 2020.

OVERSEE THE DIVERSITY AND INCLUSION PLANS AND ASSESS THIS ANNUALLY. MONITOR THE PROGRESS ON BUILDING AN INCLUSIVE CULTURE ACROSS THE COMPANY.

PROGRESS IN 2019

The Committee received two updates during the year from the Group Human Resources Director, and CEO, in his sponsorship role for diversity and inclusion. This included the entire executive and leadership group attending a workshop on “inclusive leadership” and the rollout of inclusive leadership principles in the corporate Just Lead and Just Engage people development programmes.

BOARD EFFECTIVENESS AND COMMITTEE REVIEW

The Committee is confident that it has made good progress during the year and in 2020 will continue to focus on ensuring it achieves a balanced and diverse Board and supports the executive team in developing a strong pipeline of talent to achieve its strategic business plan.

The effectiveness of the Committee was reviewed as part of the annual Board effectiveness review which took place in December 2019 and January 2020 and the Board was satisfied with the Committee’s performance. Details of the Board evaluation process undertaken are included in the Corporate Governance Report on page 67. The actions following the Board evaluation will be monitored by the Committee.

Overall it has been a busy year for the Committee with two Executive Director and two Non-Executive Director appointments, further increasing the Board’s strength.

On behalf of the Nomination Committee

CHRIS GIBSON-SMITH

Chair, Nomination Committee
11 March 2020

AUDIT COMMITTEE REPORT

I am pleased to present the Audit Committee Report for the year ended 31 December 2019



PAUL BISHOP
Chair, Audit Committee

The report explains the work of the Group Audit Committee (the “Committee”) during the year.

ROLES AND RESPONSIBILITIES, COMMITTEE MEMBERSHIP AND MEETINGS

The Board has delegated to the Audit Committee responsibility for oversight of the Group’s financial and regulatory reporting and the effectiveness of the Group’s systems of internal controls and related activities. The Audit Committee is also responsible for maintaining an appropriate relationship with the external auditor and monitoring audit activities. The Committee’s terms of reference are available on the website (www.justgroupplc.co.uk).

The Audit Committee operates separately from, but alongside, the GRCC, with close cooperation between the Chairs of these committees. This ensures that the audit work is focused on higher risk areas and the results of internal and external audit work can be used to inform the work of the Group Risk and Compliance Committee. The terms of reference are reviewed annually and during 2019 were updated to both reflect the creation of the audit committees of Just Retirement Limited and Partnership Life Assurance Company Limited and to ensure compliance with the Corporate Governance Code 2018 (the “Code”).

The effectiveness of the Committee was reviewed as part of the annual Board effectiveness review which took place in December 2019 and January 2020 and the Board was satisfied with the Committee’s performance.

COMMITTEE MEMBERSHIP AND MEETINGS

The Committee members bring a wide range of financial and commercial expertise necessary to fulfil the Committee’s duties and include appropriate life insurance accounting expertise. The Board is satisfied that the Committee Chair has recent and relevant financial experience as required by the Code. As a whole the Committee has competence relevant to the sector in which the Group operates.

The biographies of the members of the Committee are set out on pages 57 to 59.

The Audit Committee had seven scheduled meetings during the year and also held three additional meetings and three working group meetings.

Attendance was as follows during 2019:

	Attendance scheduled meetings	Attendance unscheduled meetings and working groups
Committee members		
Paul Bishop (Chair)	7/7	5/6
Steve Melcher	7/7	6/6
Keith Nicholson	7/7	5/6
Clare Spottiswoode	7/7	5/6

In addition to the members of the Committee, members of the executive and senior management teams attended the meetings to submit reports in their areas of responsibility. Other Non-Executive Directors were also invited to attend and contributed to the challenge and debate. The Group’s external auditor, KPMG LLP, attended all meetings. In addition, the proposed new auditor for 2020, PwC, observed the Audit Committee meetings from November 2019 through to March 2020. The Committee set aside time at the beginning of each meeting without management present. The Chair also met separately with the external auditor and the Director of Group Internal Audit without other executive management being present.

STATEMENT FROM THE AUDIT COMMITTEE CHAIR

In summary

The report sets out the activities carried out during the year to fulfil the Audit Committee's responsibilities.

2019 saw the Group finalise its implementation of the requirements of Article 39 of the Statutory Audit Directive, as amended by Directive 2014/56/EU for PRA regulated firms, with the creation of audit committees for the Group's two PRA regulated subsidiaries, Just Retirement Limited and Partnership Life Assurance Company Limited. The Committee reviewed and updated its terms of reference to reflect the changes required to its roles and responsibilities. The Committee remains responsible for the Group's consolidated financial reporting and regulatory, internal controls and relationship with the Group auditor. However, the audit committees of Just Retirement Limited and Partnership Life Assurance Company Limited took on responsibility for their own reporting and controls and relationship with the auditor. This has had an impact on some of the activities of the Committee during the year.

The Committee conducted a thorough review of the significant financial judgements and financial statement assumptions made in the preparation of the 2019 Annual Report and Accounts and of the Annual Report and Accounts themselves. The Committee was pleased to advise the Board that the judgements and assumptions are appropriate and that the Annual Report and Accounts are fair, balanced and understandable, and provide the necessary information for shareholders to assess the Company's position, prospects, business model and strategy.

The Committee also oversaw the preparation and review of the Group Solvency and Financial Condition Report ("SFCR") as at 31 December 2018, the Group and Solo Regular Supervisory Reports and the Annual Quantitative Reporting Templates for the PRA submission in April and May 2019. A revised shorter timetable was prepared to meet the reduced period in future years for filing the regulatory reports.

During 2019 we conducted a tender for the future provision of external audit services. We were pleased to announce on 1 November 2019 that PwC had been selected, subject to shareholder approval at the 2020 AGM, as the Group's external auditor for the financial year ending 31 December 2020. PwC has been invited to observe the financial year ended 31 December 2019 to ensure an orderly transition. We would like to acknowledge the important contribution KPMG has made as the Company's auditor. Further information regarding the tender process is included later in this report.

Activities of the Committee during the year

The Committee follows an annual rolling forward agenda with standing items considered at each meeting in addition to any matters arising and topical business or financial items which the Committee has decided to focus on.

Financial reporting

In 2019 and to date in 2020, the Committee:

- reviewed the quality and acceptability of accounting policies and practices;
- reviewed the appropriateness and clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- reviewed material areas in which significant judgements have been applied or there has been discussion with the external auditor;
- reviewed accounting judgements in relation to the new accounting standards IFRS 16 "Leases" and IFRS 17 "Insurance Contracts";
- reviewed the assumptions critical to assessing the value of assets and liabilities, in particular insurance liabilities and lifetime mortgages;
- reviewed documentation prepared in support of the going concern basis and longer-term viability assessment, including the impact of the updated regulatory expectations set out in SS3/17 "Solvency II: matching adjustment – illiquid unrated assets and equity release mortgages" and PS19/19 "Solvency II: Equity release mortgages – Part 2";

- reviewed the eight key performance indicators ("KPIs") used by the Group to assess its financial performance and revised two KPIs to focus performance more clearly on the Group's capital position and capital generation;
- reviewed the alternative performance measures ("APMs") used by the Group and how these are disclosed within the Annual Report and Accounts;
- reviewed the 31 December 2019 Group Annual Report and Accounts and the half-year statements to 30 June 2019; and
- assessed whether 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 performance, business model and strategy and concluded that they are.

To assist with the review, the Committee considers reports from the Group Chief Financial Officer and the Chief Actuary. It also reviews reports from the external auditor on the outcomes of their half-year review and year-end audit. The Committee encourages the external auditor to display the necessary professional scepticism its role requires.

Interaction with the Financial Reporting Council ("FRC")

During November 2019, the Company received a letter from the FRC's Corporate Reporting Review team, which is authorised to review the annual accounts, strategic reports and directors' reports of public and large private companies. The FRC team requested further information in relation to the Company's 2018 Annual Report and Accounts. The letter set out a request for further information in relation to Parent Company investment in subsidiaries; equity release mortgages; non-financial reporting; taxation and alternative performance measures. The Committee discussed and reviewed the correspondence and the Group's proposed responses to the FRC's enquiries prior to them being issued. The Group subsequently responded to the FRC's questions providing clarifying information and proposing enhancements to disclosures relating to Parent Company investment in subsidiaries, equity release mortgages, non-financial reporting, taxation and alternative performance measures in the 2019 Annual Report and Accounts. The Committee reviewed the inclusion of these disclosure enhancements as part of its review of the 2019 Annual Report and Accounts. The FRC has now completed its review and has closed its enquiry. The FRC noted that its review provides no assurance that the Annual Report and Accounts are correct in all material respects, and that the FRC's role is not to verify the information provided, but to consider compliance with reporting requirements. The FRC's review is based on a review of the Annual Report and Accounts and does not benefit from detailed knowledge of the business.

Significant accounting judgements

The key areas of judgement considered by the Committee in relation to the 2019 accounts, and how these were addressed, are set out in the following table.

AUDIT COMMITTEE REPORT CONTINUED

Significant judgements	Approach	Action
THE DISCOUNT RATE USED TO CALCULATE THE GROUP'S INSURANCE LIABILITIES, REINSURANCE ASSETS AND DEPOSITS FROM REINSURERS	The discount rate is set with regard to yields on supporting assets. The return on bond assets is adjusted for valuation purposes to allow for credit risk on each bond by considering the "spread" – the difference between the gross redemption yield and the yield on an equivalent duration "risk-free" reference instrument. The Group sets the credit risk as a fixed minimum component plus a percentage of the spread, calibrated significantly in excess of historic default rates which are provided by the leading rating agencies. The yield on lifetime mortgage assets is adjusted to allow for the risks associated with these assets – namely, the potential shortfall resulting from the no-negative equity guarantee ("NNEG").	The Committee reviewed the discount rate derivation methodology, including allowances for risk-adjustments, using information provided by management. This included benchmarking against other industry practitioners. It was determined that the current methodology and allowance for risk-adjustments should remain unchanged from the 2018 year-end.
LONGEVITY ASSUMPTIONS	The length of time the Group's Retirement Income customers and Lifetime Mortgage customers will live, and therefore the projected cash flows for Retirement Income and Lifetime Mortgage assets, are key assumptions when valuing the Group's insurance liabilities and Lifetime Mortgages.	Longevity experience is a key area of focus for the Board and the Committee, and the Board receives regular reports on the actual against expected number of deaths and the likely causes, by condition, of any positive or negative divergence as well as the output of industry studies. The Committee reviewed the longevity assumptions and confirmed they should remain unchanged from 2018 year-end.
THE PROPERTY ASSUMPTIONS USED TO VALUE THE GROUP'S LIFETIME MORTGAGES	The values of the Group's Lifetime Mortgages are reliant on a range of assumptions, of which the key ones are future house price growth and house price volatility. These assumptions determine the expected shortfall on redemption in respect of the NNEG which is given to all lifetime mortgage customers. Small changes in these assumptions (particularly future house price volatility) can have a significant impact on the overall asset valuation. Management use the Office of National Statistics (the "ONS") index to determine current property prices. The ONS index uses publicly available sales information.	The Committee reviewed both these key assumptions including detailed analyses from management. It was determined that the assumptions for property price future inflation and property price volatility should remain unchanged from the 2018 year-end. This included consideration of the potential impact of the UK's withdrawal from the European Union on UK property prices. The Committee reviewed, and challenged as appropriate, the detailed analysis and agreed with the proposals. In addition to the internal analysis management commissioned two independent external firms to produce long-term forecasts for future property price growth to support the assumptions made which the Committee reviewed and helped support their decision making. During 2019 management also assessed the appropriateness of using the ONS index to determine property prices and on reviewing the analysis the committee concluded that it was appropriate to continue to use the ONS index to determine property prices at the valuation date.
INVESTMENT IN SUBSIDIARIES	Just Group plc's investment in subsidiary undertakings is a significant asset and underpins the net equity reported by Just Group plc in its individual Parent Company financial statements. The Group's policy is to hold investments at cost and assess annually for indicators of impairment.	The carrying value of this asset is assessed through the consideration of the in-force and new business cash flows of the underlying subsidiary companies. The Committee reviews assessments, the recoverability of the balances reported and appropriateness of accounting policies, as part of its work on financial reporting. As part of the preparation of the 2019 accounts the Committee considered whether any of the investment in subsidiaries should be impaired. The shortfall between the Group's market capitalisation and IFRS net assets was an indicator of impairment, and after reviewing the recoverable amounts for the Group's investments in subsidiaries, an impairment of £96m was recognised in respect of the investment relating to PLACL.

VALUATION MODEL FOR LIFETIME MORTGAGES

The measurement of the no-negative equity guarantee underlying the fair value of loans secured by mortgages uses a variant of the Black-Scholes option pricing formula, which has been adapted to use real world assumption instead of risk neutral assumptions due to the lack of the relevant observable market input to support a risk neutral valuation approach. The Committee considered the appropriateness of this model and whether any alternative approaches should be considered. The Committee concurred with the Group's view that the approach used is in line with common industry practice and that there does not appear to be an alternative approach that is widely supported in the industry.

The Committee noted that there has been significant recent academic and market debate concerning the valuation of no-negative equity guarantees and that the Group intends to continue to actively monitor this debate.

ALTERNATIVE PERFORMANCE MEASURES

The Committee considered the alternative performance measures used by the Group and whether these remained appropriate and useful measures. The Committee reviewed the disclosures in the Annual Report and Accounts in relation to the APMs used by the Group and also considered compliance with the guidance on APMs set out by the European Securities and Markets Authority.

GOING CONCERN

As part of the assessment of going concern and longer-term viability for December 2019, the Committee considered the impact of complying with the updated regulatory expectations set out in SS3/17 "Solvency II: matching adjustment – illiquid unrated assets and equity release mortgages" and PS19/19 "Solvency II: Equity release mortgages – Part 2", which meant that the Group restructured and updated its internal Lifetime Mortgage ("LTM") securitisation. A restructure was effected on 31 December 2019 which involved a redemption of existing notes, a restructuring, and an issuance of new LTM notes. The restructure removes much of the uncertainty on the level of matching adjustment relating to LTMs in the regulatory balance sheet.

Papers were reviewed by the Committee during the year regarding changes to the assumptions, projections and modelling as a result of updated regulatory expectations.

The Committee also considered other risks in stressed scenarios for the going concern assessment including the risks associated with capital requirements to write anticipated levels of new business which form part of the Group's business plan; the projected liquidity position of the Group; eligible own funds being in excess of minimum capital requirements in stressed scenarios; the findings of the Group Own Risk and Solvency Assessment; and risks arising from Brexit. In addition to risks, the Committee considered the Group Plan approved by the Board in the first quarter of 2020 and the forecast regulatory solvency position calculated on a Solvency II basis as well as the benefit of the new equity, Restricted Tier 1, and Tier 2 capital raised during the year, and steps taken by the Group during 2019 to improve capital efficiency.

REGULATORY REPORTING OVERSIGHT

The Committee receives regular updates on the Group's regulatory reporting matters, including the oversight and preparation of the Group's annual SFCR. The Committee also receives regular updates relating to the on-going publication by the Prudential Regulation Authority of supervisory statements that set out its expectations for certain aspects of prudential regulation. The Audit Committee also has responsibility for overseeing the recalculation of TMTP. The implementation of Solvency II in practice has continued to evolve and is expected to do so in the future. During 2019 and to date in 2020 the Committee has spent a significant amount of time considering the impact of SS3/17, PS19/19, PS31/18 and CP7/19 on the Group. The emergence of new supervisory statements could impact certain key

non-GAAP measures disclosed in the Annual Report and Accounts and will be closely monitored by the Committee to ensure disclosures are appropriate.

NEW ACCOUNTING STANDARDS

The Committee continued to monitor the progress towards being in a position to implement IFRS 17 and received regular status updates. We welcomed the progress made towards more appropriate treatment of the Retirement Income business enabled by the June 2019 exposure draft and look forward to the timely conclusion of the remaining areas for International Accounting Standards Board consideration. Work continues in parallel to develop Just's systems solution for computation of the new IFRS 17 accounting data.

IFRS 16 was implemented at the beginning of 2019 and the impact of this on the Group was published in the interim report for 2019 and is included on page 115 of the Annual Report and Accounts.

EXTERNAL AUDIT

The Committee is responsible for recommending to the Board the appointment, remuneration and terms of engagement letter of the external auditor. It also ensures that appropriate audit plans are in place and that an effective relationship is maintained with the auditor. This is achieved through regular reports from the auditors and by holding meetings with the lead audit engagement partner, Daniel Cazeaux, without the presence of management. Daniel Cazeaux was appointed as lead audit engagement partner for the 2017 year end.

In 2019, the Committee:

- reviewed the 2019 year-end audit work plan including the scope of the audit and the materiality levels adopted by the external auditor;
- reviewed the Group's policy on the use of the external auditor for non-audit work and concluded that further work commissioned during the year was in compliance with the policy. It also evaluated the independence and objectivity of the external auditor having regard to: a) the report from the external auditor describing the general procedures to safeguard independence and objectivity; and b) the level and extent of non-audit services provided by the external auditor;
- agreed the terms of engagement and fees to be paid to the external auditor for the audit of the 2019 Accounts; and
- reviewed recommendations made by the external auditor in their management letters and on the adequacy of management's response.

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Committee receives a detailed audit plan from KPMG, identifying its assessment of these key risks. For the 2019 reporting period the significant risks identified were in line with 2018. The key risks identified were in relation to the valuation of insurance liabilities, the valuation of loans secured by residential mortgages, going concern, recoverability of investment in subsidiaries, the valuation of hard to value investments and deposits received from reinsurers. The significant judgements made in connection with these risks are set out in the table on page 74. The Committee challenged the work done by the auditor to test management's assumptions and estimates around these areas. The Committee assesses the effectiveness of the audit process in addressing these matters through the reporting received from KPMG at the interim and year end. In addition, the Committee seeks feedback from management on the effectiveness of the audit process. For the 2019 reporting period, management were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good. The Committee concurred with the view of management.

AUDIT COMMITTEE REPORT CONTINUED

INDEPENDENCE AND NON-AUDIT SERVICES

The Group has a policy in relation to the provision of non-audit services by our external auditor. All non-audit services provided by KPMG are subject to review and approval by the Committee.

The policy ensures that the Group benefits from the cumulative knowledge and experience of its auditor while ensuring at the same time that the auditor maintains the same degree of objectivity and independence. During the year, the value of audit services to the Group was £1.26m (2018: £1.01m). The value of non-audit services provided by KPMG during the year amounted to £1.13m (2018: £2.03m), comprising:

	£m
Audit-related assurance services (audit of regulatory returns)	0.8
Audit-related assurance services (other services)	0.2
Transaction-related services	0.1

The ratio of non-audit services to audit services was 0.9:1. Non-audit services of £0.8m were provided during 2019 in relation to the audit of the Group's Solvency II regulatory returns and a further £0.2m of non-audit services were provided in relation to the review of the Group's interim report. Non-audit services in respect of transaction services of £0.1m were provided in relation to the Group's capital raising activities during the year.

These non-audit services are considered to be closely related to the work performed by KPMG as auditor of the Group and therefore the auditor is the appropriate firm to carry out the services.

Non-audit services for 2019 were considerably lower than the previous year. During 2018 there was an exceptional level of corporate activity in the capital markets where KPMG provided reporting accountant and other services relating primarily to the presentation and validation of historic financial information.

As part of the evaluation of the objectivity and independence of the external audit, the Committee has received and reviewed written confirmation that KPMG has performed their own assessment of independence within the meaning of all UK regulatory and professional requirements and of the objectivity of the audit engagement partner and audit staff and have also concluded that the independence is not impaired by the nature of the non-audit engagements undertaken during the year, the level of non-audit fees charged or any other facts or circumstances.

The level of non-audit services offered reflects the auditor's knowledge and understanding of the Group. The Group has also appointed other accountancy firms to provide certain non-audit services in connection with internal audit, governance, tax and regulatory advice, and with regard to the implementation of IFRS 17.

An analysis of auditor remuneration is shown in note 4 to the consolidated financial statements.

EFFECTIVENESS AND REAPPOINTMENT OF EXTERNAL AUDITOR

The Committee considered the quality and effectiveness of the external audit process. The review of the performance was completed as part of an on-going process of review throughout the year with the Audit Committee seeking assurance and understanding of the auditor's approach to the audit. Private meetings were also held with the external auditor and the Chair of the Committee as necessary outside the Audit Committee meetings.

Following the auditor's performance review, the Board approved the reappointment of KPMG for the year ended 31 December 2019 and a resolution put to the shareholders at the 2019 Annual General Meeting was subsequently approved.

The Committee has approved KPMG's remuneration and terms of engagement for 2019 and remains satisfied with KPMG's work and that KPMG continues to remain independent and objective.

AUDIT TENDER

As set out in the Committee's report last year, the Committee intended to review the tenure of the auditor in 2019.

KPMG has been the Group's auditor since the financial year ended 31 December 2016 following a tender process undertaken in 2016 after the merger with Partnership Assurance Group, when that firm was reappointed. Prior to that KPMG was the auditor of Just Retirement Limited. The proposed change of auditor ensures our compliance with the rules regarding auditor rotation. The timing of the change will also enable auditor continuity during our preparation and implementation of IFRS 17, currently scheduled for 2022. The Committee led a full tender process in respect of external audit services in compliance with the legislation and had regard to the FRC guidance on audit tenders.

The existing external audit firm, KPMG, did not participate in the tender process. We approached a range of firms, including the other "big four" firms and certain mid-tier firms, to express their interest; and meetings with the Chair of the Audit Committee and key executives were offered to all participants at this stage. Interested firms were subsequently requested to complete a detailed Request for Proposal ("RFP"). The firms were judged against objective criteria determined in advance of the process including around independence, industry expertise (including actuarial expertise), audit quality, planned use of technology and an understanding of the Group. The findings and conclusions of published inspection reports on the audit firms were also reviewed. Following a presentation to the Committee, the Committee considered that the submission and team from PwC met the predefined criteria, had the necessary expertise and would offer a quality external audit for the Group. The Committee therefore recommended to the Board that PwC be appointed as the Company's auditor for the year ending 31 December 2020 and the Board approved the appointment, subject to shareholder approval. The recommendation was free from the influence of any third party.

The Committee confirms that there are no contractual obligations which restrict the choice of external auditor. The Committee noted that PwC previously provided internal audit services to the Group's internal audit team (who were not involved in the tender process) and IFRS 17 and tax services, and that in order for the independence criteria to be met that PwC would stand down from this engagement by 31 December 2019. PwC was satisfied that it could act independently as external auditor in line with the FRC's Revised Ethical Standard and this was set out in its RFP.

Subject to shareholder approval at the AGM, it is proposed that PwC will be appointed as the Company's auditor with effect from the audit for the financial year ending 31 December 2020. To ensure a smooth transition from KPMG, PwC has shadowed KPMG during the audit of the financial year ended 31 December 2019.

The Group will continue to use professional firms other than its auditors for non-audit services so that relationships are enhanced with those firms capable of performing the role of external auditor. The Committee will seek, with management, to ensure that there are no contractual obligations which restrict the Committee's future choice of auditor.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining the Group's systems of internal control and for undertaking an annual review of the control systems in place. The Group operates a "three lines of defence" model. The first line of defence is line management who devise and operate the controls over the business. The second line functions are Risk Management, Compliance and Actuarial Assurance, which oversee the first line, ensure that the system of controls are sufficient and are operated appropriately, and also measure and report on risk to the Group Risk and Compliance Committee. The third line is Internal Audit, who provide independent assurance to the Board and its Committees that the first and second lines are operating appropriately. The Group's internal control systems comprise the following key features:

- establishment of clear and detailed terms of reference for the Board and each of its Committees;
- a clear organisational structure, with documented delegation of authority from the Board to senior management;
- a Group policy framework, which sets out risk management and control standards for the Group's operations; and
- defined procedures for the approval of major transactions and capital allocation.

The Audit Committee keeps under review the adequacy and effectiveness of the Group's internal controls. It is the view of the Committee that the Group's system of risk management and internal controls is currently appropriate to the Group's needs.

INTERNAL AUDIT

The Committee receives an annual plan from the Director of Group Internal Audit, updates on internal audit work carried out at each meeting and the internal audit end of year report.

In 2019, the Committee:

- continued to oversee the Internal Audit function with the Director of Group Internal Audit reporting directly to the Audit Committee Chair;
- oversaw the engagement of PwC to work with the Internal Audit team on the combined internal audit assurance work, to complete the audit plan for 2019 (and noted that another firm will need to be engaged to provide support to the Internal Audit team in 2020 and beyond following the expected appointment of PwC as external auditor);
- reviewed the rolling 12 month internal audit plan ensuring the alignment to the key risks of the business;
- reviewed results from audits performed, including any unsatisfactory audit findings and related actions plans;
- reviewed open audit actions and monitored progress against them; and
- conducted an assessment of the Internal Audit function.

Monitoring and review of the scope, extent and effectiveness of the activity of the Group Internal Audit department is an agenda item at each Committee meeting. The Committee considers and approves the Internal Audit plan annually and looks to ensure its alignment with the external audit and the Group's risk management approach. Reports from the Director of Internal Audit include updates on audit activities, progress of the Internal Audit plan, the results of any unsatisfactory audits and the action plans to address these areas. The Committee reviews the resource requirements of the Internal Audit department and is satisfied that it has the appropriate resources identified.

The Committee held private discussions with the Director of Group Internal Audit as necessary during the year. The Committee Chair also meets with the Director of Group Internal Audit regularly outside the formal Committee process, approves his performance appraisal, and sets his annual objectives.

An External Quality Assessment ("EQA") of Internal Audit is carried out every three to five years with the last one being undertaken at the end of 2019. The EQA was completed by an independent firm which assessed the function against the Chartered Institute of Internal Auditors standards with an overall rating of Generally Conforms. This is the highest rating that can be achieved. The function remains on its journey of continuous improvement with the full sponsorship of the Audit Committee.

WHISTLEBLOWING

The Group has a whistleblowing policy and procedure in place and an external confidential reporting hotline. The Group has also conducted an awareness campaign to encourage employees of the Group to raise in confidence concerns about possible improprieties in financial reporting, other operational matters or inappropriate behaviours in the workplace. The Chair of the Audit Committee is the Whistleblowing Champion.

On behalf of the Audit Committee

PAUL BISHOP

Chair, Audit Committee
11 March 2020

GROUP RISK AND COMPLIANCE COMMITTEE REPORT

I am pleased to present the Group Risk and Compliance Committee Report for the year ended 31 December 2019



KEITH NICHOLSON

Chair, Group Risk and Compliance Committee

The Committee assists the Board by providing leadership, direction and oversight by the Group's risk management framework and regulatory compliance of the Group. In doing so, the Committee has played a key role in delivering effective oversight of the principal and emerging risks inherent in the business and its risk strategy.

ROLES AND RESPONSIBILITIES, COMMITTEE MEMBERSHIP AND MEETINGS

The Board has delegated responsibility to the Committee for overseeing the risk management and internal control frameworks of the Group and for overseeing regulatory compliance. The Committee's key roles and responsibilities are set out in the terms of reference, which can be found at www.justgroupplc.co.uk.

Biographies of the Committee members can be found on pages 56 to 59. The Committee works closely with the Audit Committees and the Investment Committees. The Group Chief Executive Officer, Group Chief Risk Officer and the Group Chief Actuary attend all meetings. Other Non-Executive Directors were also invited to attend and contributed to the challenge and debate. Group executives and senior managers were invited to attend the meetings to report where appropriate on their areas of responsibility.

	Attendance scheduled meetings	Attendance unscheduled meetings
Committee members		
Keith Nicholson (Chair)	6/6	1/1
Ian Cormack	6/6	1/1
Chris Gibson-Smith	6/6	0/1
Steve Melcher	6/6	0/1
Clare Spottiswoode	6/6	1/1

The Committee has a standing agenda based on the annual cycle of the business covering all areas of its responsibility. Additional items are added as and when further discussion is required due to developments during the year. There were six scheduled meetings and one additional meeting during 2019. The Chair of the Committee also holds regular private meetings with the Group Chief Risk Officer to ensure that all significant areas of risk are considered. At each quarterly meeting the Committee sets aside time to meet without management present or with only the Group Chief Risk Officer present, as necessary.

The effectiveness of the Committee was reviewed as part of the annual Board effectiveness review which took place in December 2019 and January 2020 and the Board was satisfied with the Committee's performance.

SUMMARY OF MEETINGS DURING THE YEAR

The Committee met formally on seven occasions.

At each quarterly meeting the Committee:

- considers a report from the Group Chief Risk Officer on the key current and emerging risks to the business, together with a quarterly update to the Own Risk and Solvency Assessment ("ORSA"); and
- reviews a Conduct and Prudential Compliance Report covering the compliance monitoring programme and any significant compliance risks.

DEEP DIVE REPORTS

The Committee reviews “deep dive” reports during the year on key risks to the business. This helps the Committee gain a thorough understanding of different aspects of the Group’s risks and consider whether the risk management framework adequately monitors and reports on the risk exposures in each business area. The deep dives also allow a fuller discussion of the approaches taken by management in mitigating the risks and enable appropriate challenge from the Committee. One of the Committee meetings during the year was dedicated to conduct risk, including deep dive reports into a number of conduct risk matters.

Reports this year included:

- a report on property risk, which focused on house price growth outlook and reviewed progress against actions and plans to improve risk management around lifetime mortgages;
- the Group’s investment portfolio strategy, the risks associated with the strategy and different asset classes; and
- a range of conduct risk subjects, including operational resilience, pension transfer advice, vulnerable customers and product governance.

RISK GOVERNANCE

The Committee ensured that the risk framework continued to be developed in line with the business needs, and that policies and practices were kept up to date. It reviewed and approved the risk management plan for the year. It also considered the appropriateness of the risk appetites, against which the business plan and strategy are assessed. The Committee carried out a deep dive on the overarching risk appetite framework and challenged the capital risk appetite for the Group, Just Retirement Limited (which writes new business) and Partnership Life Assurance Company Limited (which is largely in run-off). The target solvency ratios for different levels of capital risk appetite for each were increased as a result of challenge from the Committee.

An external review of the effectiveness of the Group’s risk management was undertaken during the year. The outcome was presented to the Committee and Board. The Committee has provided oversight of progress in implementing the recommendations from this review.

RISK OVERSIGHT

During the year there was a focus on the risks associated with lifetime mortgages and the regulatory capital implications of the PRA’s SS3/17, PS31/18 (Solvency II: Equity Release Mortgages) and CP7/19 (Solvency II: Equity Release Mortgages – Part 2). There was a focus on particular aspects of the Group’s implementation of SS3/17 which included a revision of the Group’s existing notes structure to deliver a framework so that it meets the requirements of SS3/17. The changes to the notes structure, the expected capital impacts and implementation steps were extensively reviewed and challenged by the Committee at a special meeting for this purpose. The Committee then recommended the revised note structure to the Board.

EMERGING RISKS

The Committee received a report on emerging risks setting out the results of a review of a comprehensive range of emerging risks, undertaken by the Risk function. Emerging risks which could impact on property prices represent the highest potential impact on the Group. The potential impact on the UK property market from climate change was considered. It was noted that there were a number of different emerging risks which could be aggregated under climate change. Each risk was relatively low in terms of impact on the Group. However, collectively they could be more significant over time both in terms of impact on property prices and/or the impact on laws and regulations affecting the Group.

BUSINESS RESILIENCE

Operational resilience, including cyber security, continued to be an area of focus during the year. A deep dive on operational resilience was reviewed during the year. This focused on the key risks to the property estate (including supporting infrastructure), cyber threats and failures of key suppliers or outsourcers and the approach taken by the business to mitigate these risks, for the Committee to assess.

The Committee considered the continued impact of Brexit on the business of the Group. As the Group does not operate in other countries within the European Union (“EU”), the principal effect is the impact on the economy, particularly interest rates and house price inflation, due to uncertainty arising from the outcome. In addition, the position of customers who receive regular guaranteed payments who since inception of the guarantee have moved to countries within the EU, was identified as a specific risk.

CONDUCT RISK

The Committee regularly reviews and challenges management’s view of conduct risks across the Group. The risk to appropriate customer outcomes is considered against a dashboard of measures in general, and against the quality of advice provided by advisers in the HUB Financial Solutions business and the number and root cause of complaints arising within the Group. As noted previously, the Committee devoted one of its meetings to an in-depth review of a range of conduct risks across the Group.

The Committee carried out a review of the Group’s approach to vulnerable customers. The Committee considered the application of the policy and the ability of the business to identify vulnerable customers, particularly when there may be a change in circumstances that increases vulnerability.

To ensure that the high standard of risk oversight is evidenced, the Committee requested, and subsequently saw, increased visibility of second line review throughout the Committee and Board reporting in 2018. Further improvements were seen during 2019.

On behalf of the Group Risk and Compliance Committee

KEITH NICHOLSON

Chair, Group Risk and Compliance Committee
11 March 2020

DIRECTORS' REMUNERATION REPORT

I am pleased to present the Remuneration Committee Report for the year ended 31 December 2019



IAN CORMACK
Chair, Remuneration Committee
11 March 2020

IFRS NET ASSETS

£2,321.0m

2018: £1,663.8m

ORGANIC CAPITAL GENERATION¹

£36m

2018: £(165)m

IFRS ADJUSTED OPERATING PROFIT BEFORE TAX¹

£218.6m

2018: £210.3m

IFRS NEW BUSINESS PROFIT¹

£182.3m

2018: £243.7m

IFRS PROFIT BEFORE TAX

£368.6m

2018: £(85.5)m

¹ Alternative performance measure.

STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Dear Shareholder

This year has seen our business face a number of macro-economic and regulatory challenges. However, against this backdrop we have made substantial change and strong operational progress, as set out in the Strategic report.

Following Rodney Cook stepping down as Group Chief Executive Officer on 30 April 2019, David Richardson took on the Chief Executive Offer role, albeit on an interim basis until September 2019, when he was appointed permanently. Over the last eight months of 2019, David has spearheaded a fundamental refocus of the business by significantly reducing the capital intensity of new business as we adapt to the new regulatory requirements. This has required the management team to pursue innovative partnering and reinsurance opportunities, and achievements on these fronts in 2019 have had a significant positive in-year impact on the capital position of the Company.

To reinforce the focus on capital, organic capital generation was introduced as a Short Term Incentive Plan ("STIP") measure in 2019. During the course of the year, the Remuneration Committee used their discretion to adjust the weighting of this measure to further reinforce its importance from 25% to 50%. This was adjusted at the expense of the profit measures (IFRS New Business Profit and IFRS Adjusted Operating Profit), which decreased from a combined weighting of 50% to 25%.

The actions taken by David Richardson and his management team have been supported by shareholders and using the capital base wisely will remain a key strategic focus in 2020 in the pursuit of sustainable organic capital generation.

Remuneration Committee membership in 2019

Member	Appointment period	Meetings attended
Ian Cormack (Chair)	4 April 2016 – present	10/10
Chris Gibson-Smith	4 April 2016 – present	9/10
Michael Deakin	23 March 2015 – 15 July 2019	7/7
Steve Melcher	15 May 2016 – present	9/10

REMUNERATION COMMITTEE 2019

The Committee is made up exclusively of independent Non-Executive Directors.

The terms of reference are available on the Company website. The focus of the Committee includes the remuneration strategy and policy for the whole Company as well as the Executive Directors.

The key activities of the Committee during the year included:

- reviewing and approving the Directors' Remuneration Report;
- approving the grant of the 2019 awards and performance conditions under the Long Term Incentive Plan;
- determining the leaver terms regarding Rodney Cook, Chief Executive Officer;
- assessing the performance of Executive Directors against the 2019 corporate financial and personal non-financial performance targets set for the annual bonus and approving the payments;
- review of the Company's gender pay gap data; and
- monitoring the developments in the corporate governance environment and investor expectations.

External assistance provided to the Committee

The Executive Compensation practice of Aon plc ("Aon") is retained as the independent adviser to the Remuneration Committee. Aon also provides reinsurance broking to the Group and advises clients of the Group's Defined Benefit Solutions business. The Committee is satisfied that the protocols and systems in place at Aon and the independence of advice received ensures that this does not create a conflict of interest. Aon was appointed by the Committee to provide advice and information. Aon is a signatory to the Remuneration Consultants' Code of Conduct, which requires that its advice be objective and impartial. The total fees paid to Aon for providing advice and information related to remuneration and employee share plans to the Committee during the year were £121,876. The fees are predominantly charged on a "time spent" basis.

Internal assistance provided to the Committee

The Group Chief Executive Officer and other senior management, including the Group HR Director and the Group Chief Risk Officer, were invited to attend meetings as the Committee considered appropriate, but did not take part in discussions directly regarding their own remuneration.

DIRECTORS' REMUNERATION POLICY REVIEW

Our existing Directors' Remuneration Policy (the "Policy") was approved by over 96% of our shareholders in 2017. The reporting regulations require us to seek shareholder approval for a new Policy every three years and, therefore, a new Policy will be submitted for shareholder approval at our Annual General Meeting in 2020.

The Committee took time during 2019 to consider carefully any changes required to the Policy to ensure it best supports the strategy of the business. Capital is the Group's number one priority and the Board remains focused on delivering a sustainable capital model, while in parallel continuing to develop other strategic and business options to enhance shareholder value. The Remuneration Committee has reflected these priorities in its proposed approach to remuneration from 2020, in particular through the introduction of a capital measure within the Long Term Incentive Plan ("LTIP").

Corporate governance around pay has developed since our last Policy approval and we are proposing to make a number of changes to our Directors' Remuneration Policy which reflect good practice. The Policy is compliant with the Solvency II remuneration regulations and the key points of our proposed new Policy are outlined below.

Proposed changes

- Pensions – reduced the pension allowance for current and any future Executive Directors from 15% of salary to 10% of salary to align with the majority of Just Group employees
- Benefits – introduced additional flexibility to pay certain relocation and/or travel benefits as considered necessary to facilitate an appointment
- STIP – increased the portion which is deferred into shares to 40% (from one-third previously), increasing alignment with shareholders and reflecting best practice for financial service companies. Some changes are proposed to the balance and use of performance measures
- LTIP – reduced the normal award level for the Chief Executive Officer to 150% of salary, in line with the award levels for other Executive Directors. An additional measure (a sustainable capital model) will be added for the 2020 award
- Shareholding guidelines – extended beyond cessation, with the full guideline continuing to apply for two years following cessation of employment. Deferred bonus shares and shares under the LTIP which have vested but are subject to a holding period will count towards these guidelines where they have been awarded in 2020 and beyond.

The proposed changes were the subject of consultation with our largest shareholders and with prominent proxy agencies. The feedback received was positive and some changes were made to the original proposals as a result. Our shareholders strongly supported the focus on our capital position within the Policy and the LTIP, in particular.

The Committee feels that the changes proposed are appropriate in the context of the challenges the business is facing and reflect developments in best practice since our Policy was last renewed.

REMUNERATION IN 2019

At the AGM in May 2019, our advisory vote on the Directors' Remuneration Report was approved by 87% of votes in favour. We were keen to understand shareholder concerns and, in large part, we consider this to have been in response to the capital raising in March 2019. Payouts under the 2018 STIP reflected our strong operating performance but some shareholders felt that the STIP did not adequately reflect the regulatory challenges faced by the Company. We sought to address this concern in 2019 by taking into account both IFRS performance and organic capital generation in the STIP financial measures, and will continue to do so in 2020.

The Committee considered the feedback received from shareholders when determining remuneration outcomes for 2019, and in the development of the proposed Directors' Remuneration Policy.

Board changes

Since October 2018, when Simon Thomas departed as Group Chief Financial Officer, Just Group has seen a number of Board changes. As reported last year, David Richardson took on the role of Interim Chief Financial Officer in addition to his role of Deputy Group Chief Executive Officer and MD, UK Corporate Business from October 2018.

On 30 April 2019, Rodney Cook stepped down as Group Chief Executive Officer and David Richardson agreed to act as Interim Group Chief Executive Officer, while receiving no uplift to his base salary for the additional roles of Interim Group Chief Financial Officer or Interim Group Chief Executive Officer. Rodney Cook retired from the Company and was treated as a good leaver, reflecting his successful leadership of the organisation during his nine year tenure. The leaving arrangements for Rodney Cook are detailed in the Annual Report on Remuneration.

On 19 September 2019, the Board was pleased to announce David's appointment as Group Chief Executive Officer. The Remuneration Committee reviewed David's base salary on his appointment and determined that his base salary should increase to £585,000, 14% lower than his predecessor. The Remuneration Committee felt that this should be backdated to 1 May 2019, when David first took on the role on an interim basis and will be reviewed as his experience develops in this role.

From 1 January 2020, we welcomed Andy Parsons to the Board as the Group Chief Financial Officer. Andy was appointed with a base salary of £415,000, broadly in line with his predecessor. Given the passage of time, the Committee believes this to be appropriate, given Andy's extensive experience. In accordance with the Listing Rules, details of his buyout arrangements are disclosed later in this report on page 93.

Pension arrangements for both Executives were aligned with those of Just Group employees at 10% of salary (reduced from 15% of salary under the existing Policy).

Base salaries

Salaries for Executive Directors are reviewed with effect from 1 April each year along with those of the overall employee population. As disclosed last year, the Executive Directors in post received an average salary increase of 1.9% with effect from 1 April 2019, which was below the 2.45% average increase received by other employees.

DIRECTORS' REMUNERATION REPORT CONTINUED

Short Term Incentive Plan ("STIP")

Page 91 details the targets and outcomes relating to 2019. For performance in 2019 the Committee approved awards for David Richardson at 83.1% of maximum. This payment reflects a discretionary downward adjustment on the outturn of the financial measure (representing two thirds of his bonus outturn) from 93.7% to 83.3% of maximum together with an assessment of personal performance of 82.5% (representing one third of his bonus outturn). In line with the Policy, two-thirds of David Richardson's STIP was paid in cash and one-third was deferred into Just Group shares for three years.

The table below illustrates the performance against the STIP performance measures. Details of key achievements are provided on page 91.

Financial performance (67%)	IFRS adjusted operating profit (12.5%) £219m 100%	IFRS new business profit (12.5%) £182m 54%	Cost base reduction (25%) £33.8m 98%	Organic capital generation (50%) £36m 100%
Personal performance (33%)	David Richardson Deputy Group CEO, Interim CFO and Group CEO			
Total	David Richardson £680,000			

The Committee is satisfied that this level of bonus payout appropriately reflects the financial performance delivered and the significant progress made against the Company's strategic objectives, balanced with the significant external challenges.

Long Term Incentive Plan ("LTIP")

Under our existing Policy, the normal LTIP award level for David Richardson, in his role as Interim Group Chief Executive Officer, would have been 200% of base salary. However, the Committee took into account the decline in share price at the time of award and determined that the level of the 2019 LTIP award should be determined by reference to the share price as used to calculate the 2018 LTIP award. This resulted in an actual grant in May 2019 over shares with a face value of 96% of base salary, being 52% fewer shares than would have been the case had the prevailing share price been used.

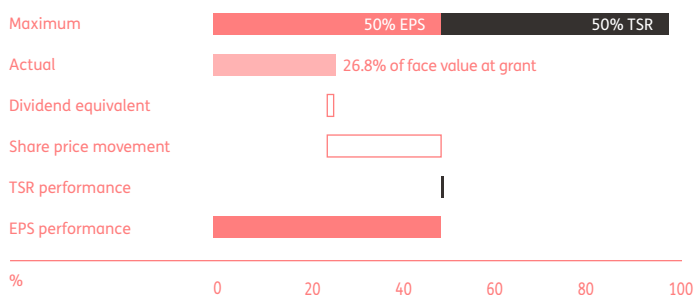
The LTIP awards made in 2017 are due to vest in May 2020 with reference to performance to 31 December 2019. The threshold Total Shareholder Return ("TSR") performance target was not achieved and the adjusted earnings per share ("EPS") measure was achieved at maximum. The 2017 LTIP awards will vest at 50% in May 2020. Further detail can be found on page 91.

The following chart illustrates the performance of the 2017 LTIP against the performance measures and the share price movements:

- the proportion of the 2017 LTIP subject to the Adjusted EPS performance measure will vest in full;
- the proportion of the 2017 LTIP subject to the TSR performance measure will lapse in full;
- the share price movement between the share price at grant and at the end of the performance period, using the average share price from 1 October 2019 to 31 December 2019, has reduced the vesting value by 49.25%; and
- dividend equivalents of £9,705 have accrued on vesting shares.

This has resulted in the 2017 LTIP award vesting at 26.8% of the value at grant.

Illustration of vesting of the 2017 LTIP



Discretion

The Committee exercised its discretion in treating Rodney Cook as a good leaver. The rationale has already been explained earlier in this statement and details on these arrangements follow.

The level of the 2019 LTIP award to David Richardson was maintained at 200% of salary in accordance with the Remuneration Policy, however the number of shares granted was calculated using a share price of £1.3620, being the share price used to determine the number of shares granted in 2018 rather than the price at the time of grant, which was £0.6501. This resulted in a reduction of approximately 50% in the number of shares being awarded, reflecting the fall in the share price since the last grant of awards.

In determining the outturn of the Adjusted EPS performance measure within the 2017 LTIP, the Committee has taken into account the increased debt repayments and capital actions undertaken during the performance period, which were not foreseen at the time the targets were agreed. In approving the adjustments, the Committee was satisfied that on the adjusted basis, the targets were no less challenging than the original targets. The impact of this adjustment is shown on page 92.

The Remuneration Committee selected the performance measure of "organic capital generation" within the 2019 STIP at the commencement of the year based on organic capital calculated as follows: change in Solvency II excess own funds, but excluding dividends, external capital injections and contributions from DB partnering and Group/HUB.

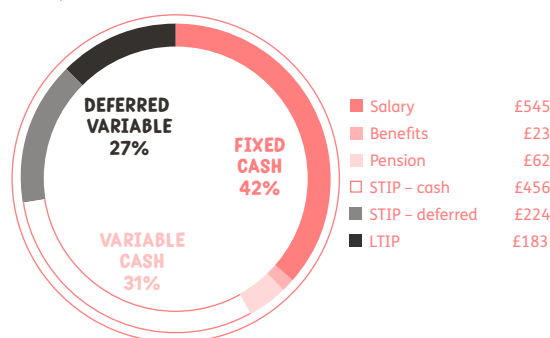
During the year, having reviewed the regulatory landscape and following the sharpening of our strategic focus on capital, the decision was taken to adjust the capital measure. This decision was taken to ensure management can be rewarded for actions that ensure the efficient use of capital and that they are not rewarded or penalised for short-term market volatility or the timing of regulatory changes that are outside management's control. The adjustments included removing the impact caused by regulatory changes and to remove the impact of external influences such as short-term fluctuations in interest rates and property price growth.

The Remuneration Committee believes that the revised measure remains no less challenging compared to the original measure, but has the benefit of being an externally reported measure and is aligned to factors which are within the Executive Directors' control and, as such, will be more effective in achieving progress in this area for both shareholders and the PRA.

In determining the outturn of the 2019 STIP, the Remuneration Committee exercised its discretion to reduce the outturn of the financial scorecard from 93.7% of maximum to 83.3% of maximum, recognising that whilst performance in 2019 was strong, the Company is only part-way through a two year transformational programme.

Finally, as stated earlier, the Remuneration Committee increased the weighting of the capital measure within the STIP to reinforce its importance from 25% to 50% of the STIP weighting. This reduced the combined weighting of the IFRS profit measures to 25%. The impact of this change increased the outturn of the STIP by 3.3%, however this is more than offset by the discretionary downward adjustment to the outturn of the financial measure explained above.

Summary of remuneration for David Richardson in respect of 2019, £'000



IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2020

The Remuneration Committee agreed that David Richardson would receive a salary increase with effect from 1 April 2020. The level of increases for senior management and the general employee population eligible to be considered for an increase was broadly 2.42%. David Richardson received a salary increment of 2.05%, below those of the average employee.

The maximum STIP opportunity continues to be 150% of base salary for Executive Directors, subject to stretching corporate financial and personal non-financial measures. For 2020 the element of the STIP which is deferred will be increased to 40%. For 2020 the Committee has reviewed the STIP performance measures and determined a new assessment framework. We propose aligning the operation of the balanced scorecard in the new Policy with the wider business, where the core bonus opportunity is determined through a basket of financial and strategic performance measures and is then distributed to Executive Directors against their achievement of their personal objectives. This means personal objectives would no longer be weighted separately within the scorecard but would act as a modifier to the corporate result. While not expected in the normal course, the Committee retains the flexibility to pay up to 20% of the maximum bonus opportunity based on personal performance only (reduced from the current 33%).

Under the revised Policy, the normal LTIP award level to the CEO has been reduced from 200% of salary to 150% of salary, in line with the award level used for the other Executive Director. As both executives will be new in role, we envisage using the prevailing share price for the 2020 grant unless the Committee deems this would result in an inappropriate number of shares being granted at the time of making the award. In 2020 and in subsequent years, the Committee will consider the most appropriate approach based on a holistic view of share price performance at the time. We have considered carefully this position and are acutely aware of the importance of striking a balance between, on one hand, reducing award levels to prevent potential windfalls and, on the other hand, maintaining a meaningful incentive for the new leadership team to drive the Group forward under difficult economic and regulatory conditions.

Performance will continue to be measured over a three year period.

The revised Policy will allow the Remuneration Committee some discretion to make adjustments to the performance conditions and weightings from year-to-year but, for awards made in 2020, it is intended that three performance conditions would apply and the associated targets will be disclosed in the RNS on grant of the LTIP:

- Capital (50%) weighted equally between capital coverage ratio and organic capital generation.
- Adjusted earnings per share (25%).
- Relative TSR (25%) vs FTSE 250.

This combination of measures is felt to appropriately reflect the business strategy and objectives over the next three-year period.

I hope that you will be able to support the resolutions in the Annual Report at the forthcoming AGM.

DIRECTORS' REMUNERATION REPORT CONTINUED

DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy sets out the Group's remuneration policy for its Executive and Non-Executive Directors. The Policy has been developed taking into account the principles of the UK Corporate Governance Code, guidelines from major investors and guidance from the UK regulators, the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), on best practice.

The existing Policy was approved by shareholders at the 2017 AGM and following three years of its use we are required to submit a new Policy for shareholder approval at the 2020 AGM.

SUMMARY OF PROPOSED CHANGES IN POLICY

The proposed Policy was developed to meet the evolving needs of the business and to keep pace with changes in best practice, particularly in relation to the new UK Corporate Governance Code. A summary of the changes is set out as follows:

- Pensions – reduced the pension allowance for current and any future Executive Directors from 15% of salary to 10% of salary to align with the majority of Just Group employees
- Benefits – introduced additional flexibility to pay certain relocation and/or travel benefits as considered necessary to facilitate an appointment
- Short Term Incentive Plan ("STIP") – increased the portion which is deferred into shares to 40% (from one-third previously), increasing alignment with shareholders and reflecting best practice for financial service companies. Some changes are proposed to the balance and use of performance measures
- Long Term Incentive Plan ("LTIP") – reduced the normal award level for the Chief Executive Officer to 150% of salary, in line with the award levels for other Executive Directors. An additional measure (a sustainable capital model) will be added for the 2020 award
- Shareholding guidelines – extended beyond cessation, with the full guideline continuing to apply for two years following cessation of employment. Deferred bonus shares granted and shares granted under the LTIP which have vested but are subject to a holding period will count towards these guidelines.

COMPONENTS OF REMUNERATION

Executive Directors

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
BASE SALARY	Provides a competitive and appropriate level of basic fixed pay to help recruit and retain Directors of a sufficiently high calibre. Reflects an individual's experience, performance and responsibilities within the Group.	Set at a level which provides a fair reward for the role and which is competitive amongst relevant peers. Normally reviewed annually with any changes taking effect from 1 April. Set taking into consideration individual and Group performance, the responsibilities and accountabilities of each role, the experience of each individual, his or her marketability and the Group's key dependencies on the individual. Reference is also made to salary levels amongst relevant insurance peers and other companies of equivalent size and complexity. The Committee considers the impact of any basic salary increase on the total remuneration package.	In normal circumstances, base salaries for Executive Directors will not increase by more than the average increase for the broader employee population. More significant increases may be awarded from time to time to recognise, for example, development in role or a change in position or responsibilities.
BENEFITS	Provides competitive, appropriate and cost-effective benefits.	Each Executive Director currently receives an annual benefits allowance in lieu of a company car, private medical insurance and other benefits. In addition, each Executive Director receives life assurance and permanent health insurance. The benefits provided may be subject to minor amendment from time to time by the Committee within this Policy. Travel and/or relocation benefits (and any tax thereon) may normally be paid up to a period of 12 months following the recruitment of a new Executive Director.	The benefits allowance is subject to an annual cap of £20,000, although this may be subject to minor amendment to reflect changes in market rates. The cost of the other insurance benefits varies from year to year and there is no prescribed maximum limit. However, the Committee monitors annually the overall cost of the benefits provided to ensure that it remains appropriate. The cost of any travel and relocation benefits will vary based on the particular circumstances of the recruitment.
PENSION	Provides for retirement planning, in line with the provisions available to the broader employee population.	The Group operates a money purchase pension scheme into which it contributes, having regard to government limits on both annual amounts and lifetime allowances. Where the annual or lifetime allowances are exceeded, or in certain other circumstances, the Group will pay cash in lieu of a Company contribution.	The maximum Company contribution (or cash in lieu) is 10% of base salary. This is aligned to the contribution available to the majority of the workforce. This limit may change to reflect any changes in the contributions available to the majority of the workforce.

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
SHORT TERM INCENTIVE PLAN ("STIP")	Incentivises the execution of annual goals by driving and rewarding performance against individual and corporate targets.	Paid annually, any bonus under the STIP is discretionary and subject to the achievement of a combination of stretching corporate financial, non-financial and personal performance measures.	The on-target bonus payable to Executive Directors is 75% of base salary, with 150% of base salary the maximum payable.
	Compulsory deferral of a proportion into Group shares provides alignment with shareholders.	The core bonus opportunity is determined through a basket of financial performance measures, which is then modified by the achievement of strategic performance measures. It is then distributed to Executive Directors against achievement of their personal objectives. While not expected in the normal course, the Committee retains the flexibility to pay up to 20% of the maximum bonus opportunity based on personal performance only.	The bonus payable at the minimum level of performance varies from year to year and is dependent on the degree of stretch and the absolute level of budgeted profit.
		40% (or such higher proportion as has been determined by the Committee) of any bonus earned will be deferred into awards over shares under the Deferred Share Bonus Plan ("DSBP"), with awards normally vesting after a three year period.	Dividends will accrue on DSBP awards over the vesting period and be paid out either as cash or as shares on vesting and in respect of the number of shares that have vested.
		The Committee has the discretion to adjust the deferral percentage if required to comply with future regulatory requirements relevant to the insurance industry.	
		Malus and clawback apply to both the cash and deferred elements of the STIP ² .	
LONG TERM INCENTIVE PLAN ("LTIP")	Rewards the achievement of sustained long-term operational and strategic performance and is therefore aligned with the delivery of value to shareholders.	Annual awards of performance shares ¹ normally vest after three years subject to performance conditions and continued service. Performance is normally tested over a period of at least three financial years.	The maximum annual opportunity is 250% of base salary. However, in the normal course, awards will be made to Executive Directors over shares with a face value of 150% of base salary.
	Facilitates share ownership to provide further alignment with shareholders.	A post-vesting holding period is applied to Executive Directors for awards made in 2018 and beyond. Executive Directors are required to retain the LTIP shares that vest (net of tax and NICs) for a period of two years. The two year holding requirement will continue if they leave employment during the holding period.	Dividends will accrue on LTIP awards over the vesting period and be paid out either as cash or as shares on vesting and in respect of the number of shares that have vested.
	Granting of annual awards aids retention.	Awards are normally subject to a combination of measures which may include financial and/or strategic measures and/or Total Shareholder Return relative to the constituents of a relevant comparator index or peer group.	
		The Committee retains the flexibility to vary the performance measures and/or weightings for future awards. However, the Committee will consult in advance with major shareholders prior to any significant changes being made.	
		Malus and clawback apply to the LTIP ² .	

¹ Awards may be structured as nil-cost options which will be exercisable until the tenth anniversary of the grant date.

² The Committee has the authority to apply a malus adjustment to all, or a portion of, an outstanding STIP or LTIP award in specific circumstances. The Committee also has the authority to recover (clawback) all, or a portion of, amounts already paid in specific circumstances and within a defined time frame. These provisions apply to both the cash and deferred elements of the STIP.

DIRECTORS' REMUNERATION REPORT CONTINUED

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
ALL-EMPLOYEE SHARE PLANS	Encourages employee share ownership and therefore increases alignment with shareholders.	The Group may from time to time operate tax-approved share plans (such as HMRC-approved Save As You Earn plans and Share Incentive Plans), for which Executive Directors could be eligible.	The schemes are subject to the limits set by HMRC from time to time.
SHAREHOLDING GUIDELINES	Encourages Executive Directors to build a meaningful shareholding in the Group so as to further align interests with shareholders.	Each Executive Director must build up and maintain a shareholding in the Group equivalent to 200% of base salary. Until the guideline is met, Executive Directors are required to retain 50% of any LTIP or DSBP awards that vest (or are exercised), net of tax and NICs. For these purposes, deferred bonuses and shares under the LTIP which have vested but are subject to a holding period would count towards these guidelines. The guideline will be extended post-cessation, with the lower of the holding on cessation or the full guideline applying for two years. The post-cessation guideline only applies to any share awards granted (or any other shares acquired) after the date on which the new Policy is approved by shareholders.	Not applicable.

Chair and Non-Executive Directors

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
FEES	To attract and retain a high-calibre Chair and Non-Executive Directors by offering market-competitive fee levels.	The Chair is paid a single fixed fee. The Non-Executive Directors are paid a basic fee, with additional fees paid to the Chairs of the main Board Committees and the Senior Independent Director to reflect their extra responsibilities. In exceptional circumstances, additional fees may be paid where the normal time commitment of the Chair or a Non-Executive Director is significantly exceeded in any year. Fees are reviewed periodically by the Committee and Group Chief Executive Officer for the Chair, and by the Chair and Executive Directors for the Non-Executive Directors. Fees are set taking into consideration market levels amongst relevant insurance peers and other companies of equivalent size and complexity, the time commitment and responsibilities of the role, and to reflect the experience and expertise required. The Chair and the Non-Executive Directors are entitled to the reimbursement of reasonable business-related expenses (including any tax thereon). They may also receive limited travel or accommodation-related benefits in connection with their role as a Director.	The Company's Articles of Association place a limit on the aggregate fees of the Non-Executive Directors of £1m per annum. Any changes to fee levels are guided by the general increase for the broader employee population, but on occasions may need to recognise, for example, changes in responsibility and/or time commitments.

COMMITTEE DISCRETIONS

The Committee operates the Group's various incentive plans according to their respective rules. To ensure the efficient operation and administration of these plans, the Committee retains discretion in relation to a number of areas. Consistent with market practice, these include (but are not limited to) the following:

- selecting the participants;
- the timing of grant and/or payment;
- the size of grants and/or payments (within the limits set out in the Policy table above);
- the extent of vesting based on the assessment of performance;
- determination of a "good leaver" and where relevant the extent of vesting in the case of the share-based plans;
- treatment in exceptional circumstances such as a change of control, in which the Committee would act in the best interests of the Group and its shareholders;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends);
- cash settling awards in exceptional circumstances; and
- the annual review of performance measures, weightings and setting targets for the discretionary incentive plans from year to year.

Any performance conditions may be amended or substituted if one or more events occur which cause the Committee to reasonably consider that the performance conditions would not, without alteration, achieve their original purpose. Any varied performance condition would not be materially less difficult to satisfy in the circumstances.

REMUNERATION POLICY ON RECRUITMENT OR PROMOTION

Remuneration package on appointment

The on-going remuneration package for a new Executive Director would be set in accordance with the terms of the Group's shareholder-approved remuneration policy at the time of appointment and the maximum limits set out therein.

Salaries may be set at a below-market level initially with a view to increasing them to the market rate, subject to individual performance and development in the role, by making phased above-inflation increases.

Maximum opportunity under the incentive plans

Currently, for an Executive Director, STIP payments will not exceed 150% of base salary and LTIP awards will not normally exceed 150% of base salary. This does not include any arrangements to replace forfeited entitlements.

Where necessary, specific STIP and LTIP targets may be introduced for an individual for the first year of appointment if it is appropriate to do so to reflect the individual's responsibilities and the point in the year at which they joined the Board.

Payments beyond the remuneration policy

The Committee retains flexibility to offer additional cash and/or share-based awards on appointment to take account of remuneration or benefit arrangements forfeited by an Executive Director on leaving a previous employer. If shares are used, such awards may be made under the terms of the LTIP or as permitted under the Listing Rules.

Such payments would take into account the nature of awards forfeited and would reflect (as far as possible) performance conditions, attributed expected value and the time over which they would have vested or been paid.

The Committee may agree that the Group will meet certain relocation, legal, tax equalisation and any other incidental expenses as appropriate, so as to enable the recruitment of the best people, including those who need to relocate. Travel and/or relocation allowances may be paid for the first 12 months of an appointment, with discretion to extend to a maximum of 24 months in exceptional circumstances.

Internal appointments

In the case of an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms and adjusted as relevant to take into account the appointment. In addition, any other on-going remuneration obligations existing prior to appointment may continue, at the discretion of the Remuneration Committee.

Recruitment policy on appointment of a new Chair or Non-Executive Director

For a new Chair or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

DIRECTORS' TERMS OF EMPLOYMENT AND LOSS OF OFFICE

Executive Director service agreements and notice periods

The Executive Directors have entered into service agreements with an indefinite term that may be terminated by either party on six months' written notice. Contracts for new appointments will normally be terminable by either party on a maximum of six months' written notice. In certain circumstances the notice period may be 12 months, reducing to six months within 18 months of appointment.

An Executive Director's service contract may be terminated summarily without notice and without any further payment or compensation, except for sums accrued up to the date of termination, if they are deemed to be guilty of gross misconduct or for any other material breach of the obligations under their employment contract.

The Group may suspend an Executive Director or put them on a period of garden leave during which they will be entitled to salary and benefits.

If the employment of an Executive Director is terminated in other circumstances, compensation is limited to base salary due for any unexpired notice period and any amount assessed by the Committee as representing the value of other contractual benefits which would have been received during the period. At the Company's discretion, a payment in lieu of notice ("PILON") may be made. Such PILON payments will normally be phased and subject to mitigation. The Group may choose to continue providing some benefits instead of paying a cash sum representing their cost.

Any statutory entitlements or sums to settle or compromise claims in connection with a termination (including, at the discretion of the Committee, reimbursement for legal advice and provision of outplacement services) would be paid as necessary.

Executive Directors' service contracts are available for inspection at the Group's registered office during normal business hours and will be available for inspection at the AGM.

Chair and Non-Executive Director letters of appointment

All Non-Executive Directors have letters of appointment with the Group for an initial period of three years, subject to annual re-election by the Group at a general meeting. Directors' letters of appointment are available for inspection at the registered office of the Group during normal business hours and will be available for inspection at the AGM.

The Chair's appointment may be terminated by either party with six months' notice. It may also be terminated at any time if he is removed as a Director by resolution at a general meeting or pursuant to the Articles, provided that in such circumstances the Group will (except where the removal is by reason of his misconduct) pay the Chair an amount in lieu of his fees for the unexpired portion of his notice period.

The appointment of each Non-Executive Director may be terminated at any time with immediate effect if he/she is removed as a Director by resolution at a general meeting or pursuant to the Articles. The Non-Executive Directors (other than the Chair) are not entitled to receive any compensation on termination of their appointment.

DIRECTORS' REMUNERATION REPORT CONTINUED

	Contract/letter of appointment effective dates
Chris Gibson-Smith	6 November 2019
Keith Nicholson	31 October 2019
Steve Melcher	9 December 2019
Ian Cormack	11 November 2019
Paul Bishop	23 October 2019
Clare Spottiswoode	13 November 2019
Michael Deakin ¹	30 April 2014

¹ Michael Deakin passed away on 15 July 2019.

Treatment of incentive plans on loss of office

In certain prescribed circumstances, such as death, ill-health, injury, disability, redundancy, retirement with the consent of the Committee, the sale of the entity that employs him/her out of the Group, or any other circumstances at the discretion of the Committee, "good leaver" status may be applied. In determining whether a departing Executive Director should be treated as a good leaver, the Committee will take into account the performance of the individual and the business unit/Group over the whole period of employment and the reasons for the individual's departure.

Incentive plan	Good leaver	Bad leaver
STIP	The Committee may, at its discretion, pay a pro-rated bonus in respect of the proportion of the financial year worked (this may be wholly in cash and not subject to deferral).	No awards made.
DSBP	Unvested awards will usually vest in accordance with the normal vesting timetable.	Outstanding awards may be retained or forfeited at the Committee's discretion.
LTIP	Outstanding awards will vest at the original vesting date to the extent that the performance condition has been satisfied and be reduced on a pro-rata basis to reflect the period of time which has elapsed between the grant date and the date on which the participant ceases to be employed by the Group. The Committee retains the discretion to vest awards (and measure performance accordingly) on cessation and disapply time pro-rating; however, it is envisaged that this would only be applied in exceptional circumstances.	All awards will normally lapse.

The treatment of outstanding awards on a takeover (or other corporate event such as a demerger, delisting, special dividend or other event which, in the opinion of the Committee, may affect the current or future value of shares) mirrors that set out above in relation to a good leaver (albeit with the vesting period automatically ending on the date of the relevant event).

Alternatively, the Committee may permit or, in the case of an internal reorganisation or if the Board so determines, require both LTIP and DSBP awards to be exchanged for equivalent awards which relate to shares in a different company.

External Directorships

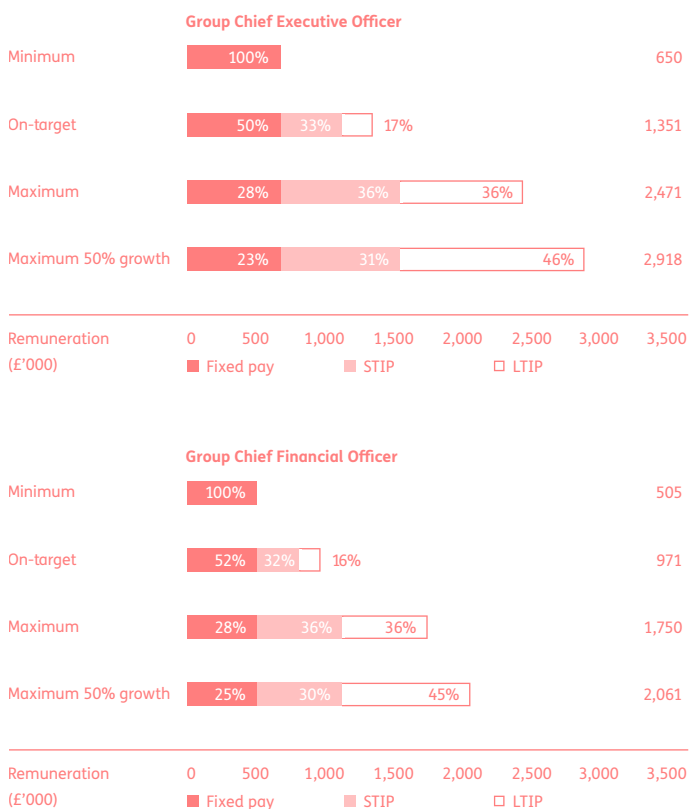
Executive Directors are permitted to accept one external appointment with the prior approval of the Chair and where there is no impact on their role with the Group. The Board will determine on a case-by-case basis whether the Executive Directors will be permitted to retain any fees arising from such appointments, details of which will be provided in the Annual Report on Remuneration section.

Illustration of the 2020 Remuneration Policy

Under the Directors' Remuneration Policy, a significant proportion of total remuneration is linked to Group performance. The following charts illustrate how the Executive Directors' total pay package varies under four different performance scenarios:

- Minimum = fixed pay only (salary + benefits + pension allowance)
- On-target = fixed pay plus 50% payout of the maximum STIP opportunity (75% of salary) and 25% vesting under the LTIP (37.5% of salary)
- Maximum = fixed pay plus maximum payout of the STIP (150% of salary) and maximum vesting under the LTIP (150% of salary)
- Maximum + 50% growth = fixed pay plus maximum payout of the STIP (150% of salary), maximum vesting under the LTIP (150% of salary) and 50% share price growth on the LTIP

Illustration of 2020 Remuneration Policy



FACTORS CONSIDERED AS PART OF THE POLICY REVIEW

As part of the review process the Committee considered a number of different factors, including maintaining a link with the broader remuneration framework to ensure consistency and common practice across the Group, and in determining the overall levels of remuneration of the Executive Directors, the Committee also pays due regard to pay and conditions elsewhere in the organisation. In particular, the Committee takes an active role in approving the remuneration of senior executives, which covers six roles in addition to the Executive Directors across the Group. The Committee also dedicates time, through a standing agenda item, to consider wider workforce pay policies and pay structures throughout the Group and this includes consideration of the number of incentive plans in operation, pension provisions across the Group and the annual pay review process. As set out in the new UK Corporate Governance Code, the proposed Policy has been viewed in the context of six factors:

- **Clarity** – the proposed Policy has a clear objective; to enable the Group to recruit, retain and motivate high-calibre individuals to deliver long-term sustainable performance which benefits all stakeholders. The Policy itself is in line with standard UK market practice, and represents an evolution of the current Policy, so should be well understood by participants and shareholders
- **Simplicity** – the Policy includes a standard annual bonus plan and a single LTIP, so the incentive arrangements are considered easy to communicate. Payments are made either in cash or via Just Group shares. No artificial or complex structures are used to facilitate the operation of the incentive plans. The rationale for each element of the Policy is clearly explained in the Policy table and links to the overall Company strategy
- **Risk** – relevant individual and plan limits prevent excessive outcomes under the annual bonus or LTIP. Regular interaction with the Chief Risk Officer ensures relevant risk implications are understood when setting or assessing performance targets. Comprehensive clawback and malus provisions are in place across all incentive plans and the Committee's ability to use its discretion to override formulaic outcomes are considered important controls to prevent inappropriate reward outcomes
- **Predictability** – the possible reward outcomes are quantified and reviewed at the outset of the performance period. The "Illustration of 2020 Remuneration Policy" (page 88), clearly shows the potential scenarios of performance and the resulting pay outcomes which could be expected
- **Proportionality** – incentives only pay out if strong performance has been delivered by the Executive Directors. The performance measures used have a direct link to the KPIs of the business and there is a clear separation between those used in the annual bonus and the LTIP. The Committee has the discretion to override formulaic outcomes if they are deemed inappropriate in light of the wider performance of the Company and considering the experience of stakeholders
- **Alignment to culture** – incentive structures incentivise and reward for strong performance in accordance with the Company's expected behaviours and values; they do not reward for poor performance. The Policy seeks to retain Executive Directors to deliver long-term, sustainable performance which benefits all stakeholders

Consideration of employment conditions when setting executive pay

The Committee seeks to ensure that the underlying principles, which form the basis for decisions on Executive Directors' pay, are consistent with those on which pay decisions for the rest of the workforce are taken. For example, the Committee takes into account the general salary increases for the broader employee population when conducting the salary review for the Executive Directors.

However, there are some structural differences in the Executive Directors' Remuneration Policy compared to that for the broader employee base, which the Committee believes are necessary to reflect the differing levels of seniority and responsibility. A greater weight is placed on performance-based pay through the quantum and participation levels in incentive schemes. This ensures the remuneration of the Executive Directors is aligned with the performance of the Group and therefore the interests of shareholders.

For 2019, the corporate STIP scheme was changed to a balanced scorecard, whereby the achievement of financial measures, which were then moderated by the achievement of non-financial (strategic) measures created the "bonus pool" and this was distributed against the assessment of performance for individual employees. The purpose of this change was to ensure variable reward across the business was aligned to affordability, strategic business priorities and individual performance.

The alignment of reward to performance was one of the topics discussed with Steve Melcher at his employee engagement events.

Shareholder views

The Group values and is committed to dialogue with its shareholders. The Committee will consider investor feedback and the voting results received in relation to relevant AGM resolutions each year. In addition, the Committee will engage proactively with shareholders, and will ensure that shareholders are consulted in advance where any material changes to the Directors' Remuneration Policy are proposed.

The Committee is also kept well informed of the relevant guidelines and publications of institutional investors, their representative bodies and prominent proxy agencies, so understands developments in the views across the wider investor community.

ANNUAL REPORT ON REMUNERATION

This report describes the details of the remuneration policy for our Executive Directors and Non-Executive Directors and sets out how this Policy has been used and, accordingly, the amounts paid relating to the year ended 31 December 2019.

The report has been prepared in accordance with the provisions of the Companies Act 2006, the FCA's Listing Rules and The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended. The report has also been prepared in line with the recommendations of the UK Corporate Governance Code.

Various disclosures of the detailed information about the Directors' remuneration set out below have been audited by the Group's independent auditor, KPMG LLP.

DIRECTORS' REMUNERATION REPORT CONTINUED

Total single figure of remuneration (audited)

£'000	Salary/fees		Benefits		Pension		STIP ³		LTIP ⁴		Other ⁵		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
David Richardson	545	462	23	24	62	69	680	612	183	171	–	–	1,493	1,338
Rodney Cook ¹	223	663	8	23	34	99	–	609	243	311	–	–	508	1,705
Chris Gibson-Smith	250	250	–	–	–	–	–	–	–	–	–	–	250	250
Keith Nicholson	89	85	–	–	–	–	–	–	–	–	–	–	89	85
Clare Spottiswoode	60	60	–	–	–	–	–	–	–	–	–	–	60	60
Paul Bishop	79	75	–	–	–	–	–	–	–	–	–	–	79	75
Ian Cormack	75	74	–	–	–	–	–	–	–	–	–	–	75	74
Steve Melcher	75	75	–	–	–	–	–	–	–	–	–	–	75	75
Michael Deakin ²	44	75	–	–	–	–	–	–	–	–	–	–	44	75

1 Rodney Cook stood down as a Director on 30 April 2019. The 2019 remuneration data reflects pay for the period in which Rodney was a Director and a pro-rated 2017 LTIP. Full details of his termination arrangements are disclosed later in this report.

2 Michael Deakin passed away on 15 July 2019. The 2019 remuneration data reflects his fees to this date.

3 One-third of bonus payments have been deferred into awards over shares under the DSBP and will vest after three years, with the exception of the 2018 STIP for Rodney Cook, where one-third of the bonus payment was forfeited.

4 Awards were made under the LTIP in the period and the respective values will be reported on vesting in the respective Annual Report on Remuneration section. The LTIP in respect of the period 1 January to 31 December 2019 includes the 2017 LTIP awards. The 2017 LTIP award was earned but did not vest during 2019. For the purposes of valuation, the 2017 LTIP has been estimated based on a share price of £0.6624 (the average share price from 1 October to 31 December 2019). This estimate will be updated to reflect the actual valuation in next year's report. The 2016 LTIP award, which vested in 2018 has been updated to reflect the actual share price at the time of vesting.

5 Other includes the value of SAYE and SIP awards that vest after three or five years for SAYE, and three years for SIP.

Benefits include executive allowance for which the executives can purchase their own benefits, for example a pension or private medical cover together with Company paid benefits of life assurance and income protection.

2019 FIXED PAY (AUDITED)

Base salaries

In addition to his role of Deputy Chief Executive and MD, UK Corporate Business, David Richardson undertook the additional role of Interim Chief Financial Officer from October 2018 to 1 January 2020. From 1 May 2019, he took on the further role of Interim Chief Executive Officer, while receiving no uplift to his base salary for the additional roles of Interim CFO or Interim CEO.

On his permanent appointment as Group Chief Executive on 19 September 2019, the Remuneration Committee reviewed David's base salary and determined that his base salary should increase to £585,000. The Remuneration Committee determined that this should be payable from 1 May 2019, when David first took on the role of CEO on an interim basis.

Andy Parsons was appointed Chief Financial Officer with effect from 1 January 2020. Andy was appointed with a base salary of £415,000, reflecting his extensive experience.

Benefits and pension

Benefits include executive allowance for which the executives can purchase their own benefits, for example private medical cover. In addition, the Company provides permanent health insurance, life assurance and two-yearly health screening benefits.

Just Group provided 15% of salary as a cash payment in lieu of a Company pension contribution to Rodney Cook up to his termination date and to David Richardson up to 30 April 2019. From 1 May 2019 David Richardson's cash payment in lieu of the Company pension was decreased to 10% of salary.

Non-Executive Directors' fees

The fees for Non-Executive Directors were reviewed in 2019, resulting in an increase to the additional fee for the Committee Chair, Risk and Audit Committee. The fees are as detailed in the table below:

£'000	Fee
Board Chair	250
Basic fee	60
Additional fee for Senior Independent Director	10
Additional fee for Committee Chair, Risk & Audit Committee	20
Additional fee for Committee Chair, all other Committees	15

The Chair receives a single, all-inclusive fee for the role.

2019 EXECUTIVE DIRECTORS' SHORT TERM INCENTIVE PLAN (AUDITED)

Two-thirds of the 2019 bonus was based on corporate financial performance measures, split across four measures, and one-third based on personal non-financial performance measures. In line with our policy, one-third of the 2019 STIP award will be deferred into nil cost options (DSBP), subject to continued employment and clawback/malus provisions.

	Corporate performance (67%)	Personal performance (33%)	% achieved	Cash STIP	Deferred STIP	Estimated number of shares deferred under DSBP ¹
David Richardson	83.3% of maximum	82.5% of maximum	83%	£455,600	£224,400	338,768

1 The estimated number of shares deferred under the Deferred Share Bonus Plan ("DSBP") were determined using the average closing share price between 1 October 2019 and 31 December 2019, being £0.6624. The actual number of shares will be updated in next year's Directors' Remuneration Report.

The performance outcome against the targets set for the 2019 STIP was as follows:

Corporate financial performance (67% of maximum)

	Weighting	Threshold (25%)	On-target (50%)	Maximum (100%)	Actual	% achieved
IFRS adjusted operating profit	12.5%	£140m	£175m	£215m	£219m	100%
IFRS new business profit	12.5%	£150m	£180m	£210m	£182m	54%
Cost base reduction	25%	£24m	£29m	£34m	£33.8m	98%
Organic capital generation	50%	(£79)m	(£39)m	£1m	£36m	100%
Total		–	–	–	–	63%/67%

As explained earlier in the report, the Remuneration Committee exercised their discretion, reducing the financial performance outcome to 55.8%/67%.

Strategic personal performance (33% of maximum)

Strategic personal objective	% achieved 27.5%/33%
David Richardson	Key achievements
In respect of Deputy CEO and Interim Group CFO:	
- Complete debt and equity raise - Improve run rate on IFRS surplus assets	- Completed the debt and equity raise in the market at a very challenging time - Led a number of changes in the investment portfolio to mitigate the impact of regulatory changes
In respect of Interim Group CEO, Group CEO and Interim Group CFO:	David has shown strong leadership in all areas, in particular:
- Adapt existing business model and de-risk to set the business on a path to achieve a sustainable capital model - Explore strategic business options to present to the Board - Build closer relationships with the regulators - Build greater investor support and market confidence through engagement and enhanced disclosures - People leadership: greater engagement with employees, promoting a more inclusive culture with a particular focus on gender and promoting Just behaviours through role modelling and communication	- Developed a clear strategy and made strong initial progress towards a more sustainable capital model - Addressed (and continues to address) regulatory, market and economic challenges - Invested significant time in fostering strong relationships with external stakeholders - With colleagues, built his profile and relationships internally through regular townhalls, frequent and timely written communication. He actively sponsored the diversity and inclusivity programmes and updated the Group Board - A significant improvement in employee engagement scores during his 2019 tenure as CEO

Risk consideration

The Committee reviewed a comprehensive report from the Group Chief Risk Officer to ascertain that the Executive Directors' objectives had been fulfilled within the risk appetite of the Group. In addition, the Committee received feedback from the Chief Risk Officer that there were no material issues to consider around regulatory breaches, customer outcomes or litigation that would prevent payment of any STIP award or trigger any malus. The Committee was satisfied that the STIP awards should be paid.

VESTING OF LTIP AWARDS WITH A PERFORMANCE PERIOD ENDING IN 2019 (AUDITED)

2017 awards

The 2017 LTIP award performance period ended on 31 December 2019. The award is forecast to vest at 50% on 17 May 2020 based on Earnings per share growth and relative TSR performance over the three year period ending 31 December 2019.

	Date of grant	Type of award	Number of shares awarded	% vesting	Dividend equivalent due	Number of shares due to vest ¹	Value of shares due to vest ²
David Richardson	17 May 2017	Nil-cost options	521,759	50%	£9,705	260,879	£172,806
Rodney Cook	17 May 2017	Nil-cost options	846,613	50%	£12,903.79	346,846	£229,771

1 The number of shares due to vest for Rodney Cook takes into account the shares that lapsed on termination of employment.

2 The 2017 LTIP is due to vest on 17 May 2020. The value shown is based on the three month average share price to the year end, being £0.6624. This value will be trued up to reflect the actual share price at vesting in next year's single total figure table.

DIRECTORS' REMUNERATION REPORT CONTINUED

Summary of performance

Measure	Weighting	Target	Vesting
Adjusted Earnings Per Share growth	50%	Threshold: 6% p.a.	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: 12% p.a. or above	100%
		Actual: 14.4% p.a.	100%
Relative TSR vs FTSE 250	50%	Threshold: median	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: upper quartile or above	100%
		Actual: below median	0%
Total	–	–	50%

The adjustment to the interest and number of shares reduced the reinsurance and bank financing costs by £26.5m, thereby increasing operating profit to £245m. Together with a reduction in the number of shares from 1,008m to 933m, this has resulted in an Adjusted EPS of 26.3 pence. This has increased the actual Adjusted EPS outturn from an annual growth rate of 7.2% to 14.4%, increasing the vesting of the adjusted EPS measure from 40% to 100%.

2019 LTIP AWARDS GRANTED (AUDITED)

The following awards were made to the Executive Directors in 2019:

	Date of grant	Type of award	Face value of award	Number of shares ¹	End of performance period
David Richardson	16 May 2019	Nil-cost options	£509,961	694,567	31 December 2021

¹ The actual share price calculated as the average price over the five days preceding the grant was £0.6501. The notional share price used to calculate the number of awards was £1.362, being the share price used to determine the number of awards granted in 2018.

Performance measures and targets applying to the 2019 LTIP awards

Measure	Weighting	Target	Vesting
Adjusted Earnings Per Share growth	50%	Below 4% p.a.	0%
		Threshold: 4% p.a.	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: 8% p.a. or above	100%
Relative TSR vs FTSE 250	50%	Below median	0%
		Median	25%
		Between median and upper quartile	Between 25% and 100% on a straight-line basis
		Upper quartile or above	100%

DIRECTORS' BENEFICIAL SHAREHOLDINGS (AUDITED)

To align the interests of the Executive Directors with shareholders, each Executive Director must build up and maintain a shareholding in the Group equivalent to 200% of base salary, in line with the Policy. Until the guideline is met, Executive Directors are required to retain 50% of any LTIP and DSBP share awards that vest (or are exercised), net of tax and NICs.

Details of the Directors' interests in shares of the Company are shown in the table below. "Beneficially owned shares" include shares owned outright by the Directors and their connected persons and for the Executive Directors only, shares acquired under the Share Incentive Plan ("SIP"). For the purpose of calculating whether the shareholding guideline has been met, awards vested but not exercised and awards unvested under the DSBP (detailed in the "Directors" outstanding incentive scheme interests' section following), net of tax and national insurance contributions, are included.

Director	Beneficially owned shares at 31 December 2019	Shares vested but not exercised	Unvested shares subject to continued employment	Shareholding guideline ³ (% of salary)	Shareholding guideline met
David Richardson	839,388	3,030	619,700	200%	142%
Andy Parsons	n/a	–	–	200%	0%
Rodney Cook ¹	3,292,635	–	–	n/a	n/a
Chris Gibson-Smith	782,787	–	–	n/a	n/a
Keith Nicholson	59,775	–	–	n/a	n/a
Clare Spottiswoode	20,000	–	–	n/a	n/a
Paul Bishop	36,754	–	–	n/a	n/a
Ian Cormack	130,000	–	–	n/a	n/a
Steve Melcher	154,439	–	–	n/a	n/a
Michael Deakin ²	67,036	–	–	n/a	n/a

¹ Rodney Cook's shareholding is as at 30 April 2019, the date of his departure from the Board.

² Michael Deakin's shareholding is shown as at 15 July 2019, the date he passed away.

³ Based on the average closing price of £0.6624 between 1 October 2019 and 31 December 2019.

DIRECTORS' OUTSTANDING INCENTIVE SCHEME INTERESTS (AUDITED)

The table below summarises the outstanding awards made to David Richardson:

Date of grant	Exercise price	Interest as at 31/12/18	Granted in the year	Vesting in the year	Lapsed in the year	Exercised in the year	Interest as at 31/12/19	Vesting date	Expiry date
LTIP									
16 May 2019	Nil	–	694,567	–	–	–	694,567	16 May 2022	16 May 2029
29 Mar 2018	Nil	520,958	–	–	–	–	520,958	29 Mar 2021	29 Mar 2028
17 May 2017	Nil	521,759	–	–	–	–	521,759	17 May 2020	17 May 2027
28 Sep 2016	Nil	6,060	–	3,030	3,030	Nil	3,030	28 Sep 2019	28 Sep 2026
21 Apr 2016	Nil	482,075	–	241,037	241,038	241,037	Nil	21 Apr 2019	21 Apr 2026
DSBP									
28 Mar 2019	Nil	–	318,564	–	–	–	318,564	28 Mar 2022	28 Mar 2029
29 Mar 2018	Nil	154,135	–	–	–	–	154,135	29 Mar 2021	29 Mar 2028
17 Mar 2017	Nil	147,001	–	–	–	–	147,001	17 Mar 2020	17 Mar 2027
21 Apr 2016	Nil	119,285	–	119,285	–	119,285	Nil	21 Apr 2019	21 Apr 2026

The table below summarises the outstanding awards made to Rodney Cook:

Date of grant	Exercise price	Interest as at 31/12/18	Granted in the year	Vesting in the year	Lapsed in the year	Exercised in the year	Interest as at 31/12/19	Vesting date	Expiry date
LTIP									
29 Mar 2018	Nil	998,502	–	–	471,515	–	526,987	29 Mar 2021	29 Mar 2028
17 May 2017	Nil	846,613	–	–	152,861	–	693,752	17 May 2020	17 May 2027
28 Sep 2016	Nil	42,606	–	21,303	21,303	21,303	Nil	28 Sep 2019	28 Sep 2026
21 Apr 2016	Nil	852,126	–	426,063	426,063	426,063	Nil	21 Apr 2019	21 Apr 2026
DSBP									
28 Mar 2019	Nil	–	475,195	–	475,195	–	Nil	28 Mar 2022	28 Mar 2029
29 Mar 2018	Nil	228,703	–	–	–	–	228,703	29 Mar 2021	29 Mar 2028
17 Mar 2017	Nil	207,358	–	–	–	–	207,358	17 Mar 2020	17 Mar 2027
21 Apr 2016	Nil	99,201	–	99,201	–	99,201	Nil	21 Apr 2019	21 Apr 2026

The closing share price of the Group's ordinary shares as at 31 December 2019 was £0.79 and the price range fluctuated over the course of the year between £0.36 and £1.089.

Dilution

The Committee complies with the dilution levels that the Investment Association guidelines recommend. Shares relating to options granted under the Just Retirement Group plc 2013 Long Term Incentive Plan ("LTIP") and the Just Retirement Group plc Sharesave Scheme ("SAYE") are satisfied by using new issue shares rather than purchasing shares in the open market. The combined dilution from all outstanding share options at 31 December 2019 was 2.43% of the total share capital at the time. Share options granted under the Just Retirement Group plc Deferred Share Bonus Plan ("DSBP") will continue to be satisfied by the purchase of shares in the open market and therefore do not count towards the dilution limit.

AWARDS MADE TO INCOMING DIRECTORS (AUDITED)

As part of the terms of his recruitment the Committee agreed that Andy Parsons would be granted awards to compensate him for cash incentive awards forfeited on leaving LV, his previous employer.

In accordance with the approved Policy, the buy-out awards were designed to mirror the time horizon and expected value of the remuneration forfeited. However, unlike the original awards which were to be delivered in cash, the buyout awards will be delivered primarily in Just Group shares in order to ensure alignment with existing members of the Just Group leadership team and with shareholders.

The first cash element of the buyout, granted in respect of certain deferred bonus awards forfeited amounts to £265,428, payable in three tranches: £8,768 on appointment; £150,208 in March 2020; and £106,452 in March 2021. The second cash element of the buyout, granted in respect of the 2019 bonus forfeited at LV amounts to £238,680 and will be paid in April 2020. The grant value of the share buy-out awards will be £1,191,528. Conditional share awards over the value of shares and vesting dates in the table below will be granted as soon as practicable:

Award	Value of award	Vesting date
I	£292,500	In three equal tranches on 31 March 2020, 31 March 2021 and 31 March 2022
II	£497,250	In three equal tranches on 31 March 2020, 31 March 2021 and 31 March 2022
III	£401,778	15 May 2022 or on determination of the performance condition if later
Total	£1,191,528	

DIRECTORS' REMUNERATION REPORT CONTINUED

The Remuneration Committee believes that these awards fairly reflect the awards Andy Parsons forfeited on leaving his previous employment in terms of value and timing of vesting. The awards made are in accordance with Just Group's approved remuneration policy.

The awards have been and will be granted under and subject to the terms of a one-off award agreement entered into upon reliance of FCA Listing Rule 9.4.2(2) to facilitate Andy's recruitment and compensate for loss of certain incentives and deferred awards from Andy's previous employment. The share based awards may only be satisfied using existing shares. Award III will be subject to the same performance condition that applies to the 2019 LTIP grants based on EPS and TSR. Unvested awards shall ordinarily be forfeited on cessation of service and are subject to clawback in certain circumstances. No payment will be required for the grant of the awards. The awards are not transferable, except on death. The awards will not be pensionable. Appropriate adjustments may be made to the awards in response to variation of share capital.

PAYMENTS MADE TO PAST DIRECTORS DURING 2019 (AUDITED)

Prior to the payment date of bonuses in 2019, one third of the payment was held back in cash while an internal matter was concluded. This has now finished and a payment will be made to Simon Thomas of £124,000 in 2020.

PAYMENTS FOR LOSS OF OFFICE MADE DURING 2019 (AUDITED)

Rodney Cook ceased to be a Director with effect from 30 April 2019 but continued in employment until 30 June 2019 to ensure a smooth transition process. The Committee determined he was a good leaver. From 1 May 2019 to his termination date Rodney Cook was paid his salary, benefits and pension allowance, a total of £133,667. A payment of £305,830 in lieu of his remaining contractual notice period and accrued but untaken holiday was paid together with his final salary. Following his departure, payment of his salary, pension and benefits allowance ceased. One-third of his 2018 bonus normally deferred into shares under the DSBP was forfeited and he was not considered for a pro-rated STIP in respect of the period he was employed in 2019.

His awards outstanding under the DSBP vested on termination of employment but remain subject to malus and clawback. His outstanding awards under the LTIP will vest at the normal vesting date, subject to application of the performance conditions and pro-rating to 30 June 2019.

STATEMENT OF VOTING AT THE ANNUAL GENERAL MEETING (UNAUDITED)

At the Just Group AGM held on 13 June 2019, shareholders were asked to vote on the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 31 December 2018. The resolution received significant votes in favour by shareholders. The votes received were:

Resolution	Votes for	% of votes	Votes against	% of votes	Votes withheld
To approve the Directors' Remuneration Report	733,556,657	87%	109,593,150	13%	24,728

REMUNERATION FOR EMPLOYEES BELOW THE BOARD (UNAUDITED)

General remuneration policy

The remuneration policy for the wider Group is designed to attract, retain and motivate new and existing employees. It is in line with the sector in which we operate and our overall total remuneration approach is to pay a market competitive level of remuneration that is structured to appropriately reward employees, align them with the interests of our shareholders and customers, be compliant with Solvency II remuneration regulation and be relevant to the markets/geographies in which we operate. We define total remuneration as base salary, annual incentive (STIP) and any benefits, for example pensions. For those eligible to participate in the LTIP or Restricted Share Units ("RSU"), this will also be included.

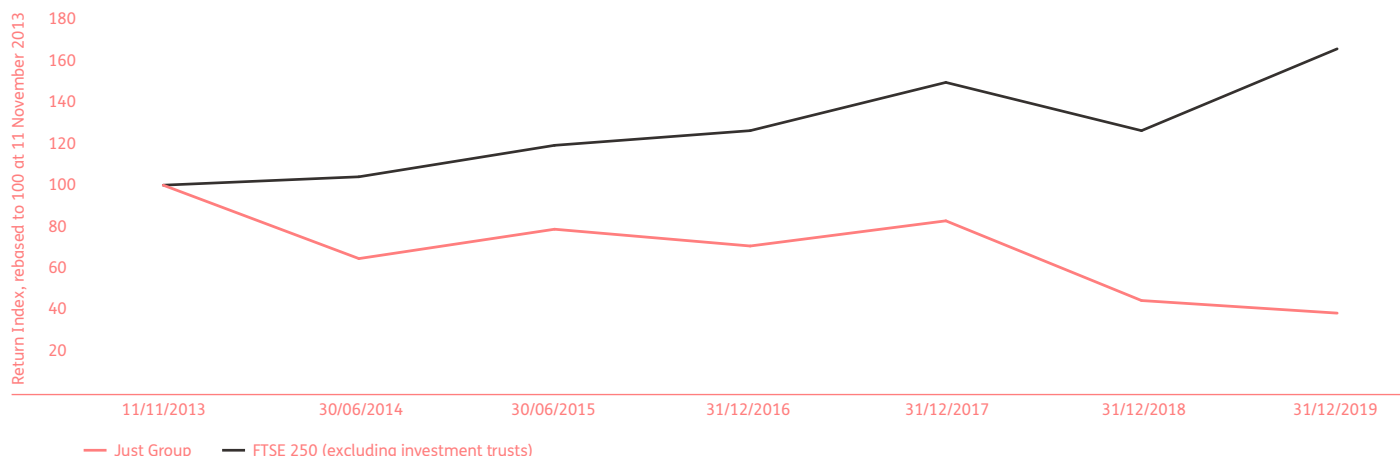
Summary of the remuneration structure for employees below Executive Director

Element	Policy approach
BASE SALARY	To attract and retain key employees we pay salaries which deliver market competitive total remuneration. We take into account the following when determining the base salary: the size of the role and its scope, the required skills, knowledge and experience, relevant pay in terms of the wider organisation and appropriate market comparative data. For 2019 the average salary increase for all employees was set at 2.5%. This is an average figure, with individual increases varying within a range depending on the factors above.
BENEFITS	All employees are able to participate in the private medical cover scheme.
PENSION	All employees are provided with the opportunity to participate in the Group defined contribution pension plan, with a Company contribution of 15% of salary for the Executive team (excluding Executive Directors) and 10% of salary for Executive Directors and all other employees. Employees who have reached HMRC annual or lifetime allowance limits can be paid a cash allowance in lieu of pension contributions.
SHORT TERM INCENTIVE PLAN	Most of our employees participate in a discretionary bonus plan unless an alternative plan is in operation. This plan is based on corporate performance and distributed based on personal performance based on objectives, behaviours in line with our culture and conduct in the role. The Group also operates bonus plans for certain types of roles, for example sales, based on objectives, behaviours in line with our culture and conduct in the role. For regulated roles, for example in risk, audit or compliance roles, the financial performance may be replaced by functional performance. The Remuneration Committee has the ultimate discretion on all incentive plans and these are reviewed on an annual basis. Bonuses for all of the executive team who are not Board members and employees categorised under Solvency II have an element of bonus deferred into shares for three years.
LONG TERM INCENTIVE PLAN	Participation in the LTIP or RSU plan is for a small number of executives and key roles each year in recognition of the strategic and critical roles that they hold in supporting the strategic direction of the business and delivering Company performance. In 2019, fewer than 50 individuals were granted awards.
OTHER SHARE PLANS	The Company operates a Deferred Share Bonus Plan ("DSBP") which provides the vehicle for the deferral of the STIP award. The Company operates a Save As You Earn Plan ("SAYE") which is open to all staff to participate in. In the past the Company has offered free shares under a Share Incentive Plan ("SIP") and may choose to do so in the future.

TOTAL SHAREHOLDER RETURN (UNAUDITED)

Group's share performance compared to the FTSE 250 Index

The following graph shows a comparison of the Group's Total Shareholder Return (share price growth plus dividends paid) with that of the FTSE 250 Index (excluding investment trusts). The Group has selected this index as it comprises companies of a comparable size and complexity across the period and provides a good indication of the Group's relative performance.



Total remuneration of the CEO during the same period (unaudited)

The total remuneration of the CEO over the last six years is shown in the table below.

	Year ended 30 June			Year ended 31 December				
	2013	2014	2015	2016 ¹	2017	2018	2019 ²	2019 ²
Chief Executive	RC	RC	RC	RC	RC	RC	RC	DR
Total remuneration (£'000)	1,052	1,196	1,357	2,630	2,369	2,507	314	994
STIP (% of maximum)	86%	63%	89%	97.5%	95.0%	91.2%	0%	83.1%
LTIP (% of maximum)	n/a	n/a	n/a	39.5%	50.0%	50.0%	50.0%	50.0%

1 The year ended 31 December 2016 covered 18 months following the change of year end from 30 June. The total single figure of remuneration for the 12 month period ended 31 December 2016 was £1,870,000.

2 Rodney Cook stood down as CEO from 30 April 2019 and David Richardson assumed the role of CEO from this date (initially on an interim basis). The total single figure remuneration for Rodney Cook represents four months to 30 April 2019 and for David Richardson represents 8/12ths of his pay in 2019.

CEO Pay ratio

This is the first year in which Just Group has been required to publish its CEO pay ratio.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	Option A ¹	41 : 1	26 : 1	15 : 1

1 Option A was considered the most appropriate methodology. The Company determined the single figure remuneration for all UK employees on a FTE basis by reference to the financial year ended 31 December 2019 and used this to identify the three employees who represent the 25th percentile, 50th percentile and 75th percentile by total pay. FTE remuneration was determined by reference to pay across 260 working days per year over a 35 hour week. Cases where employees were on maternity leave have been excluded as their remuneration in the year was not felt to be an accurate reflection of their ordinary pay levels. This did not have a material impact on the ratios and so the Committee is satisfied that the three individuals are reflective of the three percentiles.

The table below shows the total pay and benefits and the salary component of this for the employees who sit at each of the three quartiles.

£'000	Total pay and benefits	Salary component of total pay
25th percentile	38	26
50th percentile	61	32
75th percentile	102	65
Group Chief Executive	1,573 ¹	613

1 The total pay and benefits for the role of CEO in the year has been calculated using Rodney Cook's base salary, benefits and pension contributions for the four months to 30 April 2019 and David Richardson's base salary, benefits and pension contributions for the remainder of the year, full year 2019 annual bonus and 2017 LTIP award which vests based on performance to 31 December 2019.

The Chief Executive Officer is paid 26 times the median employee. The Remuneration Committee is confident that this is consistent with the pay, reward and progression policies for the company's UK employees. The Committee will continue to monitor the CEO pay ratio and gender pay gap statistics as part of its overview of all employee pay.

DIRECTORS' REMUNERATION REPORT CONTINUED

Percentage annual change in the Group Chief Executive Officer's pay compared to that for Just employees (unaudited)

The table below shows the percentage change in each of the Group Chief Executive Officer's salary, taxable benefits and STIP earned between 2018 and 2019, compared to that for the average employee of the Group (on a per capita basis).

	Percentage change between 2018 and 2019		
	Base salary	Benefits	Annual bonus
Group Chief Executive Officer ¹	(7.45)%	0%	(25.59)%
Average employee ²	4.38%	2.91%	2.87%

¹ The percentage change for the Group Chief Executive Officer has been calculated using Rodney Cook's pay for the year ended 31 December 2018 and, for the year ended 31 December 2019, the total of pay for Rodney Cook to 30 April 2019 and pay for David Richardson from 1 May 2019 to 31 December 2019.

² All permanent employees in the UK who were in employment during the two calendar year periods of 2018 and 2019 were selected as the most appropriate comparator.

Relative importance of spend on pay (unaudited)

The table below illustrates the relative importance of spend on pay compared to shareholder dividends paid.

	Year ended 31 December 2019	Year ended 31 December 2018	% difference
Total personnel costs (£m)	108.1	118.7	(8.9)%
Dividends paid (£m)	–	24.4	(100)%

Implementation of the remuneration policy in 2020 for Executive Directors (unaudited)

BASE SALARY

- David Richardson, CEO: £597,000
- Andy Parsons, CFO: £415,000

David Richardson's salary increased by 2.05% from 1 April 2020, compared to 2.42% for the wider workforce. Andy Parsons was not eligible to be considered for a salary increase.

BENEFITS AND PENSIONS

The Executive Directors will receive a benefits allowance of £20,000 for 2020 and a Company pension contribution or cash in lieu of 10% of salary. In addition, Andy Parsons will receive a travel allowance of £25,000 in 2020 to facilitate his joining Just Group. All employees are enrolled into the Company Group Life Assurance and Group Income Protection schemes.

SHORT TERM INCENTIVE PLAN ("STIP")

Maximum STIP opportunity remains unchanged at 150% of salary for Executive Directors. 50% of maximum will pay out for on-target performance.

The core bonus for 2020 will be determined by a balanced scorecard of performance against financial and strategic measures, being IFRS adjusted operating profit, IFRS new business profit, cost base reduction, and organic capital generation.

The core bonus is modified based on personal performance during the year. While not expected in the normal course, the Committee retains the flexibility to pay up to 20% of the maximum bonus opportunity based on personal performance only.

The Committee has chosen not to disclose in advance details of the STIP performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. An explanation of bonus payouts and performance achieved will be provided in next year's Annual Report on Remuneration.

40% of any bonus earned will be deferred for three years into awards over shares under the Deferred Share Bonus Plan.

LONG TERM INCENTIVE PLAN ("LTIP")

Awards will be made over shares with a face value of 150% of salary in 2020 to both the CEO and CFO. The awards made in 2020 will be subject to the measures below, calculated over the three financial years to 31 December 2022, and will be subject to a further two year post-vesting holding period. Targets will be confirmed in the RNS at time of grant.

Measures will be as follows:

- 50% based on capital self-sufficiency (25% solvency capital ratio and 25% organic capital generation)
- 25% on relative Total Shareholder Return ("TSR") – subject to TSR performance relative to FTSE 250 companies, excluding investment trusts
- 25% on adjusted EPS

APPROVAL

This report was approved by the Board of Directors on 11 March 2020 and signed on its behalf by:



Ian Cormack

Chair, Remuneration Committee
11 March 2020

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for Just Group plc, registered in England & Wales No: 8568957, for the year ended 31 December 2019.

The Annual Report contains forward-looking statements. These forward-looking statements are not guarantees of future performance. Rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments expressed in, or implied by, the forward-looking statements. Each forward-looking statement speaks only as of the date of that particular statement.

GOVERNANCE

The Directors' Report of the Group for the year ended 31 December 2019 is set out on pages 97 to 100 inclusive. Additional information which is incorporated by reference into this Directors' Report, including information required in accordance with the Companies Act 2006 and the Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, can be located as follows:

Disclosure	Location
Corporate Governance Statement and Report	Corporate Governance Report (pages 54 to 101)
Description of the Group's business model and information relating to the performance of the Group's business during the financial year, the position of the Group at the end of the year, and likely future developments	Throughout the Strategic Report (pages 1 to 53)
Employee, customer, suppliers and others reporting requirements under The Companies (Miscellaneous Reporting) Regulations 2018	Strategic Report: Stakeholder Report, page 22, Section 172 Statement, page 48, People and Culture, page 40
Workforce engagement, communication and equal opportunities	People and Culture (page 40)
Directors serving during the year	Governance Report, pages 56 to 59
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 33 to the financial statements (pages 148 to 152)
Details of long-term incentive schemes	Note 10 to the financial statements (pages 128 to 131)
Greenhouse gas emissions	Information on our reporting of greenhouse gas emissions and the methodology used to record these is given in the Environment Report on page 46
Directors' Responsibility Statement	Page 101

Both the Directors' Report and the Strategic Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law. The liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law.

Overseas branches

The Company does not have any overseas branches within the meaning of the Companies Act 2006.

Modern slavery

In compliance with section 54(1) of the Modern Slavery Act 2015, the Group published its slavery and human trafficking statement online.

Amendment of articles of association

The Company may make amendments to the Articles by way of special resolution in accordance with the Companies Act.

GOING CONCERN AND VIABILITY STATEMENT

The Directors are required to assess the prospect of the Group as a going concern over the next 12 months in accordance with Provision 30 of the 2018 UK Corporate Governance Code (the "Code"), and also its longer-term viability in accordance with Provision 31 of the Code.

The 2019 viability statement is contained within the Strategic Report and can be found on page 35.

Going concern

Under the Code, the Directors are required to state whether, in their assessment, the business is a going concern. In considering this requirement, the Directors have taken into account the following:

- The impact of complying with the updated regulatory expectations set out in SS3/17 "Solvency II: matching adjustment – illiquid unrated assets and equity release mortgages" and PS19/19 "Solvency II: Equity release mortgages – Part 2", including the restructuring of the Group's internal LTM securitisation, which was effected on 31 December 2019. The Board does not consider that there are any other significant areas of known regulatory uncertainty at 31 December 2019 associated with new policy statements or supervisory statements.
- The benefit of the equity, Restricted Tier 1 and Tier 2 capital raised during 2019, a total of £500m new capital (before issue costs), £100m of which has been used to re-finance the Partnership Life Assurance Company Limited 9.5% Tier 2 loan notes.
- Steps to improve capital efficiency during 2019, including reduction in new business volumes and cost saving initiatives.
- The projected liquidity position of the Group, current financing arrangements and contingent liabilities.
- A range of forecast scenarios with differing levels of new business and associated additional capital requirements to write anticipated levels of new business.
- Eligible own funds being in excess of minimum capital requirements in stressed scenarios, including no further capital strengthening and reduced new business volumes.
- The findings of the 2019 Group Own Risk and Solvency Assessment ("ORSA").
- Risks arising from the UK's withdrawal from the European Union.
- Stress and scenario testing to consider the Group's capacity to respond to a series of relevant financial, insurance, or operational shocks or changes to financial regulations should future circumstances or events differ from current assumptions. Such testing includes assessment of the impact of a property price shock on the Group, given that the Group holds a significant proportion of its assets in Lifetime Mortgages.
- Scenarios, including those in the ORSA, where the Company ceases to write new business. However, in such a run-off scenario the going concern basis would continue to be applicable because the Group would be continuing to trade with its existing business (for example, collect premiums and administer policies) rather than ceasing to trade.
- The Group plan, which was approved by the Board in the first quarter of 2020, and in particular the forecast regulatory solvency position calculated on a Solvency II basis, which includes the impact of SS3/17 and PS19/19 outlined above, together with regular updates to the Group's Capital Plan.

Having due regard to these matters and after making appropriate enquiries, the Directors confirm that they consider it appropriate to prepare the financial statements on the going concern basis.

DIRECTORS' REPORT CONTINUED

THE BOARD

The Directors who served during the year and up to the date of this report are set out in the Governance Report, including biographies for the Directors in office as at the date of this report.

Directors' insurance and indemnities

The Directors and Officers of the Company benefit from an indemnity provision in the Company's Articles of Association against any liability they may incur in relation to the Company's affairs, subject to the provisions of the Companies Act 2006 as amended. Each Director of the Company benefits from a deed of indemnity in respect of the costs of defending claims against him or her and third party liabilities (the terms of which are in accordance with the Companies Act 2006 as amended). Such qualifying third party indemnity provision remains in force at the date of this report. Directors' and Officers' liability insurance cover was maintained throughout the year at the Company's expense and remains in force at the date of this report.

Directors' interests

The interests of Directors and their connected persons in the ordinary shares of the Company as disclosed in accordance with the Listing Rules of the UK Listing Authority are as set out on page 92 of the Directors' Remuneration Report and details of the Directors' long-term incentive awards are set out on page 93.

Conflicts of interest

The Board has established procedures for the management of potential or actual conflicts of interest of the Directors in accordance with the Companies Act 2006 and the Company's articles of association. All Directors are responsible for notifying the Company Secretary and declaring at each Board meeting any new actual or potential conflicts of interest. The Directors are also responsible for declaring any existing conflicts of interest which are relevant to transactions to be discussed at each Board meeting. No Directors had a material interest in any significant contract with the Company or with any Group undertaking during the year.

SHAREHOLDERS

Annual General Meeting

The Company's Annual General Meeting in respect of the 2019 financial year will be held at Just Group plc, Enterprise House, Bancroft Road, Reigate, Surrey RH2 7RT at 10:00 am on 14 May 2020. The Notice will be sent separately to shareholders.

Results and dividends

The financial statements set out the results of the Group for the year ended 31 December 2019 and are shown on page 111.

Whilst the Group continues to build its capital base to accommodate the new regulations on equity release mortgages, the Board believes it would not be appropriate to recommend recommencing dividend payments. The Board will continue to monitor the capital position.

SHARE CAPITAL

Ordinary share capital

As at the date of this report, the Company had an issued share capital of 1,035,086,276 ordinary shares of 10 pence each. No shares are held in treasury. The ordinary shares are listed on the premium section of the London Stock Exchange.

On 18 March 2019 the ordinary issued share capital was increased from 941,068,882 ordinary shares of 10 pence each to 1,035,081,664 ordinary shares of 10 pence each through an equity placing.

The holders of the ordinary shares are entitled to receive notice of, attend and speak at general meetings including the Annual General Meeting, to appoint proxies and to exercise voting rights. The shares are not redeemable.

The share price on 31 December 2019 was 79 pence.

Further information relating to the Company's issued share capital can be found in note 20 on page 141.

Restricted Tier 1 bonds

On 21 March 2019 the Company issued £300m of Restricted Tier 1 bonds ("Bonds"). The Bonds are convertible into equity in certain circumstances. The circumstances in which the Bonds may convert into ordinary shares would be limited to a "trigger event." A trigger event may only occur if the Board determines in consultation with the PRA that it has ceased to comply with its capital requirements under Solvency II in a significant way. This may occur if the amount of capital held by the Group fails to comply with its capital requirements for a continuous period of three months or more or if the Group fails to comply with other minimum capital requirements applicable to it. Only if a trigger event occurs would any Bonds convert into ordinary shares. The holders of the Bonds do not have the right or option to require conversion of the Bonds.

Authority to allot

The Company's Articles specify that, subject to the authorisation of an appropriate resolution passed at a General Meeting of the Company, Directors can allot relevant securities under Section 551 of the Companies Act up to the aggregate nominal amount specified by the relevant resolution. In addition, the Articles state that the Directors can seek the authority of shareholders at a General Meeting to allot equity securities for cash, without first being required to offer such shares to existing ordinary shareholders in proportion to their existing holdings under Section 561 of the Companies Act, in connection with a rights issue and in other circumstances up to the aggregate nominal amount specified by the relevant resolution.

At the Annual General Meeting held on 13 June 2019, the Directors were (i) authorised to allot ordinary shares in the Company up to a maximum aggregate nominal amount of £69,005,444 and (ii) empowered to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £5,175,408 and further granted an additional power to disapply pre-emption rights representing a further 5% only to be used in specified circumstances, and (iii) authorised to make market purchases of up to an aggregate of 103,508,166 ordinary shares, representing approximately 10% of the Company's issued ordinary share capital as of 7 May 2019. No shares were purchased by the Company during the year. The Directors propose to renew these authorities at the 2020 Annual General Meeting for a further year.

Other securities carrying special rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

Restrictions on transfer of shares and voting

The Company's Articles of Association ("Articles") do not contain any specific restrictions on the size of a holding or on the transfer of shares, except that certain restrictions may from time to time be imposed by laws and regulations (for example by the Market Abuse Regulations ("MAR") and insider trading law) or pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights.

No person has any special rights with regard to the control of the Company's share capital and all issued shares are fully paid. This is a summary only and the relevant provisions of the Articles should be consulted if further information is required.

Share plans

The Group operates a number of share-based incentive plans that provides Just Group plc shares, to participants at exercise of share options upon vesting or maturity. The plans in operation include the Just Retirement Group plc 2013 Long Term Incentive Plan ("LTIP"), the Just Retirement Group plc Deferred Share Bonus Plan ("DSBP"),

the Just Retirement Group plc Sharesave Scheme ("SAYE"), and the Just Retirement Group plc Share Incentive Plan. Details of these plans are set out on pages 128 to 131.

Exercises of share options under these plans are satisfied by using new issue shares or market purchased shares held in the employee benefit trust ("EBT"). The trustee does not register votes in respect of these shares and has waived the right to receive any dividends.

Shares relating to options granted under the LTIP and SAYE are intended to be satisfied by new issue shares. During the 12 months to 31 December 2019, nil ordinary shares of 10 pence each were issued in satisfaction of the exercise of share options under the terms of these employee share plans (2018: 2,760,542).

Substantial shareholdings/interests in the company's shares

The Company had been notified in accordance with DTR 5 of the Disclosure and Transparency Rules of the following interests of 3% or more of its issued ordinary shares. The information below was correct at the date of notification.

Shareholder	Ordinary shareholdings at 31 December 2019	% of capital	Ordinary shareholdings at 10 March 2020 ¹	% of capital
Standard Life				
Aberdeen plc	166,019,292	16.04	164,321,618	15.88
Kames Capital plc	65,687,976	6.99	65,687,976	6.99
Baillie Gifford & Co	58,515,211	6.22	58,515,211	6.22
Ameriprise Financial Institutions Group	48,341,471	5.14	48,341,471	5.14
AXA Investment Managers	53,130,601	5.13	53,130,601	5.13
Norges Bank	41,572,361	4.02	41,299,450	3.99

1 Being the last practical date prior to publication of the Annual Report.

EMPLOYEES

Equal opportunities employment

Just Group plc is an equal opportunities employer and has policies in place to ensure decisions on recruitment, development, training and promotion and other employment-related issues are made solely on the grounds of individual ability, achievement, expertise and conduct. These principles are operated on a non-discriminatory basis, without regard to race, colour, nationality, culture, ethnic origin, religion, belief, gender, sexual orientation, age, disability or any other reason not related to job performance or prohibited by applicable law. If there were to be an instance of an employee becoming disabled during their employment with the Group, support for continued employment would be provided and workplace adjustments made as appropriate in respect of their duties and working environment.

Employee engagement and communication

We want to ensure that Just is a great place to work and communicating and engaging with our employees is critical to our success. We have a well-defined communication and engagement programme in place so that all employees understand our organisation's goals and how we need to work together to achieve them. This includes regular emails to all employees, news items on our intranet, videos, face-to-face briefing sessions, breakfast gatherings, events and lunch and learns.

We consistently monitor the engagement of our employees and their views on things that are important to them, including their wellbeing, opportunities for personal growth and if they feel recognised for the good work that they do. This is achieved through formal methods, such as surveying and feedback kiosks, as well as informal approaches which include gathering feedback via word of mouth.

In our efforts to continually improve employee engagement and in line with the people strategy of being "well-led", in 2019 we have introduced "Conversations with the Board," quarterly business updates from the CEO and "coffee meetings" with the Group executives, which take place across all of our offices. The CEO business updates allow all employees the opportunity to learn about economic and financial factors affecting the Company's performance, how the Company is performing including successes and challenges. Employees also have the opportunity to ask questions directly to the CEO and other senior executives through these sessions and the executive sessions. All of these insights allow us to put in place specific and tangible actions to ensure that our employees find Just a fulfilling place to work and are proud to be part of our organisation. This enables the CEO to communicate the strategy of the business, how employees contribute to that strategy and the successes and challenges in implementing the strategy.

The Company uses employee share schemes and performance related bonus schemes to encourage employee involvement in the Company's performance.

Further information regarding employee engagement and how the Directors have engaged with employees including the impact on decision making is included in the Strategic Report.

Employee diversity

	Female	Male	Total	Female %	Male %
Group Executive Committee members	1	6	7	14.3	85.7
Senior management ¹ (Global Grade 14-16)	24	90	114	21.1	78.9
All other employees	444	454	898	49.4	50.6
Grand total	469	550	1019	46.0	54.0

1 Of these 114 senior managers, 40 directly report to members of the Group Executive Committee, and of these, seven are women

Further information on employee communications, development and diversity is given on page 40.

DIRECTORS' REPORT CONTINUED

AUDITORS

Disclosure of information to the auditor

Each of the persons who is a Director of the Company at the date of approval of this Directors' Report has confirmed that, so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Audit tender

During the year, a tender for the role of external auditor was carried out. This process was overseen by the Audit Committee. Further information on the process followed and the selection criteria used in the audit tender can be found in the Report of the Audit Committee on page 76. The Board has agreed, based on the recommendation of the Audit Committee, that a resolution will be put to shareholders at the forthcoming Annual General Meeting for the appointment of PwC as auditor of the Company for the period ending 31 December 2020 and to authorise the Board's Audit Committee to determine the remuneration of the auditor. It is intended that KPMG LLP will step down as the Company's external auditor at the conclusion of the 2020 AGM.

The Audit Committee reviews the appointment of the auditor and the auditor's effectiveness and relationship with the Group, including the level of audit and non-audit fees paid. Further details on the work of the Audit Committee is set out on pages 72 to 77 in the Corporate Governance Report.

OTHER DISCLOSURES

Change of control provisions

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. In the context of the Group as a whole, none of these are deemed to be significant in terms of their potential impact except for those listed below.

The following reinsurance treaties may be terminated by the reinsurer on a change of control as set out below:

- the Hannover Re treaty between Just Retirement Limited and Hannover Rueck SE, Hannover (dated 20 September 2012 and as amended on 16 October 2013, 22 December 2014, 17 December 2015 and 4 April 2019) in relation to Just Retirement Limited's GifL (non-profit pension annuities) policies written from 1 July 2004 to 31 December 2015 and underwritten using the Merica underwriting system;
- the Hannover Re treaty between Just Retirement Limited and Hannover Life Reassurance Bermuda Ltd (dated 17 December 2015 and as amended on 19 May 2017 and 4 April 2019) in relation to Just Retirement Limited's GifL (non-profit pension annuities) policies written for the underwriting years 2004/05, 2005/06 and 2006/07, and underwritten using the Merica underwriting system;
- the RGA lead treaty between Just Retirement Limited and RGA International Reinsurance Company Limited (acting as lead reinsurer) and the treaty between Just Retirement Limited and RGA Americas Reinsurance Company Ltd (acting as following reinsurer) (both treaties dated 19 June 2013 and as amended on 26 September 2013, 1 January 2014, 23 July 2014, 1 June 2015 and 5 April 2019) in relation to Just Retirement Limited's GifL (non-profit pension annuities) policies written from 1 July 2012 to 31 December 2014 and underwritten using the Merica underwriting system. Business reinsured under these treaties has been fully recaptured in 2019, following the repayment of the deficit loan;
- the Achmea Re treaty between Just Retirement Limited and Interpolis Reinsurance Services Limited as novated to Achmea Reinsurance Company NV (dated 1 December 2005 and as subsequently amended, most recently on 23 September 2019) in relation to Just Retirement Limited's GifL (non-profit pension

annuities) policies written from 1 July 2004 to 30 June 2012 and underwritten using the Merica underwriting system; and

- the Nomura treaty between Just Retirement Limited and Nomura Reinsurance 51C Limited (dated 30 September 2015 and amended and restated 3 April 2019) in relation to Just Retirement Limited's GifL (individual underwritten annuities) policies written from 1 July 2009 to 1 July 2013 and underwritten using the Merica underwriting system.

In the case of the Achmea Re treaty, the reinsurer can immediately terminate if there is any material change in the ownership, management or control of Just Retirement Limited. In the case of the Hannover Rueck SE and Hannover Life Reassurance Bermuda Ltd treaties ("Hannover"), and in the case of the Nomura treaty, within three months of change of control, the reinsurer may terminate upon three months' prior written notice, if (i) the new controller has a long-term credit rating below BBB as rated by Standard and Poor's or if Standard and Poor's does not provide a credit rating, an equivalent rating of Moody's or Fitch; or (ii) if the new controller does not have a long-term credit rating and such change of control has or is likely to have a material adverse effect on the creditworthiness of Just Retirement Limited; or (in the case of Hannover Rueck SE and Hannover Life Reassurance Bermuda Ltd only) the new controller of Just Retirement Limited is a major competitor. If such termination occurs, the reinsurer may exercise an option either to continue the treaty in respect of business already ceded or to require recapture of that business, which has the effect of withdrawing the reinsurance in respect of past business (subject to any repayment by Just Retirement Limited not causing it to breach its PRA minimum capital requirements).

The Company does not have any agreements with any Non-Executive Director, Executive Director or employee that would provide compensation for loss of office or employment resulting from a change of control.

Financial instruments

Derivatives are used to manage the Group's capital position which entails a surplus of long dated fixed interest assets when liabilities are measured on a realistic basis. Details of these derivatives are contained in note 27 to the financial statements. Disclosure with respect to financial risk is included on pages 36 to 39 of the Strategic Report and in note 33 to the financial statements.

Political contributions

No political contributions were made, or political expenditure incurred, by the Company and its subsidiaries during the year (2019: £nil).

POST BALANCE SHEET EVENTS

On 9 January 2020 4,612 ordinary shares of 10p were allotted out of the block listing in respect of an exercise of an option under the Group SAYE share scheme by an employee.

The Directors' Report has been approved by the Board and is signed on its behalf by:



SIMON WATSON

Group Company Secretary
11 March 2020

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and Parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS" as adopted by the "EU") and applicable law, and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company, and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and comprehensive income of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes 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; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance business model and strategy.

The Strategic Report contains certain forward-looking statements providing additional information to shareholders to assess the potential for the Company's strategies to succeed. Such statements are made by the Directors in good faith, based on the statements available to them up to the date of their approval of this report, and should be treated with caution due to the inherent uncertainties underlying forward-looking information.

Neither the Company nor the Directors accept any liability to any person in relation to the Annual Report and Accounts except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Section 90A and Schedule 10A of the Financial Services and Markets Act 2000.

By order of the Board



DAVID RICHARDSON

Group Chief Executive Officer



ANDY PARSONS

Group Chief Financial Officer

11 March 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JUST GROUP PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Just Group plc ("the Company") for the year ended 31 December 2019 which comprise:

- the Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Consolidated statement of financial position, Consolidated statement of cash flows, and the related notes, including the accounting policies in note 1; and
- the statement of financial position of the Company, statement of changes in equity of the Company, statement of cash flows of the Company and related notes, including the accounting policies in note 1 of the Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders in 2006. The period of total uninterrupted engagement is for the 14 financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

OVERVIEW

Materiality:		£6.7m (2018: £6.7m)
Group financial statements as a whole	4.4% of normalised Group IFRS profit before tax (2018: 4.0%)	
Coverage	97% of Group IFRS profit before tax (2018: 94% of Group IFRS loss before tax)	
Emphasis of matter		Capital
Key audit matters		vs 2018
Event driven	Brexit uncertainties	◀▶
Recurring risks of the Group	Going concern	◀▶
	Valuation of insurance liabilities	◀▶
	Valuation of loans secured by residential mortgages	◀▶
Recurring risks of the Parent	Recoverability of Parent Company's investment in subsidiaries	▲

2. EMPHASIS OF MATTER – CAPITAL

We draw attention to note 34 to the financial statements which notes that the Group's capital position can be adversely affected by a number of factors, in particular factors that erode the Group's capital resources and/or which impact the quantum of risk to which the Group is exposed. Note 34 notes that the Group continues to engage in discussion with the PRA around its SCR methodology. Note 34 further notes that uncertainty remains as to how the introduction of an Effective Value Test in stress will ultimately be implemented by the Group. Note 34 further notes that given that the Group continues to experience a high level of regulatory activity and intense regulatory supervision, there is also the risk of PRA intervention, not limited to the aforementioned matters, which could negatively impact on the Group's capital position. Note 34 further notes that the Group recognises the need to continue to strengthen its capital position. Our opinion is not modified in this regard.

3. KEY AUDIT MATTERS: INCLUDING OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below, the key audit matters, in 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
Going concern The risk compared to the prior year is unchanged <i>Refer to page 97 (Director's Report) and page 115 (Note 1.1, financial statement disclosures) that sets out the assessment undertaken by the Board and the rationale for using the going concern assumption</i> In particular that disclosure sets out that the Directors have considered a scenario where the company ceases to write new business and continues to trade in run-off. In a run off scenario, the going concern basis would continue to be applicable because the Group would be continuing to trade with its existing business.	Disclosure completeness The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The Board's assessment is based on future projections of the level of excess Solvency II capital over requirements, which includes judgments over the impact of regulatory requirements (whether known or subject to change), future economic conditions and future management actions, including raising new capital. There is a risk that the judgements included in the assessment are inappropriate and do not include appropriate allowances for adverse scenarios or the execution risk associated with future plans or do not take account of the potential actions of third parties, including the Prudential Regulation Authority ('PRA'). There are also less predictable but realistic second order impacts, such as the impact of Brexit, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed. Disclosure quality Clear and full disclosure of the assessment undertaken by the Board and the rationale for using the going concern assumption, represents a key financial statement disclosure requirement. There is a risk that insufficient details are disclosed to allow a full understanding of the assessment undertaken by the Board.	Our procedures included: Capital assessment: - We assessed the Group's capital forecasts, which, as disclosed in note 1.1, are based on the forecast regulatory solvency position and include the impact of the PRA's SS3/17 "Solvency II: Matching adjustment – illiquid unrated assets and equity release mortgages" and PS19/19 "Solvency II: Equity release mortgages – Part 2". In doing so we considered a range of forecast scenarios with differing levels of new business, and the associated additional capital requirements. We also reviewed PRA correspondence and met with the PRA to assess their view as to the amount of Solvency II capital that is likely to be required by the Group. - We considered the terms of all the Group's financing arrangements, including both committed and uncommitted facilities, and assessed the likelihood and impacts arising from future capital issuances that will be required to support the delivery of the Group's business plans and how these had been factored into the forecasts. Benchmarking assumptions and our sector experience: - We also assessed the forecasts and underlying assumptions by reference to our knowledge of the business and general economic conditions and assessed the potential risk of management bias. Sensitivity analysis: - We challenged the Group's sensitivities applied to the forecasts by taking into account how these may be affected by the achievability of the Board's plans, including potential capital raising, general economic conditions, increased regulatory capital requirements and the potential effects of Brexit, for example on house prices and interest rates. In particular we considered the capital position of the Group under stress and without any capital issuances. Accounting analysis: - We considered the possible circumstance of the Group ceasing to write new business. We considered it against the accounting standards' criteria for the non-going concern basis of accounting, being cessation of trading; and against generally accepted practice in such circumstances. Regulatory assessment: - We met the PRA to hear their views on the Group's Solvency II capital forecasts and on the PRA's regulatory approach to the Group, including its powers to require actions of the Group. Assessing transparency: - We assessed the completeness and accuracy of the matters covered in the going concern disclosures by reference to the key matters considered by our procedures set out above. Our results - We found the disclosure of the Board's judgement that it was appropriate to adopt the going concern basis of preparation without any material uncertainty to be proportionate (2018: proportionate).

INDEPENDENT AUDITOR'S REPORT CONTINUED

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit The risk compared to the prior year is unchanged <i>Refer to page 72 (Audit Committee report), page 115 (accounting policy) and pages 123 to 156 (financial disclosures)</i>	Unprecedented levels of uncertainty All audits assess and challenge the reasonableness of estimates, in particular as described in valuation of insurance liabilities, valuation of loans secured by residential mortgages, recoverability of parent company's investment in subsidiaries and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see above). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement 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. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: Our Brexit knowledge: • We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. Sensitivity analysis: • When addressing valuation of insurance liabilities, valuation of loans secured by residential mortgages, recoverability of parent company's investment in subsidiaries and the appropriateness of the going concern basis of preparation of the financial statements and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. Assessing transparency: • As well as assessing individual disclosures as part of our procedures on valuation of insurance liabilities, valuation of loans secured by residential mortgages, recoverability of parent company's investment in subsidiaries and the appropriateness of the going concern basis of preparation of the financial statements, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. Our findings See the Key Audit Matters of valuation of insurance liabilities, valuation of loans secured by residential mortgages and recoverability of parent company's investment in subsidiaries for our findings in relation to these estimates and the associated disclosures. As reported under going concern above, we found the disclosures in relation to going concern to be proportionate. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Valuation of insurance liabilities (2019: £19,004 million, 2018: £17,274 million) The risk compared to the prior year is unchanged. Refer to page 72 (Audit Committee report), page 122 (accounting policy) and pages 123 to 156 (financial disclosures)	Subjective valuation: The Group has significant insurance liabilities representing 81% (31 December 2018: 78%) of the Group's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long term policyholder liabilities. 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 mortality (determined by reference to the Group's own experience and expected levels of future mortality), and the expected level of future expenses (which is based on the expected future costs of administering the underlying policies). The key economic assumption used in determining the discount rate to value the insurance liabilities is credit risk, based on the Group's view of expected future investment defaults. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of insurance liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 22) disclose the sensitivity estimated by the Group. Calculation error and data capture The Group uses complex actuarial models to calculate policyholder liabilities. There is a risk that the modelling does not appropriately reflect the model specifications and / or the product features due to incomplete data input into the model and / or unauthorised or erroneous changes to the models.	We used our own actuarial specialists to assist us in performing our procedures in this area. Our procedures included: Control design and performance: • Testing of the design, implementation and operating effectiveness of key controls over the processes to determine the valuation of the policyholder liabilities including the change management controls over the actuarial models. • Testing of the design, implementation and operating effectiveness of the reconciliation controls to ensure completeness of data flows from policy administration systems and data warehouses to the actuarial models. Methodology choice: • We have assessed the appropriateness of the methodology for selecting assumptions and calculating the policyholder liabilities. This included: - Applying our understanding of developments in the business and the impact of changes in methodology on the selection of assumptions; - Comparing changes in methodology to our expectations derived from market experience; and - Evaluating the analysis of the movements in insurance liabilities during the year, including consideration of whether the movements were in line with the methodology and assumptions adopted. Benchmarking assumptions and sector experience: • Evaluating the Group's historic mortality data used to prepare the Group's mortality experience analysis, together with industry data on expectations of future mortality improvements and assessing whether this supports the assumptions adopted. • Assessing the credit risk assumptions and appropriateness of the Group's methodology used to determine the liquidity premium applied to the risk-free rate, by reference to industry practice and our expectations derived from market experience. • Assessing whether the expense assumptions reflect the expected future costs of administering the underlying policies by analysing current year unit costs, considering the expected future level of expense inflation and testing the appropriateness of the Group's best estimate of future cost savings based on management actions and forecast budgets. Independent reperformance: • Using our own valuation models to calculate the insurance liability balance for a sample of policies across the reserves and comparing to the balances recorded by the Group. Assessing transparency: • Considering whether the Group's disclosures in relation to the assumptions used in the calculation of insurance liabilities appropriately represent the sensitivities of these assumptions to alternative scenarios and inputs. Our findings We found the resulting estimate to be balanced (2018: balanced) and the related disclosures to be proportionate (2018: proportionate).

INDEPENDENT AUDITOR'S REPORT CONTINUED

	The risk	Our response
Valuation of loans secured by residential mortgages (2019: £7,981 million, 2018: £7,192 million) The risk compared to the prior year has increased. <i>Refer to page 72 (Audit Committee report), page 121 (accounting policy) and pages 123 to 156 (financial disclosures)</i>	Subjective valuation The loans are measured at fair value determined through projecting future discounted cash flows using a mark to model valuation approach under the income method per IFRS 13. The Group is required to use judgment in the selection of key assumptions in determining the projected cash flows and in determining the liquidity premium applied to the discount rate. The key assumptions include the property price at the valuation date, property price inflation, property price volatility, mortality (determined by reference to the Group's own experience and expected levels of future mortality) and the liquidity premium added to the swap curve. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of loans secured by residential mortgages 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 16) disclose the sensitivity estimated by the Group. Calculation error and data capture The Group uses complex actuarial models to calculate the valuation of loans secured by residential mortgages. There is a risk that the modelling does not appropriately reflect the model specifications and / or the product features due to incomplete data input into the model and/or unauthorised or erroneous changes to the models.	We used our own actuarial specialists to assist us in performing our procedures in this area. Our procedures included: Control design and performance: • Testing of the design, implementation and operating effectiveness of key controls over the processes to determine the valuation of loans secured by residential mortgages including the change management controls over the actuarial models. • Testing of the design, implementation and operating effectiveness of the reconciliation controls to ensure completeness of data flows from policy administration systems and data warehouses to the actuarial models. Methodology choice: • Evaluating the methodology applied for the valuation of the loans to confirm that it is consistent with the principles of IFRS 13. • Evaluating the appropriateness of the methodology for selecting assumptions by applying our understanding of developments in the business and expectations derived from market experience. Benchmarking assumptions and sector experience: • Evaluating the appropriateness of the property price inflation assumption used within the valuation process by assessing the expected property price inflation with reference to market data and industry benchmarks. • Assessing the reasonableness of the property price volatility assumption by considering historic volatility in property prices and comparing the assumption to industry benchmarks. • Assessing the appropriateness of the index used to determine the property prices at the valuation date by comparing management's valuation for a sample of properties to the value from alternative market valuation sources and surveyor valuations. • Evaluating the Group's historic mortality data used to prepare the Group's mortality experience analysis, together with industry data on expectations of future mortality improvements and assessing whether this supports the assumptions adopted, • Assessing the appropriateness of the liquidity premium applied to the risk-free rate, by reference to industry practice and our expectations derived from market experience. Independent reperformance: • Using our own valuation models to value the loans secured by residential mortgages balance for a sample of policies and comparing to the balances recorded by the Group. Expectation vs Outcome: • Evaluating the analysis of the movements in the loans secured by residential mortgages during the year, including consideration of whether the movements were in line with the methodology and assumptions adopted. Assessing transparency: • Considering the adequacy of the Group's disclosures in relation to the valuation of loans secured by residential mortgages, in particular the sensitivity of the valuations adopted to alternative outcomes. Our findings We found the resulting estimate to be at the optimistic end of the acceptable range (2018: optimistic end of the acceptable range) and the related disclosures to be proportionate (2018: proportionate).

	The risk	Our response
Recoverability of Parent Company's investment in subsidiaries (Parent specific risk) 2019: £1,863 million, 2018: £1,343 million The risk compared to the prior year has increased <i>Refer to page 72 (Audit Committee report), page 160 (accounting policy) and pages 160 to 163 (financial disclosures)</i>	Forecast-based valuation The carrying amount of the parent company's investments in subsidiaries are significant and at risk of irrecoverability as indicated by the reduction in the market capitalisation of the group. The financial statements (note 2) disclose this as an impairment trigger. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in forecasting trading conditions and forecasting and discounting future cash flows used in the budgets. The effect of these matters is that, as part of our risk assessment, we determined that the carrying value of the cost of investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The risk has increased compared to the prior year due to the decline in the Group's share price which has led to a significant reduction in the market capitalisation of the Group.	Our procedures included: Benchmarking assumptions: - Challenging the assumptions used in the cash flows included in the budgets and in determining the discount rate based on our knowledge of the Group and the markets in which the subsidiaries operate. Historical comparisons: - Assessing the reasonableness of the budgets by considering the historical accuracy of the previous forecasts; Our sector experience: - Evaluating the current level of trading, including identifying any indications of a downturn in activity, by examining the post year end management accounts and considering our knowledge of the Group and the market; and Assessing transparency: - Assessing the adequacy of the parent company's disclosures in respect of the associated impairment. Our findings We found the Group's assessment of the investment in subsidiaries to be balanced (2018: slightly optimistic) and the related disclosures to be proportionate (2018: proportionate).

We continue to perform procedures over the valuation of reinsurance assets and deposits received from Insurers. Previously, we noted that the Group needed to determine, based on the underlying cash flows and complex treaty terms, whether the deposits received from reinsurers should be accounted for as insurance contracts or as financial liabilities. We also noted that the valuations were sensitive to underlying assumptions. During the year, the Group has not amended the treaty terms that impact the accounting judgement and there are no new treaties to consider. The Group has amended certain treaty terms which reduce the subjectivity associated with underlying assumptions. We have not, therefore, assessed this as a Key Audit Matter in our current year audit and it is not separately identified in our report this year.

In reaching our audit opinion on the financial statements we took into account the findings that we describe above and those for other, lower risk areas. Overall the findings from across the whole audit are that the financial statements use estimates within an acceptable range of outcomes, with the valuation of loans secured by residential mortgages at the optimistic end of the acceptable range. Considering the potential range of reasonable outcomes for individual estimates is greater than materiality for the financial statements as a whole, and possibly many times that amount, and considering the qualitative aspects of the financial statements as a whole we have not modified our opinion on the financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

4. 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 £6.7 million (2018: £6.7 million) determined with reference to a benchmark of group IFRS profit before tax, normalised to exclude the effects of short-term investment fluctuations and economic changes (as disclosed under note 6 – Investment and economic profits/(losses)), of which it represents 4.4% (2018: 4%).

Materiality for the parent company financial statements as a whole was set at £2 million (2018: £6 million), determined by reference to company net assets, of which it represents 0.15% (2018: 0.6%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.34 million (2018: £0.34 million), in addition to other identified misstatements below that threshold that warranted reporting on qualitative grounds.

Of the group's 27 (2018: 27) reporting components, we subjected 5 (2018: 7) to full scope audits for group purposes.

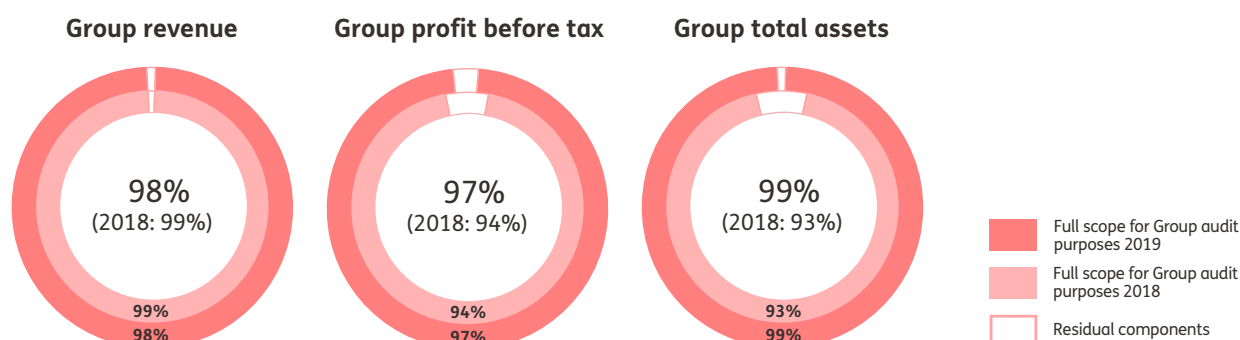
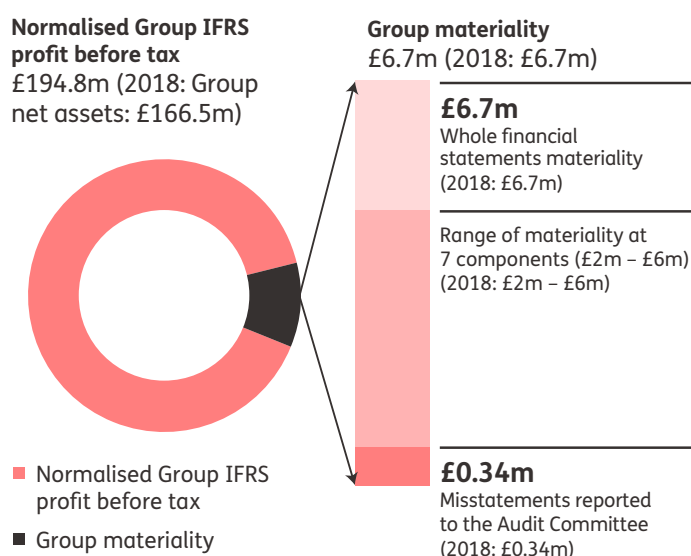
The components within the scope of our work accounted for the percentages illustrated opposite.

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatements 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 audit team approved component materiality, which was set between £2 million and £6 million (31 December 2018: between £2 million and £6 million), having regard to the mix of size and risk profile of the Group across the components. The work on 5 (2018: 7) components, including the audit of the parent

company, was performed by the Group and component teams based at the Company's offices in London and Reigate.

The work on 4 of the 5 components (2018: 6 of the 7 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The group team performed procedures on the items excluded from normalised group profit before tax. Meetings were held with these component auditors. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.



5. GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 3 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 97 is materially inconsistent with our audit knowledge.

In section 3 above, we drew attention to the disclosure in the financial statements that the Directors have considered a scenario where the company ceases to write new business and continues to trade in run-off. In a run off scenario, the going concern basis would continue to be applicable because the Group would be continuing to trade with its existing business.

We have nothing further to report in these respects.

6. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- 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 principal risks and longer-term viability

We draw attention to the disclosure in the viability statement that the Board has considered the ability of the Group to continue to write the anticipated levels of new business and plans to continue to strengthen its capital position in order to support the new business franchise over the next five years, both through organic capital generation and potentially including raising new capital. Other than that, based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 35 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 explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. Other than the matter referred to above, we have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the 11 provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 101, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

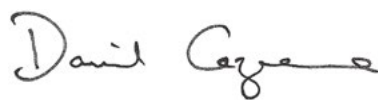
Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, we assessed the extent of compliance with these laws and 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 or the loss of the group's licence to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, recognising the financial and regulated nature of the group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Daniel Cazeaux (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

11 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Gross premiums written	6	1,921.0	2,176.9
Reinsurance premiums ceded		2.8	(8.0)
Reinsurance recapture		436.8	543.3
Net premium revenue		2,360.6	2,712.2
Net investment income	2	1,451.7	142.6
Fee and commission income	6	12.7	8.2
Total revenue		3,825.0	2,863.0
Gross claims paid		(1,247.5)	(1,185.3)
Reinsurers' share of claims paid		386.4	435.4
Net claims paid		(861.1)	(749.9)
Change in insurance liabilities:			
Gross amount		(1,730.6)	(642.9)
Reinsurers' share		(70.4)	(502.8)
Reinsurance recapture		(436.8)	(543.3)
Net change in insurance liabilities		(2,237.8)	(1,689.0)
Change in investment contract liabilities	23	92.2	0.4
Acquisition costs	3	(35.2)	(52.4)
Other operating expenses	4	(227.8)	(254.8)
Finance costs	5	(186.7)	(202.8)
Total claims and expenses		(3,456.4)	(2,948.5)
Profit/(loss) before tax	6	368.6	(85.5)
Income tax	7	(66.2)	21.2
Profit/(loss) for the year		302.4	(64.3)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of land and buildings	7,14	–	4.4
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(0.2)	(0.4)
Other comprehensive (loss)/income for the year, net of income tax		(0.2)	4.0
Total comprehensive income/(loss) for the year		302.2	(60.3)
Profit/(loss) attributable to:			
Equity holders of Just Group plc		302.6	(63.7)
Non-controlling interest	35	(0.2)	(0.6)
Profit/(loss) for the year		302.4	(64.3)
Total comprehensive income/(loss) attributable to:			
Equity holders of Just Group plc		302.4	(59.7)
Non-controlling interest	35	(0.2)	(0.6)
Total comprehensive income/(loss) for the year		302.2	(60.3)
Basic earnings per share (pence)	11	28.37	(6.83)
Diluted earnings per share (pence)	11	28.00	(6.83)

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Year ended 31 December 2019	Note	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit ¹ £m	Total shareholders' equity £m	Tier 1 notes £m	Non- controlling interest £m	Total £m
At 1 January 2019		94.1	94.5	348.4	532.7	4.4	(6.2)	596.5	1,664.4	–	(0.6)	1,663.8
Profit for the year		–	–	–	–	–	–	302.6	302.6	–	(0.2)	302.4
Other comprehensive loss for the year, net of income tax		–	–	–	–	–	–	(0.2)	(0.2)	–	–	(0.2)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	302.4	302.4	–	(0.2)	302.2
Contributions and distributions												
Shares issued	20	9.4	–	–	64.4	–	–	–	73.8	–	–	73.8
Tier 1 notes issued (net of costs)	21	–	–	–	–	–	–	–	–	294.0	–	294.0
Dividends	12	–	–	–	–	–	–	(0.2)	(0.2)	–	–	(0.2)
Interest paid on Tier 1 notes		–	–	–	–	–	–	(16.8)	(16.8)	–	–	(16.8)
Share-based payments		–	–	–	–	–	0.2	4.0	4.2	–	–	4.2
Total contributions and distributions		9.4	–	–	64.4	–	0.2	(13.0)	61.0	294.0	–	355.0
At 31 December 2019		103.5	94.5	348.4	597.1	4.4	(6.0)	885.9	2,027.8	294.0	(0.8)	2,321.0

Year ended 31 December 2018	Note	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit ¹ £m	Total shareholders' equity £m	Non- controlling interest £m	Total £m
At 1 January 2018		93.8	94.2	348.4	532.7	–	(5.0)	676.4	1,740.5	–	1,740.5
Loss for the year		–	–	–	–	–	–	(63.7)	(63.7)	(0.6)	(64.3)
Other comprehensive income/(loss) for the year, net of income tax		–	–	–	–	4.4	–	(0.4)	4.0	–	4.0
Total comprehensive income/(loss) for the year		–	–	–	–	4.4	–	(64.1)	(59.7)	(0.6)	(60.3)
Contributions and distributions											
Shares issued	20	0.3	0.3	–	–	–	–	–	0.6	–	0.6
Dividends	12	–	–	–	–	–	–	(24.4)	(24.4)	–	(24.4)
Share-based payments		–	–	–	–	–	(1.2)	8.6	7.4	–	7.4
Total contributions and distributions		0.3	0.3	–	–	–	(1.2)	(15.8)	(16.4)	–	(16.4)
At 31 December 2018		94.1	94.5	348.4	532.7	4.4	(6.2)	596.5	1,664.4	(0.6)	1,663.8

¹ Includes currency translation reserve.

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Assets			
Intangible assets	13	154.4	171.0
Property, plant and equipment	14	26.8	21.4
Financial investments	15	21,606.0	19,252.5
Investment in joint ventures and associates		–	0.3
Reinsurance assets	22	3,732.0	4,239.2
Deferred tax assets	17	11.5	18.6
Current tax assets		–	42.1
Prepayments and accrued income		70.6	67.9
Insurance and other receivables	18	25.5	18.9
Cash and cash equivalents	19	267.0	113.9
Total assets		25,893.8	23,945.8
Equity			
Share capital	20	103.5	94.1
Share premium	20	94.5	94.5
Reorganisation reserve		348.4	348.4
Merger reserve	20	597.1	532.7
Revaluation reserve	14,17	4.4	4.4
Shares held by trusts		(6.0)	(6.2)
Accumulated profit		885.9	596.5
Total equity attributable to owners of Just Group plc		2,027.8	1,664.4
Tier 1 notes	21	294.0	–
Non-controlling interest	35	(0.8)	(0.6)
Total equity		2,321.0	1,663.8
Liabilities			
Insurance liabilities	22	19,003.7	17,273.8
Investment contract liabilities	23	54.0	197.8
Loans and borrowings	24	660.0	573.4
Lease liabilities	25	12.4	–
Other financial liabilities	26	3,678.9	4,063.3
Deferred tax liabilities	17	26.3	32.2
Other provisions	29	1.8	0.7
Current tax liabilities		10.2	3.5
Accruals and deferred income		52.9	59.0
Insurance and other payables	30	72.6	78.3
Total liabilities		23,572.8	22,282.0
Total equity and liabilities		25,893.8	23,945.8

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 11 March 2020 and were signed on its behalf by:



Andy Parsons
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Cash flows from operating activities			
Profit/(loss) before tax		368.6	(85.5)
Loss on revaluation of land and buildings	14	–	2.9
Depreciation of property and equipment	14	4.5	1.4
Impairment of property and equipment	14	4.0	–
Amortisation of intangible assets	13	19.9	24.7
Loss on disposal of associated undertaking	35	0.3	–
Share-based payments		4.2	7.4
Interest income	2	(663.0)	(655.2)
Interest expense	5	186.7	202.8
Increase in financial investments		(1,404.0)	(720.2)
Decrease in reinsurance assets		507.2	1,046.1
Increase in prepayments and accrued income		(2.7)	(11.4)
(Increase)/decrease in insurance and other receivables		(4.2)	25.1
Increase in insurance liabilities		1,729.9	640.8
Decrease in investment contract liabilities		(143.8)	(22.9)
Decrease in deposits received from reinsurers		(489.5)	(875.7)
(Decrease)/increase in accruals and deferred income		(5.7)	10.4
Decrease in insurance and other payables		(5.7)	(7.2)
Decrease in other creditors		(44.3)	(91.2)
Interest received		364.3	375.9
Interest paid		(139.1)	(159.2)
Taxation paid		(14.9)	(36.5)
Net cash inflow/(outflow) from operating activities		272.7	(327.5)
Cash flows from investing activities			
Additions to internally generated intangible assets	13	(3.3)	(2.2)
Acquisition of property and equipment	14	(1.4)	(0.8)
Net cash outflow from investing activities		(4.7)	(3.0)
Cash flows from financing activities			
Issue of ordinary share capital (net of costs)	20	73.8	0.6
Proceeds from issue of Tier 1 notes (net of costs)	21	292.7	–
Increase in borrowings (net of costs)	24	83.9	228.5
Dividends paid	12	(0.2)	(24.4)
Coupon paid on Tier 1 notes	12	(16.8)	–
Interest paid on borrowings		(43.7)	(37.1)
Payment of lease liabilities	25	(3.1)	–
Net cash inflow from financing activities		386.6	167.6
Net increase/(decrease) in cash and cash equivalents		654.6	(162.9)
Cash and cash equivalents at 1 January		996.4	1,159.3
Cash and cash equivalents at 31 December		1,651.0	996.4
Cash available on demand		267.0	113.9
Units in liquidity funds		1,384.0	882.5
Cash and cash equivalents at 31 December	19	1,651.0	996.4

The notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

General information

Just Group plc (formerly JRP Group plc) (the “Company”) was incorporated and registered in England and Wales on 13 June 2013 as a public company limited by shares. The Company’s registered office is Vale House, Roebuck Close, Bancroft Road, Reigate, Surrey, RH2 7RU.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union effective for accounting periods commencing on or before 1 January 2019 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

As part of their assessment of going concern at 31 December 2019, the Directors have considered matters currently under development by the PRA. These include the impact of the updated regulatory expectations set out in SS3/17 “Solvency II: matching adjustment – illiquid unrated assets and equity release mortgages” and PS19/19 “Solvency II: Equity release mortgages – Part 2”, under which the Group restructured and updated its internal Lifetime Mortgage (“LTM”) securitisation. A restructure was effected on 31 December 2019 which involved a redemption of existing notes, and a restructuring and issuance of new LTM notes. The restructure removes much of the uncertainty on the level of matching adjustment relating to LTMs in the regulatory balance sheet. The Board considers, including having considered the matters below, that there is no material uncertainty in relation to going concern at 31 December 2019.

The Directors have considered the following in their assessment:

- The benefit of the equity, Restricted Tier 1 and Tier 2 capital raised during 2019, a total of £500m new capital (before issue costs), £100m of which is being used to re-finance the Partnership Life Assurance Company Limited 9.5% Tier 2 loan notes.
- Steps to improve capital efficiency during 2019, including reduction in new business volumes and cost saving initiatives.
- The projected liquidity position of the Group, current financing arrangements and contingent liabilities.
- A range of forecast scenarios with differing levels of new business and associated additional capital requirements to write anticipated levels of new business.
- Eligible own funds being in excess of minimum capital requirements in stressed scenarios, including no further capital strengthening and reduced new business volumes.
- The findings of the 2019 Group Own Risk and Solvency Assessment (“ORSA”).
- Risks arising from the UK’s withdrawal from the European Union.
- Stress and scenario testing to consider the Group’s capacity to respond to a series of relevant financial, insurance, or operational shocks or changes to financial regulations should future circumstances or events differ from current assumptions. Such testing includes assessment of the impact of a property price shock on the Group, given that the Group holds a significant proportion of its assets in Lifetime Mortgages.
- Scenarios, including those in the ORSA, where the Company ceases to write new business. However, in such a run-off scenario the going concern basis would continue to be applicable because the Group would be continuing to trade with its existing business (for example, collect premiums and administer policies) rather than ceasing to trade.
- The Group plan, which was approved by the Board in the first quarter of 2020, and in particular the forecast regulatory solvency position calculated on a Solvency II basis, which includes the impact of SS3/17 and PS 19/19 outlined above, together with regular updates to the Group’s Capital Plan.

The Directors’ assessment concluded that it remains appropriate to value assets and liabilities on the assumption that there are adequate resources to continue in business and meet obligations as they fall due for the foreseeable future, being at least 12 months from the date of signing this report, including in the event of the run-off scenarios considered above. Accordingly, the going concern basis has been adopted in the valuation of assets and liabilities.

The following new accounting standards, interpretations and amendments to existing accounting standards have been adopted by the Group with effect from 1 January 2019:

- IFRS 16, Leases (effective 1 January 2019).

The Group has adopted IFRS 16, Leases from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated. On transition to IFRS 16, the Group elected to apply IFRS 16 only to contracts that were previously identified as leases under the previous accounting standard, IAS 17. The IFRS 16 definition of a lease will only be applied to contracts entered into on or after 1 January 2019.

The Group recognises right-of-use assets and lease liabilities for all leased assets except those of low value. Lease payments associated with low value leases are recognised as an expense on a straight-line basis over the lease term. The Group presents right-of-use assets within property, plant and equipment, and presents lease liabilities on the face of the statement of financial position.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

The Group has applied judgement to determine the lease term for contracts which include renewal options or break clause options. The determined lease term reflects those options where the Group assesses the likelihood of those options being exercised to be reasonably certain.

On transition to IFRS 16, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 January 2019 of 2.5%. Right-of-use assets were measured at an amount equal to the lease liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.1 Basis of preparation continued

The impact on transition is as follows:

	1 January 2019 £m
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	(13.3)
Discounted at the incremental borrowing rate at 1 January 2019	(12.2)
Break clauses reasonably certain to be exercised	2.6
Lease liabilities recognised on transition to IFRS 16	(9.6)
Right-of-use asset presented in property, plant and equipment on transition to IFRS 16	9.6
Retained earnings	–

During the year the Group has recognised £2.8m of depreciation charges and £0.3m of interest costs from these leases.

The following new accounting standards, interpretations and amendments to existing accounting standards in issue, but not yet effective, have not been early adopted by the Group. Unless stated, the new and amended standards and interpretations are being assessed but are not expected to have a significant impact on the Group's financial statements:

- IFRS 17, Insurance Contracts (not yet endorsed by the EU).

Since May 2017, when the draft standard was issued with an effective date of 1 January 2021, the IASB has in June 2019 issued a further Exposure draft including an extension of effective date to 1 January 2022, and in March 2020, the IASB's Board will consider a further extension of the effective date.

IFRS 17 provides a comprehensive approach for accounting for insurance contracts including their valuation, income statement presentation and disclosure. The Group initiated a project in 2017 to develop measurement and reporting systems and processes which will apply to all of the Group's insurance business. The main feature of the standard applicable to annuities is the deferment of recognition of premium revenues with recognition over the life of contracts. The impact of IFRS 17 continues to be assessed but it is anticipated there is likely to be a significant change relating to the measurement and presentation of insurance contracts in the Group's statutory reporting.

The Group has not early-adopted any standard, interpretation or amendment that has been issued but is not yet effective. There are no other new accounting standards or amendments to existing accounting standards relevant to the Group effective from 1 January 2019.

1.2 Significant accounting policies and the use of judgements, estimates and assumptions

The preparation of financial statements requires the Group to select accounting policies and make estimates and assumptions that affect items reported in the Consolidated statement of comprehensive income, Consolidated statement of financial position, other primary statements and Notes to the consolidated financial statements.

The major areas of judgement used as part of accounting policy application are summarised below.

Accounting policy	Item involving judgement	Critical accounting judgement
1.6	Classification of insurance and investment contracts	Assessment of significance of insurance risk transferred.
1.18	Financial investments	Classification of financial investments, including assessment of market observability of valuation inputs.
1.18	Measurement of fair value of loans secured by residential mortgages, including measurement of the no-negative equity guarantees	The use of a variant of the Black-Scholes option pricing formula with real world assumptions. The measurement of the no-negative equity guarantee underlying the fair value of loans secured by mortgages uses a variant of the Black-Scholes option pricing formula, which has been adapted to use real world assumptions instead of risk neutral assumptions due to the lack of relevant observable market inputs to support a risk neutral valuation approach. This approach is in line with common industry practice and there does not appear to be an alternative approach that is widely supported in the industry. We acknowledge that there has been significant recent academic and market debate concerning the valuation of no-negative equity guarantees and we intend to continue to actively monitor this debate.

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Significant accounting policies and the use of judgements, estimates and assumptions continued

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may differ significantly from those estimates.

The table below sets out those items the Group considers susceptible to changes in critical estimates and assumptions together with the relevant accounting policy.

Accounting policy and notes	Item involving estimates and assumptions	Critical estimates and assumptions
1.18, 16(a) and (d)	Measurement of fair value of loans secured by residential mortgages, including measurement of the no-negative equity guarantees	The critical estimates used in valuing loans secured by residential mortgages include the projected future receipts of interest and loan repayments, and the future costs of administering the loan portfolio. The key assumptions used as part of the valuation calculation include future property prices and their volatility, mortality, the rate of voluntary redemptions and the liquidity premium added to the risk-free curve and used to discount the mortgage cash flows. Further details can be found in note 16 under 'Loans secured by residential mortgages'.
1.19, 22, 26	Measurement of reinsurance assets and deposits received from reinsurers arising from reinsurance arrangements	The critical estimates used in measuring the value of reinsurance assets include the projected future cash flows arising from reinsurers' share of the Group's insurance liabilities. The key assumptions used in the valuation include discount rates and mortality experience, as described below, and assumptions around the reinsurers' ability to meet its claim obligations. Deposits received from reinsurers are measured in accordance with the reinsurance contract and taking account of an appropriate discount rate for the timing of the expected cash flows of the liabilities. For deposits received from reinsurers measured at fair value through profit or loss, the key assumption used in the valuation is the discount rate. For deposits received from reinsurers measured using insurance rules under IFRS 4, the key assumptions used in the valuation include discount rates and mortality experience.
1.22, 22(b)	Measurement of insurance liabilities arising from writing Retirement Income insurance	The critical estimates used in measuring insurance liabilities include the projected future Retirement Income payments and the cost of administering payments to policyholders. The key assumptions are the discount rates and mortality experience used in the valuation of future Retirement Income payments. The valuation discount rates are derived from yields on supporting assets after deducting allowances for default. Mortality assumptions are derived from the appropriate standard mortality tables, adjusted to reflect the future expected mortality experience of the policyholders. Further detail can be found in note 22.

1.3 Consolidation principles

The consolidated financial statements incorporate the assets, liabilities, results and cash flows of the Company and its subsidiaries.

Subsidiaries are those investees over which the Group has control. The Group has control over an investee if all of the following are met: (1) it has power over the investee; (2) it is exposed, or has rights, to variable returns from its involvement with the investee; and (3) it has the ability to use its power over the investee to affect its own returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date on which control ceases. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated. Accounting policies of subsidiaries are aligned on acquisition to ensure consistency with Group policies.

The Group uses the acquisition method of accounting for business combinations. Under this method, the cost of acquisition is measured as the aggregate of the fair value of the consideration at date of acquisition and the amount of any non-controlling interest in the acquiree. The excess of the consideration transferred over the identifiable net assets acquired is recognised as goodwill.

The Group uses the equity method to consolidate its investments in joint ventures and associates. Under the equity method of accounting the investment is initially recognised at fair value and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint ventures and associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.4 Segments

The Group's segmental results are presented on a basis consistent with internal reporting used by the Chief Operating Decision Maker ("CODM") to assess the performance of operating segments and the allocation of resources. The CODM has been identified as the Group Executive Office Committee.

The internal reporting used by the CODM includes product information (which comprises analysis of product revenues, LTM advances and amounts written under investment contracts) and information on adjusted operating profit and profit before tax for the Group's operating segments.

Product information is analysed by product line and includes DB, GifL, Care Plans, Protection, LTM and Capped Drawdown products.

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses.

The operating segments from which the Group derives revenues and incurs expenses are as follows:

- the writing of insurance products for distribution to the at- or in-retirement market, which is undertaken through the activities of the life company (this is referred to as the insurance segment in note 6, Segmental reporting);
- the arranging of guaranteed income for life contracts and lifetime mortgages through regulated advice and intermediary services; and
- the provision of licensed software to financial advisers, banks, building societies, life assurance companies and pension trustees.

Operating segments, where certain materiality thresholds in relation to total results from operating segments are not exceeded, are combined when determining reportable segments. For segmental reporting, the arranging of guaranteed income for life contracts, providing intermediary mortgage advice and arranging, plus the provision of licensed software, are included in the Other segment along with Group activities, such as capital and liquidity management, and investment activities.

The information on adjusted operating profit and profit before tax used by the CODM is presented on a combined product basis within the insurance operating segment and is not analysed further by product.

1.5 Foreign currencies

Transactions in foreign currencies are translated to sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The assets and liabilities of foreign operations are translated to sterling at the rates of exchange at the reporting date. The revenues and expenses are translated to sterling at the average rates of exchange for the year. Foreign exchange differences arising on translation to sterling are accounted for through other comprehensive income.

1.6 Classification of insurance and investment contracts

The measurement and presentation of assets, liabilities, income and expenses arising from life and pensions business contracts is dependent upon the classification of those contracts as either insurance or investment contracts.

A contract is classified as insurance 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. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire.

Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts. Capped Drawdown pension business and Flexible Pension Plan contracts are classified as investment contracts as there is no transfer of longevity risk due to the fixed term and unit-linked natures of these respective contracts.

1.7 Premium revenue

Premium revenue in respect of individual GifL contracts is accounted for when the premiums are received, which coincides with when the liability to pay the GifL contract is established.

Premium revenue in respect of Defined Benefit De-risking contracts is accounted for when the Company becomes "on risk", which is the date from which the policy is effective. If a timing difference occurs between the date from which the policy is effective and the receipt of payment, the amount due for payment but not yet received is recognised as a receivable in the Consolidated statement of financial position.

Premium revenue in respect of Care Plans and Protection policies is recognised in the accounting period in which the insurance contract commences.

Facilitated adviser charges are not accounted for within premium revenue, and do not represent a charge on the Group.

Deposits collected under investment contracts are not accounted for through the Consolidated statement of comprehensive income, except for fee income and attributable investment income, but are accounted for directly through the Consolidated statement of financial position as an adjustment to the investment contract liability.

Reinsurance premiums payable in respect of reinsurance treaties are accounted for when the reinsurance premiums are due for payment under the terms of the contract. Reinsurance premiums previously incurred can be recaptured under certain conditions, notably once reinsurance financing for an underwriting year is fully repaid.

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.8 Net investment income

Investment income consists of interest receivable for the year and realised and unrealised gains and losses on financial assets and liabilities at fair value through profit or loss.

Interest income is recognised as it accrues.

Realised gains and losses on financial assets and liabilities occur on disposal or transfer and represent the difference between the proceeds received net of transaction costs, and the original cost.

Unrealised gains and losses arising on financial assets and liabilities represent the difference between the carrying value at the end of the year and the carrying value at the start of the year or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

1.9 Revenue from contracts with customers

The Group recognises revenue from contracts with customers in accordance with IFRS 15, in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services provided. Revenue from contracts with customers comprises fee income on initial advances made on loans secured by residential mortgages, investment management fees, administration fees, software licensing fees and commission.

1.10 Claims paid

Policyholder benefits are accounted for when due for payment. Reinsurance paid claim recoveries are accounted for in the same period as the related claim.

Death claims are accounted for when notified.

1.11 Acquisition costs

Acquisition costs comprise direct costs such as commission and indirect costs of obtaining and processing new business. Acquisition costs are not deferred as they relate to single premium business.

1.12 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration.

Where the Group is a lessee, a right-of-use asset and a lease liability are recognised at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group generally uses its incremental borrowing rate as the discount rate.

The right-of-use asset is subsequently depreciated using the straight-line method from the 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 carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured to reflect any lease modifications or reassessments.

The Group presents its right-of-use assets in "Property, plant and equipment" in the Consolidated statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Where the Group is a lessor, which is the case when it sub-lets leased properties to a third party, the leases are classified as finance leases because substantially all the risks and rewards of ownership of the underlying assets are transferred to the third-party. The right-of-use asset is derecognised and a lease receivable from third-party is recognised. Income from the sublease and interest on the original lease are recognised in the Consolidated statement of comprehensive income.

1.13 Finance costs

Finance costs on deposits received from reinsurers are recognised as an expense in the period in which they are incurred. Interest on reinsurance financing is accrued in accordance with the terms of the financing arrangements.

Interest on loans and borrowings is accrued in accordance with the terms of the loan agreement. Loan issue costs are capitalised and amortised on a straight-line basis over the term of the loan issued. Interest expense is calculated using the effective interest rate method.

1.14 Employee benefits

Defined contribution plans

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in funds managed by a third party. Obligations for contributions to the defined contribution pension scheme are recognised as an expense in profit or loss when due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.14 Employee benefits continued

Share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at grant date, determined using stochastic and scenario-based modelling techniques where appropriate. The fair value is expensed in the Consolidated statement of comprehensive income on a straight-line basis over the vesting period, with a corresponding credit to equity, based on the Group's estimate of the equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments that will eventually vest as a result of changes in non-market-based vesting conditions, and recognises the impact of the revision of original estimates in the Consolidated statement of comprehensive income over the remaining vesting period, with a corresponding adjustment to equity. Where a leaver is entitled to their scheme benefits, this is treated as an acceleration of the vesting in the period they leave. Where a scheme is modified before it vests, any change in fair value as a result of the modification is recognised over the remaining vesting period. Where a scheme is cancelled, this is treated as an acceleration in the period of the vesting of all remaining options.

1.15 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted-average number of ordinary shares outstanding during the year. The calculation of the weighted-average number of ordinary shares excludes ordinary shares held in trusts on behalf of employee share schemes.

For diluted earnings per share, the weighted-average number of ordinary shares outstanding during the year, excluding ordinary shares held in trusts on behalf of employee share schemes, is adjusted to assume conversion of potential ordinary shares, such as share options granted to employees, if their conversion would dilute earnings per share.

1.16 Intangible assets

Intangible assets consist of goodwill, which is deemed to have an indefinite useful life, Purchased Value of In-Force ("PVIF"), brand and purchased and internally developed software (including Prognosys™), which are deemed to have finite useful lives.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary and represents the future economic benefit arising from assets that are not capable of being individually identified and separately recognised. Goodwill is measured at initial value less any accumulated impairment losses. Goodwill is not amortised, but assessed for impairment annually or when circumstances or events indicate there may be uncertainty over the carrying value.

For the purpose of impairment testing, goodwill has been allocated to cash-generating units and an impairment is recognised when the carrying value of the cash-generating unit exceeds its recoverable amount. Impairment losses are recognised directly in the Consolidated statement of comprehensive income and are not subsequently reversed.

Other intangible assets are recognised if it is probable that the relevant future economic benefits attributable to the asset will flow to the Group, and are measured at cost less accumulated amortisation and any impairments.

PVIF, representing the present value of future profits from the purchased in-force business, is recognised upon acquisition and is amortised over its expected remaining economic life up to 16 years on a straight-line basis.

Prognosys™ is the Group's proprietary underwriting engine. The Group has over two million person-years of experience collected over 20 years of operations. It is enhanced by an extensive breadth of external primary and secondary healthcare data and medical literature.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group are capitalised and recognised as an intangible asset. Direct costs include the incremental software development team's employee costs. All other costs associated with researching or maintaining computer software programmes are recognised as an expense as incurred.

Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives, which range from two to 16 years. The useful lives are determined by considering relevant factors, such as usage of the asset, potential obsolescence, competitive position and stability of the industry.

For intangible assets with finite useful lives, impairment testing is performed where there is an indication that the carrying value of the assets may be subject to an impairment. An impairment loss is recognised where the carrying value of an intangible asset exceeds its recoverable amount.

The significant intangible assets recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Estimated useful economic life	Valuation method
PVIF	Up to 16 years	Estimated value in-force using European embedded value model
Brand	2 – 5 years	Estimated royalty stream if the rights were to be licensed
Distribution network	3 years	Estimated discounted cash flow
Software	2 – 3 years	Estimated replacement cost
Intellectual property	12 – 15 years	Estimated replacement cost

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.16 Intangible assets continued

The useful economic lives of intangible assets recognised by the Group other than those acquired in a business combination are as follows:

Intangible asset	Estimated useful economic life
Prognosys™	12 years
Software	3 years

1.17 Property, plant and equipment

Land and buildings are measured at their revalued amounts less subsequent depreciation, and impairment losses are recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of the revalued asset does not differ materially from its carrying value.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

Buildings are depreciated on a straight-line basis over the estimated useful lives of the buildings of 25 years.

Equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write down the cost to residual value over the estimated useful lives as follows:

Plant and equipment	Estimated useful economic life
Computer equipment	3 – 4 years
Furniture and fittings	2 – 10 years

1.18 Financial investments

Classification

The Group classifies financial investments in accordance with IAS 39 whereby, subject to specific criteria, they are accounted for at fair value through profit and loss. This comprises assets designated by management as fair value through profit or loss on inception, as they are managed on a fair value basis, and derivatives that are classified as held for trading. These investments are measured at fair value with all changes thereon being recognised in investment income in the Consolidated statement of comprehensive income.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets. Amounts payable or receivable on unsettled purchases or sales are recognised in other payables or other receivables respectively. Transaction costs are expensed through profit or loss.

Loans secured by residential mortgages are recognised when cash is advanced to borrowers.

The Group receives and pledges collateral in the form of cash or gilts in respect of derivative contracts. Collateral received is recognised as an asset in the Consolidated statement of financial position with a corresponding liability for the repayment in other financial liabilities and collateral pledged is recognised in the Consolidated statement of financial position within the appropriate asset classification when the collateral is controlled by the Group and receives the economic benefit.

Derivatives are recognised at fair value through profit or loss. The fair values are obtained from quoted market prices or, if these are not available, by using standard valuation techniques based on discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair value is positive and liabilities when the fair values are negative. The Group does not use hedge accounting.

The Group's policy is to derecognise financial investments when it is deemed that substantially all the risks and rewards of ownership have been transferred.

Use of fair value

The Group uses current bid prices to value its investments with quoted prices. Actively traded investments without quoted prices are valued using prices provided by third parties. If there is no active established market for an investment, the Group applies an appropriate valuation technique such as discounted cash flow analysis.

Determining the fair value of financial investments when the markets are not active

The Group holds certain financial investments for which the markets are not active. These comprise financial investments which are not quoted in active markets and include loans secured by residential mortgages, derivatives and other financial investments for which markets are not active. When the markets are not active, there is generally no or limited observable market data that can be used in the fair value measurement of the financial investments. The determination of whether an active market exists for a financial investment requires management's judgement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.18 Financial investments continued

If the market for a financial investment of the Group is not active, the fair value is determined using valuation techniques. The Group establishes fair value for these financial investments by using quotations from independent third parties or internally developed pricing models. The valuation technique is chosen with the objective of arriving at a fair value measurement which reflects the price at which an orderly transaction would take place between market participants on the measurement date. The valuation techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis. The valuation techniques may include a number of assumptions relating to variables such as credit risk and interest rates and, for loans secured by mortgages, mortality, future expenses, voluntary redemptions and house price assumptions. Changes in assumptions relating to these variables impact the reported fair value of these financial instruments positively or negatively.

The financial investments measured at fair value are classified into the following three-level hierarchy on the basis of the lowest level of inputs that are significant to the fair value measurement of the financial investment concerned:

Level 1: Quoted price (unadjusted) in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly (i.e. derived from prices); and

Level 3: Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

1.19 Reinsurance

Reinsurance assets

Amounts recoverable from reinsurers are measured in a consistent manner with insurance liabilities or relevant financial liabilities and are classified as reinsurance assets. If a reinsurance asset is impaired, the carrying value is reduced accordingly and that impairment loss is recognised in the Consolidated statement of comprehensive income.

Financial liabilities

Where reinsurance contracts entered into by the Group are structured to provide financing, with financing components to be repaid in future years, such amounts are classified as "reinsurance finance" and included in other financial liabilities in the Consolidated statement of financial position.

Where reinsurance contracts entered into by the Group require deposits received from reinsurers to be repaid, such amounts are classified as "deposits received from reinsurers" and included in other financial liabilities in the Consolidated statement of financial position. Where the liability carries no insurance risk, it is initially recognised at fair value at the date the deposited asset is recognised and subsequently re-measured at fair value at each balance sheet date. The resulting gain or loss is recognised in the Consolidated statement of comprehensive income. Fair value is determined as the amount payable discounted from the first date that the amount is required to be paid. All other deposits received from reinsurers are valued in accordance with the terms of the reinsurance contracts under IFRS 4, which take into account an appropriate discount rate for the timing of expected cash flows. It should be noted that the reinsurance recoverable amount is set equal to the value of the deposit in line with the financing nature of this reinsurance and anticipating that underwriting years will eventually be recaptured. See note 28 for further information on reinsurance recaptures.

Amounts receivable/payable

Where reinsurance contracts the Group has entered into include longevity swap arrangements, such contracts are settled on a net basis and amounts receivable from or payable to the reinsurers are included in the appropriate heading under either Insurance and other receivables or Insurance and other payables.

1.20 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, and other short-term highly liquid investments with less than 90 days' maturity from the date of acquisition.

1.21 Equity

The difference between the proceeds received on issue of the shares, net of share issue costs, and the nominal value of the shares issued is credited to the share premium account.

Interim dividends are recognised in equity in the year in which they are paid. Final dividends are recognised when they have been approved by shareholders.

Where the Company purchases shares for the purposes of employee incentive plans, the consideration paid, net of issue costs, is deducted from equity. Upon issue or sale, any consideration received is credited to equity net of related costs.

The reserve arising on the reorganisation of the Group represents the difference in the value of the shares in the Company and the value of shares in Just Retirement Group Holdings Limited for which they were exchanged as part of the Group reorganisation in November 2013.

1.22 Insurance liabilities

Measurement

Long-term insurance liabilities arise from the Group writing Retirement Income contracts, including Defined Benefit De-risking Solutions, long-term care insurance, and whole of life and term protection insurance. Their measurement uses estimates of projected future cash flows arising from payments to policyholders plus the costs of administering them. Valuation of insurance liabilities is derived using discount rates, adjusted for default allowance, and mortality assumptions, taken from the appropriate mortality tables and adjusted to reflect actual and expected experience.

Liability adequacy test

The Group performs adequacy testing on its insurance liabilities to ensure the carrying amount is sufficient to cover the current estimate of future cash flows. Any deficiency is immediately charged to the Consolidated statement of comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES continued**1.23 Investment contract liabilities**

Investment contracts are measured at fair value through profit or loss in accordance with IAS 39. The fair value of investment contracts is estimated using an internal model and determined on a policy-by-policy basis using a prospective valuation of future Retirement Income benefit and expense cash flows.

1.24 Loans and borrowings

Loans and borrowings are initially recognised at fair value, net of transaction costs, and subsequently amortised through profit or loss over the period to maturity at the effective rate of interest required to recognise the discounted estimated cash flows to maturity.

1.25 Other provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recorded as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the provision is the present value of the expected expenditure.

1.26 Taxation

The current tax expense is based on the taxable profits for the year, using tax rates substantively enacted at the Consolidated statement of financial position date, and after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary differences arise from the revaluation of certain financial assets and liabilities, including technical provisions and other insurance items and tax losses carried forward, and include amortised transitional tax adjustments resulting from changes in tax basis.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 NET INVESTMENT INCOME

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest income:		
Assets at fair value through profit or loss	663.0	655.2
Movement in fair value:		
Financial assets and liabilities designated on initial recognition at fair value through profit or loss	658.8	(447.3)
Derivative financial instruments (note 27)	129.9	(65.3)
Total net investment income	1,451.7	142.6

3 ACQUISITION COSTS

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Commission	14.8	19.2
Other acquisition expenses	20.4	33.2
Total acquisition costs	35.2	52.4

4 OTHER OPERATING EXPENSES

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Personnel costs (note 9)	108.0	118.7
Investment expenses and charges	13.9	16.3
Depreciation of equipment	4.5	1.4
Operating lease rentals: land and buildings	–	2.4
Amortisation of intangible assets	19.9	24.7
Impairment of property, plant and equipment	4.0	–
Other costs	77.5	91.3
Total other operating expenses	227.8	254.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4 OTHER OPERATING EXPENSES continued

During the year the following services were provided by the Group's auditor at costs as detailed below:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Fees payable for the audit of the Parent Company and consolidated accounts	250	125
Fees payable for other services:		
The audit of the Company's subsidiaries pursuant to legislation	950	885
Corporate finance services	95	1,155
Audit-related assurance services	710	653
Other assurance services	218	222
Auditor remuneration	2,223	3,040

Audit-related assurance services mainly include fees relating to the audit of the Group's Solvency II regulatory returns. Other assurance services mainly include fees relating to review procedures in relation to the Group's interim results. Corporate finance services relate to due diligence and reporting accountant services.

5 FINANCE COSTS

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest payable on deposits received from reinsurers	139.0	159.2
Interest payable on subordinated debt	44.0	39.9
Other interest payable	3.7	3.7
Total finance costs	186.7	202.8

The interest payable on deposits received from reinsurers is as defined by the respective reinsurance treaties and calculated with reference to the risk-adjusted yield on the relevant backing asset portfolio.

6 SEGMENTAL REPORTING

Adjusted operating profit

The Group reports adjusted operating profit as an alternative measure of profit which is used for decision making and performance measurement. The Board believes that adjusted operating profit, which excludes effects of short-term economic and investment changes, provides a better view of the longer-term performance and development of the business and aligns with the longer-term nature of the products. The underlying operating profit represents a combination of both the profit generated from new business written in the year and profit expected to emerge from the in-force book of business based on current assumptions. Actual operating experience, where different from that assumed at the start of the year, and the impacts of changes to future operating assumptions applied in the year, are then also included in arriving at adjusted operating profit.

New business profits represent expected investment returns on financial instruments backing shareholder and policyholder funds after allowances for expected movements in liabilities and acquisition costs. Profits arising from the in-force book of business represent the expected return on surplus assets, the expected unwind of prudent reserves above best estimates for mortality, expenses, corporate bond defaults and, with respect to lifetime mortgages, no-negative equity guarantee and early redemptions.

Adjusted operating profit excludes the impairment and amortisation of goodwill and other intangible assets arising on consolidation, non-recurring and project expenditure, implementation costs for cost-saving initiatives, and investment and economic profits, since these items arise outside the normal course of business in the year. Adjusted operating profit also excludes exceptional items. Exceptional items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance.

Variances between actual and expected investment returns due to economic and market changes, and gains and losses on the revaluation of land and buildings (including the properties underlying the LTMs), are also disclosed outside adjusted operating profit.

Segmental analysis

The insurance segment writes insurance products for the retirement market – which include Guaranteed Income for Life Solutions, Defined Benefit De-risking Solutions, Care Plans, Flexible Pension Plans and Protection – and invests the premiums received from these contracts in debt securities, gilts, liquidity funds and Lifetime Mortgage advances.

The professional services business, HUB, is included with other corporate companies in the Other segment. This business is not currently sufficiently significant to separate from other companies' results. The Other segment also includes the Group's corporate activities that are primarily involved in managing the Group's liquidity, capital and investment activities.

The Group operates in one material geographical segment, which is the United Kingdom.

6 SEGMENTAL REPORTING continued**Segmental reporting and reconciliation to financial information**

	Year ended 31 December 2019			Year ended 31 December 2018		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
New business operating profit	182.0	–	182.0	243.7	–	243.7
In-force operating profit	82.6	1.8	84.4	69.2	2.5	71.7
Underlying operating profit	264.6	1.8	266.4	312.9	2.5	315.4
Operating experience and assumption changes	42.2	–	42.2	(33.5)	–	(33.5)
Other Group companies' operating results	–	(13.1)	(13.1)	–	(14.6)	(14.6)
Development expenditure	(7.1)	(3.2)	(10.3)	(6.4)	(2.3)	(8.7)
Reinsurance and financing costs	(61.5)	(5.1)	(66.6)	(45.8)	(2.5)	(48.3)
Adjusted operating profit before tax	238.2	(19.6)	218.6	227.2	(16.9)	210.3
Non-recurring and project expenditure	(3.8)	(4.5)	(8.3)	(4.3)	(15.3)	(19.6)
Implementation of cost saving initiatives	(13.3)	(0.2)	(13.5)	–	–	–
Investment and economic profits/(losses)	173.7	0.1	173.8	(251.0)	(1.0)	(252.0)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	14.0	2.8	16.8	–	–	–
Profit/(loss) before amortisation costs and tax	408.8	(21.4)	387.4	(28.1)	(33.2)	(61.3)
Amortisation costs			(18.8)			(24.2)
Profit/(loss) before tax			368.6			(85.5)

Segmental revenue

All net premium revenue arises from the Group's insurance segment. Net investment income of £1,450.2m arose from the insurance segment and £1.5m arose from other segments (2018: £141.3m and £1.3m respectively). Segmental fee and commission income is presented in the disaggregation of revenue from contracts with customers below.

Product information analysis

Additional analysis relating to the Group's products is presented below. The Group's products are from one material geographical segment, which is the United Kingdom. The Group's gross premiums written, as shown in the Consolidated statement of comprehensive income, is analysed by product below:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Defined Benefit De-risking Solutions ("DB")	1,231.3	1,314.2
Guaranteed Income for Life contracts ("GIFL")	615.7	786.5
Care Plans ("CP")	71.1	72.8
Protection	2.9	3.4
Gross premiums written	1,921.0	2,176.9

Drawdown and LTM products are accounted for as investment contracts and financial investments respectively in the statement of financial position. An analysis of the amounts advanced during the year for these products is shown below:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Drawdown	26.7	51.0
LTM loans advanced	415.8	602.1

Reconciliation of gross premiums written to Retirement Income sales

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Gross premiums written	1,921.0	2,176.9
Protection sales not included in Retirement Income sales	(2.9)	(3.4)
Retirement Income sales	1,918.1	2,173.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6 SEGMENTAL REPORTING continued

Disaggregation of revenue from contracts with customers

	Year ended 31 December 2019			Year ended 31 December 2018		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
Product/service						
LTM set-up fees	0.2	–	0.2	0.5	–	0.5
LTM commission and advice fees	–	1.7	1.7	–	1.7	1.7
GfL commission	–	4.4	4.4	–	1.8	1.8
FPP fees	0.7	0.2	0.9	0.6	0.1	0.7
DB fees	0.6	–	0.6	–	–	–
Other	0.5	4.4	4.9	0.4	3.1	3.5
	2.0	10.7	12.7	1.5	6.7	8.2
Timing of revenue recognition						
Products transferred at point in time	1.3	10.3	11.6	0.9	6.4	7.3
Products and services transferred over time	0.7	0.4	1.1	0.6	0.3	0.9
Revenue from contracts with customers	2.0	10.7	12.7	1.5	6.7	8.2

All revenue from contracts with customers is from the UK.

7 INCOME TAX

Income tax recognised in profit or loss

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Current taxation		
Current year	67.9	(9.8)
Adjustments in respect of prior periods	(2.9)	2.1
Total current tax	65.0	(7.7)
Deferred taxation		
Origination and reversal of temporary differences	1.8	(12.9)
Adjustments in respect of prior periods	(0.5)	(0.9)
Rate change	(0.1)	0.3
Total deferred tax	1.2	(13.5)
Total income tax recognised in profit or loss	66.2	(21.2)

Changes to the UK corporation tax rates reducing the main rate to 17% from 1 April 2020 were substantively enacted on 6 September 2016. This change will reduce the Group's future tax charge accordingly. Deferred taxes have been measured using the enacted tax rates at the balance sheet date.

The deferred tax assets and liabilities at 31 December 2019 have been calculated based on the rate at which they are expected to reverse.

7 INCOME TAX continued**Reconciliation of total income tax to the applicable tax rate**

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit/(loss) on ordinary activities before tax	368.6	(85.5)
Income tax at 19% (2018: 19%)	70.0	(16.2)
Effects of:		
Expenses not deductible for tax purposes	1.1	1.0
Rate change	(0.2)	0.1
Higher rate for overseas income	(0.3)	(0.3)
Unrecognised deferred tax asset	1.8	1.3
Losses utilised/carried back	–	(0.1)
Adjustments in respect of prior periods	(3.4)	1.2
Deferred tax not previously recognised	–	(9.1)
Relief on Tier 1 interest included in equity	(3.2)	–
Other	0.4	0.9
Total income tax recognised in profit or loss	66.2	(21.2)

Income tax recognised in other comprehensive income

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Deferred taxation		
Revaluation of land and buildings	–	0.9
Total deferred tax	–	0.9
Total income tax recognised in other comprehensive income	–	0.9

The tax adjustments in respect of prior periods represent agreements with HMRC in respect of prior years' enquiries.

Taxation of life insurance companies was fundamentally changed following the publication of the Finance Act 2012. Since 1 January 2013, life insurance tax has been based on financial statements; prior to this date, the basis for profits chargeable to corporation tax was surplus arising within the Pillar 1 regulatory regime. Cumulative differences arising between the two bases, which represent the differences in retained profits and taxable surplus which are not excluded items for taxation, are brought back into the computation of taxable profits. However, legislation provides for transitional arrangements whereby such differences are amortised on a straight-line basis over a ten year period from 1 January 2013. Similarly, the resulting cumulative transitional adjustments for tax purposes in adoption of IFRS will be amortised on a straight-line basis over a ten year period from 1 January 2016. The tax charge for the year to 31 December 2019 includes profits chargeable to corporation tax arising from amortisation of transitional balances of £2.5m (2018: £2.5m).

Tax balances included within these financial statements include the use of estimates and assumptions which are based on management's best knowledge of current circumstances and future events and actions. This includes the determination of tax liabilities and recoverables for uncertain tax positions. The actual outcome may differ from the estimated position.

8 REMUNERATION OF DIRECTORS

Information concerning individual Directors' emoluments, interests and transactions is given in the Directors' Remuneration Report. For the purposes of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the Directors in the year was £2.7m (2018: £4.4m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2018: £nil). The aggregate net value of share awards granted to the Directors in the year was £1.1m (2018: £2.7m). The net value has been calculated by reference to the closing middle-market price of an ordinary share at the date of grant. Two Directors exercised share options during the year with an aggregate gain of £0.3m (2018: two Directors exercised options with an aggregate gain of £5k).

9 STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including Directors) during the financial year, analysed by category, was as follows:

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
Directors	7	9
Senior management	118	120
Staff	955	1,007
Average number of staff	1,080	1,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9 STAFF NUMBERS AND COSTS continued

The aggregate personnel costs were as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Wages and salaries	89.7	96.6
Social security costs	8.9	9.0
Other pension costs	4.2	4.3
Share-based payment expense	5.2	8.8
Total personnel costs	108.0	118.7

The Company does not have any employees.

10 EMPLOYEE BENEFITS

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable to the fund and amounted to £4.2m (2018: £4.3m).

Employee share plans

The Group operates a number of employee share option and share award plans. Details of those plans are as follows:

Share options

Just Retirement Group plc 2013 Long Term Incentive Plan ("LTIP")

The Group has made awards under the LTIP to Executive Directors and other senior managers. Awards are made in the form of nil-cost options which become exercisable on the third anniversary of the grant date, subject to the satisfaction of service and performance conditions set out in the Directors' Remuneration Report. Options are exercisable until the tenth anniversary of the grant date. Options granted since 2018 are subject to a two year holding period after the options have been exercised.

The options are accounted for as equity-settled schemes.

The number and weighted-average remaining contractual life of outstanding options under the LTIP are as follows:

	Year ended 31 December 2019 Number of options	Year ended 31 December 2018 Number of options
Outstanding at 1 January	17,595,308	15,736,774
Granted	4,755,178	4,498,115
Forfeited	(2,402,172)	(23,303)
Exercised	(2,567,282)	(357,912)
Expired	(2,184,689)	(2,258,366)
Outstanding at 31 December	15,196,343	17,595,308
Exercisable at 31 December	3,255,678	3,203,315
Weighted-average share price at exercise (£)	0.54	1.11
Weighted-average remaining contractual life (years)	1.15	1.13

The exercise price for options granted under the LTIP is nil.

10 EMPLOYEE BENEFITS continued

During the year to 31 December 2019, awards of LTIPs were made on 16 May 2019. The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the LTIP are as follows:

Fair value at grant date	£0.51
Option pricing models used	Black-Scholes, Stochastic, Finnerty
Share price at grant date	£0.60
Exercise price	Nil
Expected volatility – TSR performance	40.03%
Expected volatility – holding period	43.48%
Option life	2-3 years + 2 year holding period
Dividends	Nil
Risk-free interest rate – TSR performance	0.70%
Risk-free interest rate – holding period	0.81%

A Black-Scholes option pricing model is used where vesting is related to an earnings per share target, a Stochastic model is used where vesting is related to a total shareholder return target, and a Finnerty model is used to model the holding period.

Deferred share bonus plan (“DSBP”)

The DSBP is operated in conjunction with the Group’s short-term incentive plan for Executive Directors and other senior managers of the Company or any of its subsidiaries, as explained in the Directors’ Remuneration Report. Awards are made in the form of nil-cost options which become exercisable on the third anniversary, and until the tenth anniversary, of the grant date.

The options are accounted for as equity-settled schemes.

The number and weighted-average remaining contractual life of outstanding options under the DSBP are as follows:

	Year ended 31 December 2019 Number of options	Year ended 31 December 2018 Number of options
Outstanding at 1 January	3,864,558	2,959,716
Granted	1,635,528	925,734
Forfeited	(503,412)	–
Exercised	(708,981)	(20,892)
Outstanding at 31 December	4,287,693	3,864,558
Exercisable at 31 December	1,656,365	1,641,831
Weighted-average share price at exercise (£)	0.60	0.74
Weighted-average remaining contractual life (years)	0.94	1.02

The exercise price for options granted under the DSBP is nil.

During the year to 31 December 2019, awards of DSBPs were made on 28 March 2019. The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the DSBP are as follows:

Fair value at grant date	£0.62
Option pricing model used	Black-Scholes
Share price at grant date	£0.62
Exercise price	Nil
Expected volatility	Nil
Option life	3 years
Dividends	Nil
Risk-free interest rate	Nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10 EMPLOYEE BENEFITS continued

Save As You Earn ("SAYE") scheme

The Group operates SAYE plans for all employees, allowing a monthly amount to be saved from salaries over either a three or five year period which can be used to purchase shares in the Company at a predetermined price. The employee must remain in employment for the duration of the saving period and satisfy the monthly savings requirement (except in "good leaver" circumstances). Options are exercisable for up to six months after the saving period.

The options are accounted for as equity-settled schemes.

The number, weighted-average exercise price, weighted-average share price at exercise, and weighted-average remaining contractual life of outstanding options under the SAYE are as follows:

	Year ended 31 December 2019		Year ended 31 December 2018	
	Number of options	Weighted-average exercise price £	Number of options	Weighted-average exercise price £
Outstanding at 1 January	4,556,383	1.12	4,401,381	1.12
Granted	10,313,555	0.52	1,544,255	1.18
Forfeited	(366,991)	0.74	(348,098)	1.13
Cancelled	(4,146,082)	0.99	(632,207)	1.13
Exercised	–	–	(285,347)	1.24
Expired	(403,677)	1.20	(123,601)	1.25
Outstanding at 31 December	9,953,188	0.56	4,556,383	1.12
Exercisable at 31 December	189,815	0.73	69,981	1.36
Weighted-average share price at exercise		–		1.42
Weighted-average remaining contractual life (years)		2.61		2.01

The range of exercise prices of options outstanding at the end of the year are as follows:

	2019 Number of options outstanding	2018 Number of options outstanding
£0.52	9,242,042	–
£1.07	387,498	2,581,382
£1.13	36,135	81,640
£1.18	268,604	1,335,184
£1.20	–	445,922
£1.27	12,791	61,973
£1.47	6,118	50,282
Total	9,953,188	4,556,383

During the year to 31 December 2019, awards of SAYEs were made on 8 May 2019. The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the SAYE are as follows:

Fair value at grant date	£0.26
Option pricing model used	Black-Scholes
Share price at grant date	£0.66
Exercise price	£0.52
Expected volatility – 3 year scheme	44.64%
Expected volatility – 5 year scheme	40.56%
Option life	3.32 or 5.32 years
Dividends	Nil
Risk-free interest rate – 3 year scheme	0.74%
Risk-free interest rate – 5 year scheme	0.84%
Saving forfeit discounts	5%

10 EMPLOYEE BENEFITS continued**Share-based payment expense**

The share-based payment expense recognised in the Consolidated statement of comprehensive income for employee services receivable during the year is as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Equity-settled schemes	5.2	8.8
Total expense	5.2	8.8

11 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on dividing the profit or loss attributable to equity holders of the Company by the weighted-average number of ordinary shares outstanding, and by the diluted weighted-average number of ordinary shares potentially outstanding at the end of the year. The weighted-average number of ordinary shares excludes shares held by the Employee Benefit Trust on behalf of the Company to satisfy future exercises of employee share scheme awards.

	Year ended 31 December 2019			Year ended 31 December 2018		
	Earnings £m	Weighted- average number of shares million	Earnings per share pence	Earnings £m	Weighted- average number of shares million	Earnings per share pence
Profit attributable to equity holders of Just Group plc	302.6			(63.7)		
Coupon payments in respect of Tier 1 notes (net of tax)	(16.8)			–		
Profit attributable to ordinary equity holders of Just Group plc (Basic)	285.8	1,007.5	28.37	(63.7)	932.7	(6.83)
Effect of potentially dilutive share options ¹	–	13.1	(0.37)	–	–	–
Diluted	285.8	1,020.6	28.00	(63.7)	932.7	(6.83)

1 The weighted-average number of share options in 2018 that could potentially dilute basic earnings per share in the future but are not included in diluted EPS because they would be antidilutive was 12.9 million share options.

12 DIVIDENDS

Dividends paid in the year were as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Final dividend:		
– in respect of the year ended 31 December 2017 (2.55 pence per share, paid on 25 May 2018)	–	23.8
Dividends paid on the vesting of employee share schemes	0.2	0.6
Total dividends paid	0.2	24.4
Coupon payments in respect of Tier 1 notes ¹	16.8	–
Total distributions to equity holders in the period	17.0	24.4

1 Coupon payments on Tier 1 notes issued in March 2019 are treated as an appropriation of retained profits and, accordingly, are accounted for when paid.

The Board considers it appropriate not to pay a final dividend for 2019 (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13 INTANGIBLE ASSETS

Year ended 31 December 2019	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	PrognoSys™ and other intellectual property £m	Software £m	Leases £m	Total £m
Cost								
At 1 January 2019	34.9	200.0	26.6	5.6	7.9	26.1	2.0	303.1
Additions	–	–	–	–	–	3.3	–	3.3
At 31 December 2019	34.9	200.0	26.6	5.6	7.9	29.4	2.0	306.4
Amortisation and impairment								
At 1 January 2019	(0.8)	(71.9)	(25.7)	(5.6)	(2.0)	(24.1)	(2.0)	(132.1)
Charge for the year	–	(17.8)	(0.9)	–	(0.6)	(0.6)	–	(19.9)
At 31 December 2019	(0.8)	(89.7)	(26.6)	(5.6)	(2.6)	(24.7)	(2.0)	(152.0)
Net book value at 31 December 2019	34.1	110.3	–	–	5.3	4.7	–	154.4
Net book value at 31 December 2018	34.1	128.1	0.9	–	5.9	2.0	–	171.0

Year ended 31 December 2018	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	PrognoSys™ and other intellectual property £m	Software £m	Leases £m	Total £m
Cost								
At 1 January 2018	33.9	200.0	26.6	5.6	7.4	25.4	2.0	300.9
Additions	1.0	–	–	–	0.5	0.7	–	2.2
At 31 December 2018	34.9	200.0	26.6	5.6	7.9	26.1	2.0	303.1
Amortisation and impairment								
At 1 January 2018	(0.8)	(54.0)	(22.4)	(5.6)	(1.4)	(21.2)	(2.0)	(107.4)
Charge for the year	–	(17.9)	(3.3)	–	(0.6)	(2.9)	–	(24.7)
At 31 December 2018	(0.8)	(71.9)	(25.7)	(5.6)	(2.0)	(24.1)	(2.0)	(132.1)
Net book value at 31 December 2018	34.1	128.1	0.9	–	5.9	2.0	–	171.0
Net book value at 31 December 2017	33.1	146.0	4.2	–	6.0	4.2	–	193.5

Amortisation and impairment charge

The amortisation and impairment charge is recognised in other operating expenses in profit or loss.

Impairment testing

Goodwill is tested for impairment in accordance with IAS 36, Impairment of Assets, at least annually.

The Group's goodwill of £34.1m at 31 December 2019 represents £1.0m recognised on the 2018 acquisition of Corinthian Group Limited, £0.3m recognised on the 2016 acquisition of the Partnership Assurance Group and £32.8m on the 2009 acquisition by Just Retirement Group Holdings Limited of Just Retirement (Holdings) Limited, the holding company of Just Retirement Limited ("JRL").

The existing goodwill has been allocated to the insurance segment as the cash-generating unit. The recoverable amounts of goodwill have been determined from value-in-use. The key assumptions of this calculation are noted below:

	2019	2018
Period on which management approved forecasts are based	5 years	5 years
Discount rate (pre-tax)	10.3%	10.0%

The value-in-use of the insurance operating segment is considered by reference to latest business plans over the next five years, which reflect management's best estimate of future profits based on historical experience, expected growth rates and assumptions around market share, customer numbers, expense inflation and mortality rates. A stressed scenario that assumes no growth in sales for the next five years and discount rate of 20% is also considered. The outcome of the impairment assessment under both scenarios is that the goodwill in respect of the insurance operating segment is not impaired and that the value-in-use is higher than the carrying value of goodwill and net assets.

Any reasonably possible changes in assumption will not cause the carrying value of the goodwill to exceed the recoverable amounts.

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £m	Computer equipment £m	Furniture and fittings £m	Right-of-use assets £m	Total £m
Year ended 31 December 2019					
Cost or valuation					
At 1 January 2019	17.9	6.8	5.7	–	30.4
Recognition of right-of-use assets on initial application of IFRS 16	–	–	–	9.6	9.6
Adjusted balance at 1 January 2019	17.9	6.8	5.7	9.6	40.0
Acquired during the year	–	0.9	0.5	5.7	7.1
Disposal cost	–	–	–	(3.4)	(3.4)
At 31 December 2019	17.9	7.7	6.2	11.9	43.7
Depreciation and impairment					
At 1 January 2019	(0.1)	(5.6)	(3.3)	–	(9.0)
Disposal	–	–	–	0.6	0.6
Impairment	–	–	(1.9)	(2.1)	(4.0)
Depreciation charge of the year	(0.6)	(0.6)	(0.5)	(2.8)	(4.5)
At 31 December 2019	(0.7)	(6.2)	(5.7)	(4.3)	(16.9)
Net book value at 31 December 2019	17.2	1.5	0.5	7.6	26.8
Net book value at 31 December 2018	17.8	1.2	2.4	–	21.4
Year ended 31 December 2018					
Cost or valuation					
At 1 January 2018	16.6	6.0	5.7	–	28.3
Acquired during the year	–	0.8	–	–	0.8
Disposed of during the year	1.3	–	–	–	1.3
At 31 December 2018	17.9	6.8	5.7	–	30.4
Depreciation					
At 1 January 2018	(0.7)	(5.1)	(2.9)	–	(8.7)
Eliminated on revaluation	1.1	–	–	–	1.1
Charge for the year	(0.5)	(0.5)	(0.4)	–	(1.4)
At 31 December 2018	(0.1)	(5.6)	(3.3)	–	(9.0)
Net book value at 31 December 2018	17.8	1.2	2.4	–	21.4
Net book value at 31 December 2017	15.9	0.9	2.8	–	19.6

Included in freehold land and buildings is land of value £4.4m (2018: £4.4m).

The Company's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's freehold land and buildings as at 15 November 2018 were performed by Hurst Warne & Partners Surveyors Ltd, independent valuers not related to the Company. Hurst Warne & Partners Surveyors Ltd is registered for regulation by the Royal Institution of Chartered Surveyors ("RICS"). The valuation was undertaken by a RICS registered valuer. The valuer has sufficient current local knowledge of the particular market, and the knowledge, skills and understanding to undertake the valuation competently. The fair value of the freehold land was undertaken using a residual valuation assuming a new build office on each site to an exact equivalent size as currently and disregarding the possibility of developing any alternative uses or possible enhancements. The fair value of the buildings was determined based on open market comparable evidence of market rent. The fair value measurement of revalued land and buildings has been categorised as Level 3 within the fair value hierarchy based on the non-observable inputs to the valuation technique used.

Revaluations during 2018 comprise a loss of £2.9m recognised in profit or loss, a gain of £5.3m recognised in other comprehensive income (gross of tax of £0.9m), and the elimination of depreciation on the revaluations of £1.1m.

Right-of-use assets are property assets leased by the Group (see note 25). Impairments arising in the year relate to onerous property leases resulting from the Group's rationalisation of its office locations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15 FINANCIAL INVESTMENTS

All of the Group's financial investments are measured at fair value through the profit or loss, and are either designated as such on initial recognition or, in the case of derivative financial assets, classified as held for trading.

	Fair value		Cost	
	2019 £m	2018 £m	2019 £m	2018 £m
Units in liquidity funds	1,384.0	882.5	1,384.0	882.5
Investment funds	137.3	182.0	137.2	182.8
Debt securities and other fixed income securities	10,387.8	9,518.3	9,696.8	8,858.5
Deposits with credit institutions	104.6	153.4	104.6	153.4
Derivative financial assets	237.0	81.2	–	–
Loans secured by residential mortgages	7,980.5	7,191.5	4,778.3	4,847.6
Loans secured by commercial mortgages	494.5	392.3	477.8	385.9
Other loans	880.3	749.1	795.0	711.8
Recoveries from reinsurers on investment contracts	–	102.2	–	101.2
Total	21,606.0	19,252.5	17,373.7	16,123.7

The majority of investments included in debt securities and other fixed income securities are listed investments.

Units in liquidity funds comprise wholly of units in funds which invest in cash and cash equivalents.

Deposits with credit institutions with a carrying value of £103.1m (2018: £152.6m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

16 FAIR VALUE

(a) Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1

Inputs to Level 1 fair values are unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date.

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- quoted prices for similar assets and liabilities in active markets;
- quoted prices for identical assets or similar assets in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which very little information is released publicly;
- inputs other than quoted prices that are observable for the asset or liability; and
- market-corroborated inputs.

Where the Group uses broker/asset manager quotes and no information as to observability of inputs is provided by the broker/asset manager, the investments are classified as follows:

- where the broker/asset manager price is validated by using internal models with market-observable inputs and the values are similar, the investment is classified as Level 2; and
- in circumstances where internal models are not used to validate broker/asset manager prices, or the observability of inputs used by brokers/asset managers is unavailable, the investment is classified as Level 3.

The majority of the Group's debt securities held at fair value and financial derivatives are valued using independent pricing services or third party broker quotes, and therefore classified as Level 2.

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the same assumptions as those that the market participant would use in pricing the asset or liability.

16 FAIR VALUE continued

The Group's assets and liabilities held at fair value which are valued using valuation techniques for which significant observable market data is not available and classified as Level 3 include loans secured by mortgages, asset-backed securities, investment contract liabilities, and deposits received from reinsurers. There are no non-recurring fair value measurements as at 31 December 2019 (2018: nil).

(b) Analysis of assets and liabilities held at fair value according to fair value hierarchy

	2019				2018			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value								
Units in liquidity funds	1,378.0	6.0	–	1,384.0	877.7	4.8	–	882.5
Investment funds	–	25.5	111.8	137.3	–	112.2	69.8	182.0
Debt securities and other fixed income securities	984.5	8,674.1	729.2	10,387.8	918.0	7,984.3	616.0	9,518.3
Deposits with credit institutions	103.1	1.5	–	104.6	152.6	0.8	–	153.4
Derivative financial assets	–	233.0	4.0	237.0	1.8	79.4	–	81.2
Loans secured by residential mortgages	–	–	7,980.5	7,980.5	–	–	7,191.5	7,191.5
Loans secured by commercial mortgages	–	–	494.5	494.5	–	–	392.3	392.3
Other loans	4.1	40.3	835.9	880.3	–	25.9	723.2	749.1
Recoveries from reinsurers on investment contracts	–	–	–	–	–	–	102.2	102.2
Total	2,469.7	8,980.4	10,155.9	21,606.0	1,950.1	8,207.4	9,095.0	19,252.5
Liabilities held at fair value								
Investment contract liabilities	–	–	54.0	54.0	–	–	197.8	197.8
Derivative financial liabilities	–	248.4	–	248.4	–	178.3	–	178.3
Obligations for repayment of cash collateral received	62.8	–	–	62.8	3.2	0.2	–	3.4
Deposits received from reinsurers	–	–	2,417.7	2,417.7	–	–	2,443.5	2,443.5
Other financial liabilities	62.8	248.4	2,471.7	2,782.9				
Loans and borrowings at amortised cost	–	998.2	–	998.2	–	618.1	–	618.1
Total	62.8	1,246.6	2,471.7	3,781.1	3.2	796.6	2,641.3	3,441.1

(c) Transfers between levels

The Group's policy is to assess pricing source changes and determine transfers between levels as of the end of each half-yearly reporting period. During the year transfers from Level 2 to Level 1 were £570.7m (2018: £485.7m). Transfers from Level 2 to Level 3 include debt securities for which there is no longer observable prices and derivative financial assets for which current market values after the initial trade are not available. The transfer from Level 3 to Level 2 in the year ended 31 December 2018 followed a change in the availability of market prices for specific bonds.

(d) Level 3 assets and liabilities measured at fair value

Reconciliation of the opening and closing recorded amount of Level 3 assets and liabilities held at fair value.

	Investment funds £m	Debt securities and other fixed income securities £m	Derivative financial assets £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Other loans £m	Recoveries from reinsurers on investment contracts £m	Investment contract liabilities £m	Deposits received from reinsurers £m
Year ended 31 December 2019									
At 1 January 2019	69.8	616.0	–	7,191.5	392.3	723.2	102.2	(197.8)	(2,443.5)
Purchases/advances/deposits	68.2	72.7	–	415.8	97.7	76.7	51.3	(26.7)	(1.5)
Transfers from Level 2	–	50.4	3.3	–	–	–	–	–	–
Sales/redemptions/payments	(26.0)	(4.3)	–	(337.9)	(5.8)	(11.0)	(160.4)	78.3	221.1
Realised gains and losses recognised in profit or loss within net investment income	0.1	0.3	–	102.1	–	–	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income ¹	(0.3)	(1.4)	0.7	338.1	9.8	47.0	6.9	–	(107.3)
Interest accrued	–	(4.5)	–	270.9	0.5	–	–	–	(86.5)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	92.2	–
At 31 December 2019	111.8	729.2	4.0	7,980.5	494.5	835.9	–	(54.0)	(2,417.7)

1 Includes the impact of property growth experience changes, a charge of £33m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16 FAIR VALUE continued

Year ended 31 December 2018	Investment funds £m	Debt securities and other fixed income securities £m	Derivative financial assets £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Other loans £m	Recoveries from reinsurers on investment contracts £m	Investment contract liabilities £m	Deposits received from reinsurers £m
At 1 January 2018	–	740.5	–	6,833.3	215.4	433.3	72.3	(220.7)	(2,654.1)
Purchases/advances/deposits	79.0	78.1	–	602.1	177.8	295.5	54.6	(51.0)	(20.2)
Transfers to Level 2	–	(158.3)	–	–	–	–	–	–	–
Sales/redemptions/payments	(9.7)	(26.6)	–	(297.2)	(18.0)	(4.7)	(24.5)	73.5	227.7
Realised gains and losses recognised in profit or loss within net investment income	–	(2.4)	–	78.7	–	–	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income ¹	–	(9.7)	–	(291.4)	27.1	(0.9)	(0.2)	–	92.0
Interest accrued	0.5	(5.6)	–	266.0	(10.0)	–	–	–	(88.9)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	0.4	–
At 31 December 2018	69.8	616.0	–	7,191.5	392.3	723.2	102.2	(197.8)	(2,443.5)

1 Includes the impact of changes in assumptions in respect of the valuation of loans secured by residential mortgages of £112m, which includes £61m in relation to property growth assumptions and £51m in relation to property volatility assumptions.

For Level 1 and Level 2 assets measured at fair value, unrealised gains during the year were gains of £15.7m and £284.8m respectively (year ended 31 December 2018: losses of £66.3m and £181.0m respectively).

Investment funds

Investment funds classified as Level 3 are structured entities that operate under contractual arrangements which allow a group of investors to invest in a pool of corporate loans without any one investor having overall control of the entity.

Principal assumptions underlying the calculation of investment funds classified as Level 3

Discount rate

Discount rates are the most significant assumption applied in calculating the fair value of investment funds. The average discount rate used is 7.0%.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The Group has estimated the impact on fair value to changes to these inputs as follows:

Investment funds net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2019	(3.9)
2018	(3.1)

Debt securities and other fixed income securities

Debt securities classified as Level 3 are either private placement bonds or asset-backed securities. Such securities are valued using discounted cash flow analyses using prudent assumptions based on the repayment of the underlying bond.

Principal assumptions underlying the calculation of the debt securities and other fixed income securities classified as Level 3

Redemption and defaults

The redemption and default assumptions used in the valuation of infrastructure private placement bonds are similar to the rest of the Group's bond portfolio.

For asset-backed securities, the assumptions are that the underlying loans supporting the securities are redeemed in the future in a similar profile to the existing redemptions on an average rate of 3% per annum, and that default levels on the underlying basis remain at the current level of the Group's bond portfolio.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of bonds to the default assumption is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Debt securities and other fixed income securities net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2019	(52.5)
2018	(28.9)

16 FAIR VALUE continued**Derivative financial assets**

Derivative financial assets classified as Level 3 is the put option on property index.

Principal assumptions underlying the calculation of the derivative financial assets classified as Level 3

Property prices and interest rates are the most significant assumption applied in calculating the fair value of the derivative financial assets.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The Group has estimated the impact on fair value to changes to these inputs as follows:

Derivative financial assets net increase/(decrease) in fair value (£m)	Interest rates +100bps	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%
2019	(1.9)	5.9	6.4	2.2

Loans secured by residential mortgages**Methodology and judgement underlying the calculation of loans secured by residential mortgages**

The valuation of loans secured by mortgages is determined using internal models which project future cash flows expected to arise from each loan. Future cash flows allow for assumptions relating to future expenses, future mortality experience, voluntary redemptions and repayment shortfalls on redemption of the mortgages due to the no-negative equity guarantee ("NNEG"). The fair value is calculated by discounting the future cash flows at a swap rate plus a liquidity premium.

Under the NNEG, the amount recoverable by the Group on eligible termination of mortgages is generally capped at the net sale proceeds of the property. A key judgement is with regards to the calculation approach used. We have used the Black 76 variant of the Black-Scholes option pricing model in conjunction with an approach using best estimate future house price growth assumptions. There has been significant academic and market debate concerning the valuation of no-negative equity guarantees in recent years, including proposals to use risk-free based methods rather than best estimate assumptions to project future house price growth. We continue to actively monitor this debate. In the absence of any widely supported alternative approach, we have continued in line with the common industry practice to value no-negative equity guarantees using best estimate assumptions.

The real world assumptions used include future property growth and future property price volatility.

Principal assumptions underlying the calculation of loans secured by residential mortgages

All gains and losses arising from loans secured by mortgages are largely dependent on the term of the mortgage, which in turn is determined by the longevity of the customer. Principal assumptions underlying the calculation of loans secured by mortgages include the following items. These assumptions are also used to provide the expected cash flows from the loans secured by residential mortgages which determines the yield on this asset. This yield is used for the purpose of setting valuation discount rates on the liabilities supported, as described in note 22(b).

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 3.9% (2018: 4.1%).

Mortality

Mortality assumptions have been derived with reference to England & Wales population mortality using the CMI 2017 dataset and model mortality tables for both base table rates and mortality improvements (2018: CMI 2017 mortality tables for both base table rates and mortality improvements). These base mortality and improvement tables have been adjusted to reflect the expected future mortality experience of mortgage contract holders, taking into account the medical and lifestyle evidence collected during the sales process and the Group's assessment of how this experience will develop in the future. This assessment takes into consideration relevant industry and population studies, published research materials and management's own experience.

Property prices

The value of a property at the date of valuation is calculated by taking the latest valuation for that property and indexing this value using the Office for National Statistics monthly index for the property's location. The appropriateness of this valuation basis is regularly tested on the event of redemption of mortgages.

Future property prices

In the absence of a reliable long-term forward curve for UK residential property price inflation, the Group has made an assumption about future residential property price inflation based upon available market and industry data. These assumptions have been derived with reference to the long-term expectation of the UK retail price inflation, "RPI", plus an allowance for the expectation of house price growth above RPI (property risk premium) less a margin for a combination of risks including property dilapidation and basis risk. An additional allowance is made for the volatility of future property prices. This results in a single rate of future house price growth of 3.8% (2018: 3.8%), with a volatility assumption of 13% per annum (2018: 13%). The derivation of these assumptions includes consideration of future long and short term forecasts, the Group's historical experience, benchmarking data, and future uncertainties including the possible impact of Brexit on the UK property market.

Voluntary redemptions

Assumptions for future voluntary redemption levels are based on the Group's recent analyses and external benchmarking. The assumed redemption rate varies by duration and product line between 0.5% and 4.1% for loans written by JRL (2018: 0.7% and 3.8%) and between 0.6% and 2.0% for loans written by PLACL (2018: 0.9% and 3.2%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16 FAIR VALUE continued

Liquidity premium

The liquidity premium at initial recognition is set such that the fair value of each loan is equal to the face value of the loan. The liquidity premium partly reflects the illiquidity of the loan and also spreads the recognition of profit over the lifetime of the loan. The liquidity premiums are determined at an individual loan level. Once calculated, the liquidity premium remains unchanged at future valuations except when further advances are taken out. In this situation, the single liquidity premium to apply to that loan is recalculated allowing for all advances. The weighted-average liquidity premium for loans held within JRL is 2.85% (2018: 2.75%) and for loans held within PLACL is 3.21% (2018: 3.20%). The movement over the period observed in JRL is driven by new loan originations having a higher liquidity premium than the average spread on the back book of business.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The Group has estimated the impact on fair value to changes to these inputs as follows:

Loans secured by residential mortgages net increase/(decrease) in fair value (£m)	Maintenance expenses +10%	Base mortality -5%	Mortality improvement +0.25%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%	Liquidity premium +10bps
2019	(6.6)	28.7	14.0	(110.4)	(86.6)	(57.7)	(11.7)	(91.5)
2018	(7.1)	22.4	10.9	(97.1)	(79.4)	(53.2)	(15.1)	(86.0)

These sensitivity factors are determined via financial models. The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality such an occurrence is unlikely due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts cannot be interpolated or extrapolated from these results.

The sensitivities above only consider the impact of the change in these assumptions on the fair value of the asset. Some of these sensitivities would also impact the yield on this asset and hence the valuation discount rates used to determine liabilities. For these sensitivities, the impact on the value of insurance liabilities and hence profit before tax is included in note 22(e).

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represents the Group's view of reasonably possible near-term market changes that cannot be predicted with any certainty.

Loans secured by commercial mortgages

Principal assumption underlying the calculation of loans secured by commercial mortgages

Redemption and defaults

The redemption and default assumptions used in the valuation of loans secured by commercial mortgages are similar to the Group's bond portfolio.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. Interest rates are the most significant assumption applied in calculating the fair value of the loans secured by commercial mortgages. The Group has estimated the impact on fair value to changes to these inputs as follows:

Loans secured by commercial mortgages net increase/(decrease) in fair value (£m)	Interest rates +100bps
2019	(22.9)
2018	(19.8)

Other loans

Other loans classified as Level 3 are infrastructure loans and commodity trade finance loans. These are valued using discounted cash flow analysis using prudent assumptions based on the repayment of the underlying loan.

Principal assumptions underlying the calculation of other loans classified as Level 3

Redemption and defaults

The redemption and default assumptions used in the valuation of Level 3 loans are similar to the Group's bond portfolio.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of other loans to the default assumption is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Other loans net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2019	(75.7)
2018	(73.4)

16 FAIR VALUE continued**Recoveries from reinsurers on investment contracts**

Recoveries from reinsurers on investment contracts represent fully reinsured funds invested under the Flexible Pension Plan. During 2019 the Group closed its Flexible Pension Plan product to new business and completed the transfer of the business to an external provider.

Investment contract liabilities

These are valued using discounted cash flow analysis using prudent assumptions based on the repayment of the underlying loan.

Principal assumptions underlying the calculation of investment contract liabilities*Maintenance expenses*

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 4.4% (2018: 4.6%).

Sensitivity analysis

The sensitivity of fair value to changes in maintenance expense assumptions in respect of investment contract liabilities is not material.

Deposits received from reinsurers

These are measured in accordance with the reinsurance contract and taking into account an appropriate discount rate for the timing of expected cash flows of the liabilities.

Principal assumptions underlying the calculation of deposits received from reinsurers*Discount rate*

The valuation model discounts the expected future cash flows using a contractual discount rate derived from the assets hypothecated to back the liabilities at a product level. The discount rates used for individual retirement and individual care annuities were 2.89% and 0.92% respectively (2018: 3.47% and 1.32% respectively).

Credit spreads

The valuation of deposits received from reinsurers includes a credit spread applied by the individual reinsurer. A credit spread of 82bps (2018: 142bps) was applied in respect of the most significant reinsurance contract.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the liabilities (see note 26 (b)). The Group has estimated the impact on fair value to changes to these inputs as follows:

Deposits received from reinsurers net increase/(decrease) in fair value (£m)	Credit spreads +100bps	Interest rates +100bps
2019	(81.2)	(200.9)
2018	(75.8)	(196.4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 DEFERRED TAX

	2019			2018		
	Asset £m	Liability £m	Total £m	Asset £m	Liability £m	Total £m
Transitional tax	–	(6.0)	(6.0)	–	(8.5)	(8.5)
Intangible assets	–	(19.0)	(19.0)	–	(22.1)	(22.1)
Land and buildings	–	(0.9)	(0.9)	–	(0.9)	(0.9)
Other provisions	11.5	(0.4)	11.1	18.6	(0.7)	17.9
Total deferred tax	11.5	(26.3)	(14.8)	18.6	(32.2)	(13.6)

The transitional tax liability of £6.0m (2018: £8.5m) represents the adjustment arising from the change in the tax rules for life insurance companies which is amortised over ten years from 1 January 2013 and the transitional adjustments for tax purposes in adopting IFRS which is amortised over ten years from 1 January 2016.

Other provisions principally relate to temporary differences between the IFRS financial statements and tax deductions for statutory insurance liabilities.

The movement in the net deferred tax balance was as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Net balance at 1 January	(13.6)	(26.2)
Recognised in profit or loss	(1.2)	13.5
Recognised in other comprehensive income	–	(0.9)
Net balance at 31 December	(14.8)	(13.6)

The Group has unrecognised deferred tax assets of £3.9m (2018: £4.2m).

18 INSURANCE AND OTHER RECEIVABLES

	2019 £m	2018 £m
Receivables arising from insurance and reinsurance contracts	11.1	14.1
Finance lease receivables	2.7	–
Other receivables	11.7	4.8
Total insurance and other receivables	25.5	18.9

Finance lease receivables are due as follows:

	2019 £m	2018 £m
Less than one year	0.8	–
Between one and two years	0.8	–
Between two and three years	0.8	–
Between three and four years	0.4	–
Total undiscounted lease payments receivable	2.8	–
Unearned finance income	(0.1)	–
Net investment in leases	2.7	–

Other than finance lease receivables, insurance and other receivables of £nil (2018: £nil) are expected to be recovered more than one year after the Consolidated statement of financial position date.

19 CASH AND CASH EQUIVALENTS

	2019 £m	2018 £m
Cash available on demand	267.0	113.9
Units in liquidity funds	1,384.0	882.5
Cash and cash equivalents in the Consolidated statement of cash flows	1,651.0	996.4

20 SHARE CAPITAL

The allotted and issued ordinary share capital of the Group at 31 December 2019 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2019	941,068,882	94.1	94.5	532.7	721.3
Shares issued	94,012,782	9.4	–	64.4	73.8
At 31 December 2019	1,035,081,664	103.5	94.5	597.1	795.1
At 1 January 2018	938,308,340	93.8	94.2	532.7	720.7
In respect of employee share schemes	2,760,542	0.3	0.3	–	0.6
At 31 December 2018	941,068,882	94.1	94.5	532.7	721.3

On 14 March 2019, the Company completed the placing of 94,012,782 ordinary shares of 10 pence each at a price of 80 pence per share to both existing and new ordinary equity shareholders, raising gross proceeds of £75m. The placing price represents a discount of 6.7% on the market price of 85.3 pence per share at the time of the placing. The placing was achieved by the Company acquiring 100% of the equity of a limited company for consideration of the 94,012,782 new ordinary shares issued. Accordingly, merger relief under section 612 of the Companies Act 2006 applies, and share premium has not been recognised in respect of this issue of shares. A merger reserve has been recognised representing the premium over the nominal value of the shares issued.

Consideration for the acquisition of 100% of the equity shares of Partnership Assurance Group plc in 2016 consisted of a new issue of shares in the Company. Accordingly, merger relief under section 612 of the Companies Act 2006 applies, and share premium has not been recognised in respect of this issue of shares. A merger reserve has been recognised representing the difference between the nominal value of the shares issued and the net assets of Partnership Assurance Group plc acquired.

21 TIER 1 NOTES

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
At 1 January	–	–
Issued in the period	300.0	–
Issue costs, net of tax	(6.0)	–
At 31 December	294.0	–

In March 2019, the Group completed the issue of £300m fixed rate perpetual restricted Tier 1 contingent convertible notes, incurring issue costs of £6.0m, net of tax.

The notes bear interest on the principal amount up to 26 April 2024 (the first call date) at the rate of 9.375% per annum, and thereafter at a fixed rate of interest reset on the first call date and on each fifth anniversary thereafter. Interest is payable on the notes semi-annually in arrears on 26 April and 26 October each year, commencing on 26 April 2019. During the year, interest of £16.8m was paid to note holders.

The Group has the option to cancel the coupon payment at its discretion and cancellation of the coupon payment becomes mandatory upon non-compliance with the solvency capital requirement or minimum capital requirement or where the Group has insufficient distributable items. Cancelled coupon payments do not accumulate or become payable at a later date and do not constitute a default. In the event of non-compliance with specific solvency requirements, the conversion of the Tier 1 notes into Ordinary Shares could be triggered.

The Tier 1 notes are treated as a separate category within equity and the coupon payments are recognised outside of the profit after tax result and directly in shareholders' equity.

22 INSURANCE CONTRACTS AND RELATED REINSURANCE

Insurance liabilities

	2019 £m	2018 £m
Gross insurance liabilities	19,003.7	17,273.8
Reinsurance	(3,732.0)	(4,239.2)
Net insurance liabilities	15,271.7	13,034.6

(a) Terms and conditions of insurance contracts

The Group's long-term insurance contracts include Retirement Income (Guaranteed Income for Life ("GIFL"), Defined Benefit ("DB"), and immediate needs and deferred Care Plans), and whole of life and term protection insurance.

The insurance liabilities are agreed by the Board using recognised actuarial valuation methods proposed by the Group's Actuarial Reporting Function. In particular, a prospective gross premium valuation method has been adopted for major classes of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

Although the process for the establishment of insurance liabilities follows specified rules and guidelines, the provisions that result from the process remain uncertain. As a consequence of this uncertainty, the eventual value of claims could vary from the amounts provided to cover future claims. The Group seeks to provide for appropriate levels of contract liabilities taking known facts and experiences into account but nevertheless such provisions remain uncertain.

The estimation process used in determining insurance liabilities involves projecting future annuity payments and the cost of maintaining the contracts. For non-annuity contracts, the liability is determined as the sum of the discounted value of future benefit payments and future administration expenses less the expected value of premiums payable under the contract. The key sensitivities are the assumed level of interest rates and the mortality experience.

(b) Principal assumptions underlying the calculation of insurance contracts

The principal assumptions underlying the calculation of insurance contracts are as follows:

Mortality assumptions

Mortality assumptions have been set by reference to appropriate standard mortality tables. These tables have been adjusted to reflect the future mortality experience of the policyholders, taking into account the medical and lifestyle evidence collected during the underwriting process, premium size, gender and the Group's assessment of how this experience will develop in the future. The assessment takes into consideration relevant industry and population studies, published research materials, input from the Group's lead reinsurer and management's own industry experience.

The standard tables which underpin the mortality assumptions are summarised in the table below.

	2019	2018
Individually underwritten Guaranteed Income for Life Solutions (JRL)	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements for both Merica and Prognosys™ underwritten business	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements for both Merica and Prognosys™ underwritten business
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements
Defined Benefit (JRL)	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements for standard underwritten business; Reinsurer supplied tables underpinned by the Self-Administered Pension Scheme ("SAPS") S1 tables, with CMI 2009 model mortality improvements for medically underwritten business	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements for standard underwritten business; Reinsurer supplied tables underpinned by the Self-Administered Pension Scheme ("SAPS") S1 tables, with CMI 2009 model mortality improvements for medically underwritten business
Defined Benefit (PLACL)	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements
Care Plans and other annuity products (PLACL)	Modified PCMA/PCFA and with modified CMI 2017 model mortality improvements for Care Plans; Modified PCMA/PCFA or modified E&W Population mortality with modified CMI 2017 model mortality improvements for other annuity products	Modified PCMA/PCFA and with modified CMI 2017 model mortality improvements for Care Plans; Modified PCMA/PCFA or modified E&W Population mortality with modified CMI 2017 model mortality improvements for other annuity products
Protection (PLACL)	TM/TF00 Select	TM/TF00 Select

The long term improvement rates in the modified CMI 2017 model are 2.0% for males and 1.75% for females (2018: 2.0% for males and 1.75% for females). The period smoothing parameter in the modified CMI 2017 model has been set to 7.25 (2018: 7.25).

Valuation discount rates

Valuation discount rate assumptions are set by considering the yields on the assets available to back the liabilities. The yields on lifetime mortgage assets are derived using the assumptions described in note 16 with allowance for risk through the deductions related to the NNEG. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities based on a prudent expectation of default experience of each asset class. An additional allowance is made for voluntary redemptions.

Valuation discount rates – gross liabilities	2019 %	2018 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	3.01	3.51
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	2.89	3.47
Defined Benefit (JRL)	3.01	3.51
Defined Benefit (PLACL)	2.89	3.47
Other annuity products (PLACL)	0.92	1.32
Term and whole of life products (PLACL)	0.98	1.54

Future expenses

Assumptions for future policy expense levels are determined from the Group's recent expense analyses. The assumed future policy expense levels incorporate an annual inflation rate allowance of 4.4% (2018: 4.6%) derived from the expected retail price index implied by inflation swap rates and an additional allowance for earnings inflation.

22 INSURANCE CONTRACTS AND RELATED REINSURANCE continued**(c) Movements**

The following movements have occurred in the insurance contract balances for Retirement Income products during the year.

Year ended 31 December 2019	Gross £m	Reinsurance £m	Net £m
At 1 January 2019	17,273.8	(4,239.2)	13,034.6
Increase in liability from premiums	1,586.2	8.4	1,594.6
Release of liability due to recorded claims	(1,265.1)	354.1	(911.0)
Unwinding of discount	599.7	(138.2)	461.5
Changes in economic assumptions	886.5	(193.1)	693.4
Changes in non-economic assumptions	(44.3)	14.6	(29.7)
Other movements ¹	(33.1)	461.4	428.3
At 31 December 2019	19,003.7	(3,732.0)	15,271.7
Year ended 31 December 2018	Gross £m	Reinsurance £m	Net £m
At 1 January 2018	16,633.0	(5,285.3)	11,347.7
Increase in liability from premiums	1,735.4	2.2	1,737.6
Release of liability due to recorded claims	(1,213.2)	419.8	(793.4)
Unwinding of discount	547.4	(154.9)	392.5
Changes in economic assumptions	(286.6)	136.4	(150.2)
Changes in non-economic assumptions	(128.8)	98.1	(30.7)
Other movements ¹	(13.4)	544.5	531.1
At 31 December 2018	17,273.8	(4,239.2)	13,034.6

1 Includes the impact of reinsurance recapture.

Effect of changes in assumptions and estimates during the year*Economic assumption changes*

The principal economic assumption change impacting the movement in insurance liabilities during the year relates to discount rates for both JRL and PLACL.

Discount rates

The movement in the valuation interest rate captures the impact of underlying changes in risk-free curves and spreads and cash flows on backing assets. The principal assumption changes impacting the cash flows on backing assets during the year relate to voluntary redemptions on Lifetime Mortgages. Both existing in-force assets and new assets purchased during the year contribute to the movement in the discount rate. Differences between the discount rates recognised on new business written during the year and the prevailing discount rates on the entire portfolio of business also contribute to the movement in insurance liabilities.

Non-economic assumption changes

The principal non-economic assumption changes impacting the movement in insurance liabilities during the year relate to maintenance expenses and investment expenses for both JRL and PLACL.

Expense assumption

Cost reductions achieved within the Group have given rise to an overall reduction in maintenance expense and investment expense assumptions. This has resulted in a decrease in the carrying value of the Group's insurance liabilities.

The JRL GifL maintenance expense assumption used at 31 December 2019 was £28.50 per plan (2018: £30.29), whilst the JRL DB maintenance assumption used at 31 December 2019 was £112.71 per scheme member (2018: £118.75). The PLACL GifL maintenance expense assumption used at 31 December 2019 was £28.50 per plan (2018: £29.30), whilst the PLACL DB maintenance assumption used at 31 December 2019 was £175.40 per scheme member (2018: £161.40).

Investment expenses refer to the fees incurred in the management of the Group's debt and other fixed income securities. Investment expenses are allowed for via a reduction in the yield on those assets. The JRL investment expenses assumption used at 31 December 2019 was 6.7bps (2018: 6.8bps). The PLACL investment expense assumption used at 31 December 2019 was 4.3bps (2018: 9.7bps).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

(d) Estimated timing of net cash outflows from insurance contract liabilities

The following table shows the insurance contract balances analysed by duration. The total balances are split by duration of Retirement Income payments in proportion to the policy cash flows estimated to arise during the year.

	Expected cash flows (undiscounted)					Carrying value (discounted) £m
	Within 1 year £m	1-5 years £m	5-10 years £m	Over 10 years £m	Total £m	
2019						
Gross	1,303.4	4,929.4	5,620.4	14,945.3	26,798.5	19,003.7
Reinsurance	(295.9)	(1,085.2)	(1,152.5)	(2,474.4)	(5,008.0)	(3,732.0)
Net	1,007.5	3,844.2	4,467.9	12,470.9	21,790.5	15,271.7
	Expected cash flows (undiscounted)					Carrying value (discounted) £m
	Within 1 year £m	1-5 years £m	5-10 years £m	Over 10 years £m	Total £m	
2018						
Gross	1,243.2	4,715.5	5,353.2	14,667.9	25,979.8	17,273.8
Reinsurance	(358.3)	(1,320.8)	(1,399.0)	(2,998.7)	(6,076.8)	(4,239.2)
Net	884.9	3,394.7	3,954.2	11,669.2	19,903.0	13,034.6

(e) Sensitivity analysis

The Group has estimated the impact on profit before tax for the year in relation to insurance contracts and related reinsurance from reasonably possible changes in key assumptions relating to financial assets and liabilities. The sensitivities capture the liability impacts arising from the impact on the yields of the assets backing liabilities in each sensitivity. The impact of changes in the value of assets and liabilities has been shown separately to aid the comparison with the change in value of assets for the relevant sensitivities in note 16. To further assist with this comparison, any impact on reinsurance assets has been included within the liabilities line item.

The sensitivity factors are applied via financial models. The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality, such an occurrence is unlikely, due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts cannot be interpolated or extrapolated from these results. The sensitivity factors take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The impacts indicated below for insurance contracts also reflect movements in financial derivatives, which are impacted by movements in interest rates. Related reinsurance assets are not impacted by financial derivatives. The sensitivities below cover the changes on all assets and liabilities from the given stress. The impact of these sensitivities on IFRS net equity is the impact on profit before tax as set out in the table below less tax at the current tax rate.

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in the market interest rates by +/- 1% (e.g. if a current interest rate is 5%, the impact of an immediate change to 4% and 6% respectively). The test consistently allows for similar changes to both assets and liabilities
Expenses	The impact of an increase in maintenance expenses by 10%
Base mortality rates	The impact of a decrease in base table mortality rates by 5% applied to both Retirement Income liabilities and loans secured by residential mortgages
Mortality improvement rates	The impact of a level increase in mortality improvement rates of 0.25% for both Retirement Income liabilities and loans secured by residential mortgages
Immediate property price fall	The impact of an immediate decrease in the value of properties by 10%
Future property price growth	The impact of a reduction in future property price growth by 0.5%
Future property price volatility	The impact of an increase in future property price volatility by 1%
Voluntary redemptions	The impact of an increase in voluntary redemption rates on loans secured by residential mortgages by 10%
Credit defaults	The impact of an increase in the credit default assumption of 10bps

Impact on profit before tax (£m)

		Interest rates +1%	Interest rates -1%	Maintenance expenses +10%	Base mortality -5%	Mortality improvement +0.25%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%	Credit defaults +10bps
2019	Assets	(2,139.5)	2,551.3	(6.6)	29.8	14.0	(104.5)	(80.2)	(55.6)	(12.8)	–
	Liabilities	1,744.3	(2,077.5)	(42.9)	(128.0)	(78.5)	(76.8)	(72.7)	(38.3)	(87.7)	(85.8)
	Total	(395.2)	473.8	(49.5)	(98.2)	(64.5)	(181.3)	(152.9)	(93.9)	(100.5)	(85.8)
2018	Assets	(1,710.2)	2,042.2	(7.1)	22.4	10.9	(97.1)	(79.4)	(53.2)	(15.1)	–
	Liabilities	1,553.9	(1,842.5)	(30.5)	(139.0)	(97.7)	(64.2)	(64.2)	(30.0)	(73.2)	(60.0)
	Total	(156.3)	199.7	(37.6)	(116.6)	(86.8)	(161.3)	(143.6)	(83.2)	(88.3)	(60.0)

23 INVESTMENT CONTRACT LIABILITIES

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
At 1 January	197.8	220.7
Deposits received from policyholders	26.7	51.0
Payments made to policyholders	(78.3)	(73.5)
Change in contract liabilities recognised in profit or loss	(92.2)	(0.4)
At 31 December	54.0	197.8

In 2018, investment contract liabilities include the linked liabilities of reinsured funds invested under the Flexible Pension Plan. During 2019 the Group closed its Flexible Pension Plan product to new business and completed the transfer of the business to an external provider.

(a) Terms and conditions of investment contracts

The Group has written Capped Drawdown products for the at-retirement market. These products are no longer available to new customers. In return for a single premium, these contracts pay a guaranteed lump sum on survival to the end of the fixed term. There is an option at outset to select a lower sum at maturity and regular income until the earlier of death or maturity. Upon death of the policyholder and subject to the option selected at the outset, there may be a return of premium less income received or income payable to a dependant until the death of that dependant.

(b) Principal assumptions underlying the calculation of investment contracts

Valuation discount rates

Valuation discount rate assumptions for investment contracts are set with regard to yields on supporting assets. The yields on lifetime mortgage assets are derived using the assumptions described in note 16 with allowance for risk through the deductions related to the NNEG. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities based on historical default experience of each asset class.

	2019 %	2018 %
Valuation discount rates		
Investment contracts	3.01	3.51

24 LOANS AND BORROWINGS

	Carrying value		Fair value	
	2019 £m	2018 £m	2019 £m	2018 £m
£100m 9.5% 10 year subordinated debt 2025 non-callable 5 years (Tier 2) issued by Partnership Life Assurance Company Limited (call option in March 2020)	60.7	95.9	67.2	113.5
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	248.9	248.8	255.8	289.9
£125m 8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Group plc	121.4	–	127.5	–
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	229.0	228.7	239.7	214.7
Total loans and borrowings	660.0	573.4	690.2	618.1

On 2 October 2019, the Group completed the issue of £125m Tier 2 capital via an 8.125% sterling denominated BBB rated 10 year bonds issue, interest payable semi-annually in arrear. The proceeds of the issue will be used mainly to refinance the £100m 9.5% Partnership Life Assurance Company Limited subordinated notes due 2025 ("PLACL notes"). On 25 September 2019, a tender offer for the PLACL notes was announced resulting in £37.48m of the notes being called on 2 October 2019.

The Group also has an undrawn revolving credit facility of up to £200m for general corporate and working capital purposes available until 15 May 2022. Interest is payable on any drawdown loans at a rate of Libor plus a margin of between 1.50% and 2.75% per annum depending on the Group's ratio of net debt to net assets.

Movements in borrowings during the year were as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
At 1 January	573.4	343.9
Proceeds from issue of Just Group plc Tier 2 subordinated debt	125.0	230.0
Issue costs	(3.6)	(1.5)
Repayment of Partnership Life Assurance Company Limited Tier 2 subordinated debt	(37.5)	–
Financing cash flows	83.9	228.5
Amortisation of issue costs	2.7	1.0
Non-cash movements	2.7	1.0
At 31 December	660.0	573.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25 LEASE LIABILITIES

Lease liabilities are in respect of property assets leased by the Group recognised as right-of-use assets within Property, plant and equipment on the Consolidated statement of financial position.

Movements in lease liabilities during the year were as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
At 1 January	–	–
Recognition of lease liabilities on initial application of IFRS 16	9.6	–
Lease payments	(3.1)	–
Financing cash flows	(3.1)	–
New lease	5.6	–
Interest	0.3	–
Non-cash movements	5.9	–
At 31 December	12.4	–

During the year the Group entered into a new three year lease on the relocation of its London office.

Lease liabilities are payable as follows:

At 31 December 2019	Future minimum lease payments £m	Interest £m	Present value of minimum lease payments £m
Less than one year	4.4	(0.2)	4.2
Between one and five years	8.4	(0.2)	8.2
Total	12.8	(0.4)	12.4

26 OTHER FINANCIAL LIABILITIES

The Group has other financial liabilities which are measured at either amortised cost, fair value through profit or loss, or in accordance with relevant underlying contracts ("insurance rules"), summarised as follows:

	Note	2019 £m	2018 £m
Fair value through profit or loss			
Derivative financial liabilities	(a)	248.4	178.3
Obligations for repayment of cash collateral received	(a)	62.8	3.4
Deposits received from reinsurers	(b)	2,417.7	2,443.5
Liabilities measured using insurance rules under IFRS 4			
Deposits received from reinsurers	(b)	772.6	1,236.3
Reinsurance finance	(c)	14.5	30.6
Reinsurance funds withheld	(d)	162.9	171.2
Total other liabilities		3,678.9	4,063.3

The amount of deposits received from reinsurers and reinsurance funds withheld that is expected to be settled more than one year after the Consolidated statement of financial position date is £3,068.0m (2018: £3,730.4m).

(a) Derivative financial liabilities and obligations for repayment of cash collateral received

The derivative financial liabilities are classified at fair value through profit or loss. All financial liabilities at fair value through profit or loss are designated as such on initial recognition or, in the case of derivative financial liabilities, are classified as held for trading.

(b) Deposits received from reinsurers

Deposits received from reinsurers are measured in accordance with the reinsurance contract and taking into account an appropriate discount rate for the timing of expected cash flows of the liabilities.

(c) Reinsurance finance

The reinsurance finance has been established in recognition of the loan obligation to the reinsurers under the Group's reinsurance financing arrangements, the repayment of which are contingent upon the emergence of surplus under either the old Solvency I or IFRS valuation rules.

(d) Reinsurance funds withheld

Reinsurance funds withheld are measured and valued in accordance with the reinsurance contract, which takes into account an appropriate discount rate for the timing of expected cash flows.

27 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses various derivative financial instruments to manage its exposure to interest rates, counterparty credit risk, property risk, inflation and foreign exchange risk.

	2019			2018		
	Asset fair value £m	Liability fair value £m	Notional amount £m	Asset fair value £m	Liability fair value £m	Notional amount £m
Derivatives						
Foreign currency swaps	54.8	96.3	2,035.1	1.3	131.8	1,186.5
Interest rate swaps	157.3	30.7	3,644.8	36.2	9.5	2,131.8
Inflation swaps	10.7	120.6	2,165.8	38.0	27.6	1,879.3
Forward swaps	10.1	0.8	612.4	0.6	9.4	927.6
Put option on property index	4.0	–	80.0	3.3	–	80.0
Total return swaps	0.1	–	66.9	–	–	–
Interest rate futures	–	–	–	1.8	–	186.0
Total	237.0	248.4	8,605.0	81.2	178.3	6,391.2

The Group's derivative financial instruments are not designated as hedging instruments and changes in their fair value are included in profit or loss.

All over-the-counter derivative transactions are conducted under standardised International Swaps and Derivatives Association Inc. master agreements, and the Group has collateral agreements between the individual Group entities and relevant counterparties in place under each of these market master agreements.

As at 31 December 2019, the Company had pledged collateral of £103.1m (2018: £152.6m) of which £nil were gilts and European Investment Bank bonds (2018: £nil) and had received cash collateral of £62.8m (2018: £3.4m). In addition to the cash collateral received recognised within other financial liabilities (see note 26), certain collateral arrangements within the Group's subsidiary, PLACL, give rise to collateral of £17.9m (2018: £10.4m) which is not included in the Consolidated statement of financial position of the Group because it is deposited into a ringfenced collateral account that the Group has no control over and does not accrue any of the economic benefit.

Amounts recognised in profit or loss in respect of derivative financial instruments are as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Movement in fair value of derivative instruments	85.2	(49.0)
Realised losses on interest rate swaps closed	44.7	(16.3)
Total amounts recognised in profit or loss	129.9	(65.3)

28 REINSURANCE

The Group uses reinsurance as an integral part of its risk and capital management activities. New business was reinsured via longevity swap arrangements as follows:

- DB: from 1 January to 30 June 2019 (and the whole of 2018), DB was 55% reinsured for underwritten schemes, and 75% for non-underwritten schemes. From 1 July the reinsurance was increased to 75% for underwritten schemes, and 90% for non-underwritten schemes.
- GfL was 75% reinsured during 2019 and 2018.
- Care was not reinsured in 2019 but was 42.5% reinsured in 2018 until closure of the treaty in October 2018.

In-force business is reinsured under longevity swap and quota share treaties. The quota share reinsurance treaties have deposit back or premium withheld arrangements to remove the majority of the reinsurer credit risk. The Group increased the reinsurance on JRL DB in-force business during the year to 100% (from 55% for underwritten schemes and 75% for non-underwritten schemes) for all schemes written between 1 January 2016 and 30 June 2019. The increased cover was effective from 1 July 2019.

Within the Group's subsidiary, JRL, there are a number of quota share treaties with financing arrangements, which were originally entered into for the capital benefits under the old Solvency I regime (the financing formed part of available capital). The repayment of this financing is contingent upon the emergence of surplus under the Solvency I or IFRS valuation rules. These treaties were closed to new business prior to the introduction of Solvency II on 1 January 2016 but the Group retains a capital benefit under Solvency II from the financing arrangements as these form part of the transitional calculations. Under IFRS the financing element is included within other financial liabilities (see note 26 (c)). These treaties also allow JRL to recapture business once the financing loan from the reinsurer has been fully repaid. Once a recapture becomes effective, JRL retains 100% of the risk on business recaptured. During the year the Group fully repaid financing loans and recaptured business in respect of certain underwriting years that resulted in a decrease of reinsurance assets of £436.8m and a reduction of equal amount in the deposits received from reinsurers recognised within other financial liabilities.

In addition to the deposits received from reinsurers recognised within other financial liabilities (see note 26(b)), certain reinsurance arrangements within the Group's subsidiary, PLACL, give rise to deposits from reinsurers that are not included in the Consolidated statement of financial position of the Group as described below:

- The Group has an agreement with two reinsurers whereby financial assets arising from the payment of reinsurance premiums, less the repayment of claims, in relation to specific treaties, are legally and physically deposited back with the Group. Although the funds are managed by the Group (as the Group controls the investment of the asset), no future benefits accrue to the Group as any returns on the deposits are paid to reinsurers. Consequently, the deposits are not recognised as assets of the Group and the investment income they produce does not accrue to the Group.
- The Group has an agreement with one reinsurer whereby assets equal to the reinsurer's full obligation under the treaty are deposited into a ringfenced collateral account. The Group has first claim over these assets should the reinsurer default, but as the Group has no control over these funds and does not accrue any future benefit, this fund is not recognised as an asset of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28 REINSURANCE continued

	2019 £m	2018 £m
Deposits managed by the Group	194.5	191.6
Deposits held in trust	283.4	272.8
Total deposits not included in the Consolidated statement of financial position	477.9	464.4

The Group is exposed to a minimal amount of reinsurance counterparty default risk in respect of the above arrangements and calculates a counterparty default reserve accordingly. At 31 December 2019, this reserve totalled £2.5m (2018: £2.3m) and largely relates to the Hannover Re and Pacific Life Re reinsurance treaties in PLACL.

29 OTHER PROVISIONS

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
At 1 January	0.7	2.1
Amounts utilised	(1.7)	(1.4)
Amounts charged to profit and loss	2.8	–
At 31 December	1.8	0.7

The amount of provisions that is expected to be settled more than 12 months after the Consolidated statement of financial position date is £1.2m (2018: £0.5m).

30 INSURANCE AND OTHER PAYABLES

	2019 £m	2018 £m
Payables arising from insurance and reinsurance contracts	22.4	21.2
Other payables	50.2	57.1
Total insurance and other payables	72.6	78.3

Insurance and other payables due in more than one year are £nil (2018: £nil).

31 COMMITMENTS

Capital commitments

The Group had no capital commitments as at 31 December 2019 (2018: £nil).

32 CONTINGENT LIABILITIES

Contingent liabilities at 31 December 2019 represent the outstanding contingent consideration on the acquisition of Corinthian Group Limited in 2018 of £0.2m (2018: £0.3m). The Group has received an enquiry from HMRC with respect to the withholding tax treatment of amounts associated with financial reinsurance. While the outcome of such enquiries cannot be predicted with certainty, the Group believes the ultimate outcome will not have a material adverse effect on the Group's financial condition, results of operations, or cash flows.

33 FINANCIAL AND INSURANCE RISK MANAGEMENT

This note presents information about the major financial and insurance risks to which the Group is exposed, and its objectives, policies and processes for their measurement and management. Financial risk comprises exposure to market, credit and liquidity risk.

(a) Insurance risk

The writing of long-term insurance contracts requires a range of assumptions to be made and risk arises from these assumptions being materially inaccurate.

The Group's main insurance risk arises from adverse experience compared with the assumptions used in pricing products and valuing insurance liabilities, and in addition its reinsurance treaties may be terminated, not renewed, or renewed on terms less favourable than those under existing treaties.

Insurance risk arises through exposure to longevity, mortality and morbidity and exposure to factors such as withdrawal levels and management and administration expenses.

Individually underwritten GifL are priced using assumptions about future longevity that are based on historic experience information, lifestyle and medical factors relevant to individual customers, and judgements about the future development of longevity improvements. In the event of an increase in longevity, the actuarial reserve required to make future payments to customers may increase.

Loans secured by mortgages are used to match some of the liabilities arising from the sale of GifL and DB business. In the event that early repayments in a given period are higher than anticipated, less interest will have accrued on the mortgages and the amount repayable will be less than assumed at the time of sale. In the event of an increase in longevity, although more interest will have accrued and the amount repayable will be greater than assumed at the time of the sale, the associated cash flows will be received later than had originally been anticipated. In addition, a general increase in longevity would have the effect of increasing the total amount repayable, which would increase the LTV ratio and could increase the risk of failing to be repaid in full as a consequence of the no-negative equity guarantee. There is also morbidity risk exposure as the contract ends when the customer moves into long-term care.

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

Underpinning the management of insurance risk are:

- the development and use of medical information including Prognosys™ for both pricing and reserving to provide detailed insight into longevity risk;
- adherence to approved underwriting requirements;
- controls around the development of suitable products and their pricing;
- review and approval of assumptions used by the Board;
- regular monitoring and analysis of actual experience;
- use of reinsurance to minimise volatility of capital requirement and profit; and
- monitoring of expense levels.

Concentrations of insurance risk

Concentration of insurance risk comes from improving longevity. Improved longevity arises from enhanced medical treatment and improved life circumstances. Concentration risk is managed by writing business across a wide range of different medical and lifestyle conditions to avoid excessive exposure.

(b) Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments, together with the impact of changes in interest rates.

Significant market risk is implicit in the insurance business and arises from exposure to interest rate risk, property risk, inflation risk and currency risk. The Group is not exposed to any equity risk or material currency risk.

Market risk represents both upside and downside impacts but the Group's policy to manage market risk is to limit downside risk. Falls in the financial markets can reduce the value of pension funds available to purchase Retirement Income products and changes in interest rates can affect the relative attractiveness of Retirement Income products. Changes in the value of the Group's investment portfolio will also affect the Group's financial position.

In mitigation, Retirement Income product monies are invested to match the asset and liability cash flows as closely as practicable. In practice, it is not possible to eliminate market risk fully as there are inherent uncertainties surrounding many of the assumptions underlying the projected asset and liability cash flows.

For each of the material components of market risk, described in more detail below, the market risk policy sets out the risk appetite and management processes governing how each risk should be measured, managed, monitored and reported.

(i) Interest rate risk

The Group is exposed to interest rate risk through its impact on the value of, or income from, specific assets, liabilities or both. It seeks to limit its exposure through appropriate asset and liability matching and hedging strategies.

The Group's exposure to changes in interest rates is concentrated in the investment portfolio, loans secured by mortgages and its insurance obligations. Changes in investment and loan values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the value of insurance liabilities. The Group monitors this exposure through regular reviews of the asset and liability position, capital modelling, sensitivity testing and scenario analyses. Interest rate risk is also managed using derivative instruments e.g. swaps.

The following table indicates the earlier of contractual repricing or maturity dates for the Group's significant financial assets.

2019	Less than one year £m	One to five years £m	Five to ten years £m	Over ten years £m	No fixed term £m	Total £m
Units in liquidity funds	1,384.0	–	–	–	–	1,384.0
Investment funds	25.5	111.8	–	–	–	137.3
Debt securities and other fixed income securities	950.3	2,734.4	2,819.3	3,883.8	–	10,387.8
Deposits with credit institutions	104.6	–	–	–	–	104.6
Derivative financial assets	10.9	15.3	63.8	147.0	–	237.0
Loans secured by residential mortgages	–	–	–	–	7,980.5	7,980.5
Loans secured by commercial mortgages	29.0	202.5	198.0	65.0	–	494.5
Other loans	55.9	13.8	133.5	677.1	–	880.3
Total	2,560.2	3,077.8	3,214.6	4,772.9	7,980.5	21,606.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

2018	Less than one year £m	One to five years £m	Five to ten years £m	Over ten years £m	No fixed term £m	Total £m
Units in liquidity funds	882.5	–	–	–	–	882.5
Investment funds	112.2	69.8	–	–	–	182.0
Debt securities and other fixed income securities	829.6	2,732.8	2,514.9	3,441.0	–	9,518.3
Deposits with credit institutions	153.4	–	–	–	–	153.4
Derivative financial assets	3.5	13.7	5.2	58.8	–	81.2
Loans secured by residential mortgages	–	–	–	–	7,191.5	7,191.5
Loans secured by commercial mortgages	12.3	173.5	142.4	64.1	–	392.3
Other loans	2.7	8.3	62.3	675.8	–	749.1
Amounts recoverable from reinsurers on investment contracts	102.2	–	–	–	–	102.2
Total	2,098.4	2,998.1	2,724.8	4,239.7	7,191.5	19,252.5

A sensitivity analysis of the impact of interest rate movements on profit before tax is included in note 22(e).

(ii) Property risk

The Group's exposure to property risk arises from indirect exposure to the UK residential property market through the provision of lifetime mortgages. A substantial decline or sustained underperformance in UK residential property prices, against which the Group's lifetime mortgages are secured, could result in proceeds on sale being exceeded by the mortgage debt at the date of redemption. Demand may also reduce for lifetime mortgage products through reducing consumers' propensity to borrow and by reducing the amount they are able to borrow due to reductions in property values and the impact on loan-to-value limits.

The risk is mitigated by ensuring that the advance represents a low proportion of the property's value at outset and independent third party valuations are undertaken on each property before initial mortgages are advanced. Lifetime mortgage contracts are also monitored through dilapidation reviews. House prices are monitored and the impact of exposure to adverse house prices (both regionally and nationally) is regularly reviewed.

A sensitivity analysis of the impact of property price movements on profit before tax is included in note 16 and note 22(e).

(iii) Inflation risk

Inflation risk is the risk of fluctuations in the value of, or income from, specific assets or liabilities or both in combination, arising from relative or absolute changes in inflation or in the volatility of inflation.

Exposure to inflation occurs in relation to the Group's own management expenses and its matching of index-linked Retirement Income products. Its impact is managed through the application of disciplined cost control over its management expenses and through matching its index-linked assets and index-linked liabilities for the inflation risk associated with its index-linked Retirement Income products.

(iv) Currency risk

Currency risk arises from fluctuations in the value of, or income from, assets denominated in foreign currencies, from relative or absolute changes in foreign exchange rates or in the volatility of exchange rates.

Exposure to currency risk could arise from the Group's investment in non-sterling denominated assets. From time to time, the Group acquires fixed income securities denominated in US dollars or other foreign currencies for its financial asset portfolio. All material Group liabilities are in sterling. As the Group does not wish to introduce foreign exchange risk into its investment portfolio, derivative or quasi-derivative contracts are entered into to eliminate the foreign exchange exposure as far as possible.

(c) Credit risk

Credit risk arises if another party fails to perform its financial obligations to the Group, including failing to perform them in a timely manner.

Credit risk exposures arise from:

- Holding fixed income investments where the main risks are default and market risk. The risk of default (where the counterparty fails to pay back the capital and/or interest on a corporate bond) is mitigated by investing only in higher quality or investment grade assets. Market risk is the risk of bond prices falling as a result of concerns over the counterparty, or over the market or economy in which the issuing company operates. This leads to wider spreads (the difference between redemption yields and a risk-free return), the impact of which is mitigated through the use of a "hold to maturity" strategy. Concentration of credit risk exposures is managed by placing limits on exposures to individual counterparties and limits on exposures to credit rating levels.
- The Group also manages credit risk on its corporate bond portfolio through the appointment of specialist fund managers, who execute a diversified investment strategy, investing in investment-grade assets and imposing individual counterparty limits. Current economic and market conditions are closely monitored, as are spreads on the bond portfolio in comparison with benchmark data.
- Counterparties in derivative contracts – the Group uses financial instruments to mitigate interest rate and currency risk exposures. It therefore has credit exposure to various counterparties through which it transacts these instruments, although this is usually mitigated by collateral arrangements (see note 27).
- Reinsurance – reinsurance is used to manage longevity risk but, as a consequence, credit risk exposure arises should a reinsurer fail to meet its claim repayment obligations. Credit risk on reinsurance balances is mitigated by the reinsurer depositing back more than 100% of premiums ceded under the reinsurance agreement.
- Cash balances – credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.
- Credit risk – credit risk for loans secured by mortgages has been considered within "property risk" above.

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

The following table provides information regarding the credit risk exposure for financial assets of the Group, which are neither past due nor impaired at 31 December:

	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
2019								
Units in liquidity funds	–	1,378.0	6.0	–	–	–	–	1,384.0
Investment funds	–	–	–	–	–	–	137.3	137.3
Debt securities and other fixed income securities	198.1	941.3	1,254.0	3,058.4	4,293.5	156.3	486.2	10,387.8
Deposits with credit institutions	–	–	1.5	63.9	39.2	–	–	104.6
Derivative financial assets	–	–	0.4	152.0	38.7	–	45.9	237.0
Loans secured by residential mortgages	–	–	–	–	–	–	7,980.5	7,980.5
Loans secured by commercial mortgages	–	–	–	–	–	–	494.5	494.5
Other loans	–	–	40.4	70.7	419.7	–	349.5	880.3
Reinsurance	–	–	69.5	303.3	5.5	–	0.5	378.8
Insurance and other receivables	–	–	–	–	–	–	25.5	25.5
Total	198.1	2,319.3	1,371.8	3,648.3	4,796.6	156.3	9,519.9	22,010.3
2018								
Units in liquidity funds	–	877.7	4.8	–	–	–	–	882.5
Investment funds	–	–	13.7	–	–	–	168.3	182.0
Debt securities and other fixed income securities	623.4	832.1	938.3	2,916.7	3,555.9	208.2	443.7	9,518.3
Deposits with credit institutions	–	–	–	111.0	41.6	–	0.8	153.4
Derivative financial assets	–	–	0.3	30.1	50.8	–	–	81.2
Loans secured by residential mortgages	–	–	–	–	–	–	7,191.5	7,191.5
Loans secured by commercial mortgages	–	–	–	–	–	–	392.3	392.3
Other loans	–	89.1	117.1	93.3	423.7	–	25.9	749.1
Reinsurance	–	–	189.3	294.2	–	–	6.9	490.4
Insurance and other receivables	–	–	–	–	–	–	18.9	18.9
Total	623.4	1,798.9	1,263.5	3,445.3	4,072.0	208.2	8,248.3	19,659.6

The credit rating for Cash and cash equivalents assets at 31 December 2019 was between a range of AA and BB.

The carrying amount of those assets subject to credit risk represents the maximum credit risk exposure.

(d) Liquidity risk

The investment of Retirement Income cash in corporate bonds, gilts and lifetime mortgages, and commitments to pay policyholders and other obligations, requires liquidity risks to be taken.

Liquidity risk is the risk of loss because the Group, although solvent, either does not have sufficient financial resources available to it in order to meet its obligations as they fall due, or can secure them only at excessive cost.

Exposure to liquidity risk arises from:

- deterioration in the external environment caused by economic shocks, regulatory changes, reputational damage, or an economic shock resulting from Brexit;
- realising assets to meet liabilities during stressed market conditions;
- increasing cash flow volatility in the short term giving rise to mismatches between cash flows from assets and requirements from liabilities;
- needing to support liquidity requirements for day-to-day operations;
- ensuring financial support can be provided across the Group; and
- maintaining and servicing collateral requirements arising from the changes in market value of financial derivatives used by the Group.

Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. The Group's short-term liquidity requirements are predominantly funded by advance Retirement Income premium payments, investment coupon receipts, and bond principal repayments out of which contractual payments need to be made. There are significant barriers for policyholders to withdraw funds that have already been paid to the Group in the form of premiums. Cash outflows associated with Retirement Income liabilities can be reasonably estimated and liquidity can be arranged to meet this expected outflow through asset-liability matching and new business premiums.

The cash flow characteristics of the lifetime mortgages are reversed when compared with Retirement Income products, with cash flows effectively representing an advance payment, which is eventually funded by repayment of principal plus accrued interest. Policyholders are able to redeem mortgages, albeit at a cost. The mortgage assets are considered illiquid, as they are not readily saleable due to the uncertainty about their value and the lack of a market in which to trade them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

Cash flow forecasts over the short, medium and long term are regularly prepared to predict and monitor liquidity levels in line with limits set on the minimum amount of liquid assets required.

The table below summarises the maturity profile of the financial liabilities, including both principal and interest payments, of the Group based on remaining undiscounted contractual obligations:

	Within one year or payable on demand £m	One to five years £m	More than five years £m	No fixed term £m
2019				
Subordinated debt	74.8	585.0	773.3	–
Derivative financial liabilities	10.2	115.0	871.2	–
Obligations for repayment of cash collateral received	62.8	–	–	–
Deposits received from reinsurers	270.5	975.3	3,002.7	–
Reinsurance finance	–	–	–	14.5
Reinsurance funds withheld	15.7	57.3	134.9	–
	Within one year or payable on demand £m	One to five years £m	More than five years £m	No fixed term £m
2018				
Subordinated debt	40.8	203.8	672.0	–
Derivative financial liabilities	10.4	86.1	486.9	–
Obligations for repayment of cash collateral received	3.4	–	–	–
Deposits received from reinsurers	316.6	1,156.4	3,675.6	–
Reinsurance finance	–	–	–	30.6
Reinsurance funds withheld	16.3	59.9	148.8	–

34 CAPITAL

The net assets of the Group at 31 December 2019 on an IFRS basis were £2,321.0m (2018: £1,663.8m). The Group manages capital on a regulatory basis. Since 1 January 2016, the Group has been required to comply with the requirements established by the Solvency II Framework directive as adopted by the Prudential Regulation Authority (“PRA”) in the UK, and to measure and monitor its capital resources on this basis. The Group and its regulated subsidiaries are required to maintain eligible capital, or “Own Funds”, in excess of the value of their Solvency Capital Requirements (“SCR”). The SCR represents the risk capital required to be set aside to absorb 1 in 200 year stress tests of each risk type that the Group is exposed to, including longevity risk, property risk, credit risk and interest rate risk. These risks are all aggregated with appropriate allowance for diversification benefits.

In December 2015, Just Retirement Group plc and JRL received approval to calculate their Solvency II capital requirements using a full internal model. The capital requirement for the ex-Partnership business is assessed using the standard formula. Following the merger of Just Retirement and Partnership, the capital requirement for Just Group plc is calculated using a partial internal model.

The surplus of Own Funds over the SCR is called “Excess Own Funds” and this effectively acts as working capital for the Group. The overriding objective of the Solvency II capital framework is to ensure there is sufficient capital within the insurance company to protect policyholders and meet their payments when due.

In managing its capital the Group undertakes stress and scenario testing to consider the Group’s capacity to respond to a series of relevant financial, insurance, or operational shocks or changes to financial regulations should future circumstances or events differ from current assumptions. The review also considers mitigating actions available to the Group should a severe stress scenario occur, such as raising capital, varying the volumes of new business written and a scenario where the Group does not write new business.

The Group’s capital position can be adversely affected by a number of factors, in particular factors that erode the Group’s capital resources and/or which impact the quantum of risk to which the Group is exposed. In addition, any event which erodes current profitability and is expected to reduce future profitability and/or make profitability more volatile could impact the Group’s capital position, which in turn could have a negative effect on the Group’s results of operations.

In assessing the Group’s capital position, matters currently under development by the PRA have been taken into account.

In order to allow a Matching Adjustment (“MA”) under Solvency II on Lifetime Mortgage (“LTM”) assets, Just Retirement Limited (“JRL”) restructures its LTMs through a Special Purpose Entity (“SPE”). This SPE issues LTM notes to JRL that are MA-eligible due to their fixed cash flows (“the Senior Notes”). The equity tranche of this restructuring (“the Junior Note”) is not MA-eligible.

The regulatory environment for LTMs has evolved since the adoption of Solvency II through the publication of SS3/17 “Solvency II: Equity Release Mortgages”, and PS19/19 “Solvency II: Equity Release Mortgages – Part 2”. SS3/17, originally issued in July 2017 and subsequently updated by PS31/18 “Solvency II: Equity Release Mortgages” issued in December 2018, became effective in December 2019 and introduced a new key element, the effective value test (“EVT”). This acts as a regulatory diagnostic validation test which the PRA expects firms to conduct as a means of monitoring compliance with Solvency II requirements relating to the calculation of the Fundamental Spread (“FS”) and thus the MA in the case where MA liabilities are matched with restructured ERMs.

34 CAPITAL continued

The minimum EVT parameters applicable at December 2021 were published in September 2019: 13% volatility and a 0.5% deferment rate. The PRA will update the minimum parameterisation every six months (in March and September) and PS19/19 confirmed the link between the deferment rate and long-term real interest rates. This link helps remove some of the potential interest rate volatility introduced by the EVT although in practice there will be exposure to the lag from the half yearly updates. An additional source of uncertainty arises from the PRA's judgment over the parameterisation. For example the PRA has indicated that they would normally expect to update the deferment rate in 50bp steps and they would not expect the deferment rate to be negative so the link with real interest rates is not absolute. PS19/19 established that firms could use a phasing-in period, whereby a minimum deferment rate of 0% could be used until 31 December 2021 with no PRA approval required to do so.

The Group regularly engages with the PRA on these regulatory developments. The updated regulatory framework set out in SS3/17 and PS19/19 prompted Just to restructure and update its internal LTM securitisation (which had been designed prior to SS3/17) to better meet the revised regulatory expectations. This included a significant undertaking in the second half of 2019 to update the methodology used to determine the internal rating, amount and spread on the LTM notes used to enable LTM assets to be eligible for matching adjustment. A restructure was effected on 31 December 2019 which involved a redemption of existing notes, a restructuring and an issuance of new LTM notes. JRL now maintains a single pool of LTMs tranching into 11 internally-rated and MA-eligible securitised Senior notes held within JRL's MA portfolio, and one enlarged non-MA-eligible Junior note held in JRL's non-MA portfolio. These notes will be regularly incremented for new LTM originations.

The restructure removes much of the uncertainty on the level of MA relating to LTMs in the regulatory balance sheet. Following the restructure Just passes the PRA EVT with a material buffer (0.67%) over the minimum deferment rate of zero required at 31 December 2019 and volatility of 13% in line with the requirement. The restructuring has led to a reduction in MA which has resulted in an increase in technical provisions of approximately £300m of which approximately 44% relates to pre-2016 business and hence is partly offset by an increase in the TMTP and tax effects. The restructure has effectively accelerated recognition of some of the expected impact of complying with the new regulations applicable in 2021. The expected cost of satisfying the EVT at a parameterisation of 13%/1% (which includes a 0.5% buffer over the PRA's ultimate expectation of 0.5% as published in September 2019) rather than our current level of 13%/0.67% depends on economic conditions but would have been £80m at 31 December 2019, after allowing for the TMTP and tax offset.

The Group continues to engage in discussion with the PRA around its SCR methodology treatment, including the requirements for how the EVT would be applied in stress scenarios as set out in PS19/19. The PRA expects firms' SCR treatments to be updated for EVT under stress by 2021. At year-end 2019, our calculations indicate that the SCR currently held should be sufficient to pass an EVT in stress validation test. Therefore our previous planning assumption, of an increase in SCR of c.£130m (unaudited) to allow for EVT under stress by 2021, has been removed. Uncertainty remains as to how the introduction of an EVT in stress will ultimately be implemented by the industry and Just. The ultimate impact will also depend on the economic conditions at the time.

Although there is still more work to do to fully adopt the 2021 regulatory requirements, the restructuring of the mortgage notes represents a significant step towards ensuring the continuing compliance of our matching adjustment approach with the PRA's framework in a post EVT world. It also provides a basis for discussion with the PRA on the potential MA benefit of NNEG risk transfer transactions.

Just has an approved partial internal model to calculate the Group Solvency Capital Requirement, which it reviews for continued appropriateness. In 2020 it expects to review the model to reflect changes in the risk profile of the balance sheet arising from the requirements of PS19/19 and other business developments.

Given that the Group continues to experience a high level of regulatory activity and intense regulatory supervision, there is also the risk of PRA intervention, not limited to the matters described in the paragraphs above, which could negatively impact on the Group's capital position.

As a result of the matters described above, a risk remains that the Group could, in order to better manage its capital position, further reduce new business volumes or close to new business. These are decisions that the Board keeps under regular review as it continuously monitors the impact of new business on the firm's actual and future expected capital position.

The Group has completed a number of actions in relation to capital during the year:

- In March 2019 the Group raised a total of £375m new capital (before issue costs), through a £300m Restricted Tier 1 notes issuance and through a £75m equity placing, which can be used to support the Group's capital requirements.
- In August 2019 the Group entered into a reinsurance transaction with RGA to reduce Just Retirement Limited's exposure to longevity risk (and the associated capital requirements) for DB business written since the implementation of Solvency II, which is effective from 1 July 2019.
- In October 2019 the Group raised further new capital through the issue of £125m 8.125% Tier 2 loan notes (before issue costs) and completed a tender for £37m of the existing £100m 9.5% Partnership Tier 2 notes. The Group has announced that it will call the remaining £67m Partnership Tier 2 notes at their first call date in March 2020, resulting in a net increase in Tier 2 capital of £25m (before costs) once the redemption of the PLACL notes is completed.
- The Group has significantly reduced new business strain through a planned reduction in new business volumes, re-pricing and cost reductions.

The Group also recognises the need to continue to strengthen its capital position and has a range of potential actions available. These include:

- Reduction in new business strain is planned through DB partner business which is much less capital intensive.
- Additional reinsurance of existing business to release risk margin and SCR in respect of that business.
- On-going cost savings are planned with a target to eliminate expense overruns by the end of 2021.
- The Group remains in discussion with the PRA to establish satisfactory regulatory treatment for the NNEG risk transfer transactions already completed. There is also the potential to pursue further NNEG risk transfer transactions.
- New business strain could be further reduced by reducing the volume of new business written or by changing the mix of new business.
- The Board continues to review the optimal capital mix, subject to market liquidity and availability. For example, the Group currently has a material amount of unutilised Tier 2 debt capacity.

The Board recognises that the successful implementation of some of these potential or planned actions are not wholly within the control of the Group.

Further information on the matters considered by the Directors at 31 December 2019 in relation to capital and going concern is included in note 1.1, Basis of preparation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34 CAPITAL continued

The Group's objectives when managing capital for all subsidiaries are:

- to comply with the insurance capital requirements required by the regulators of the insurance markets where the Group operates. The Group's policy is to manage its capital in line with its risk appetite and in accordance with regulatory requirements;
- to safeguard the Group's ability to continue as a going concern;
- to continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Group entities that are under supervisory regulation and are required to maintain a minimum level of regulatory capital include:

- Just Retirement Limited and Partnership Life Assurance Company Limited – authorised by the PRA, and regulated by the PRA and FCA.
- HUB Financial Solutions Limited, Just Retirement Money Limited and Partnership Home Loans Limited – authorised and regulated by the FCA.

The Group and its regulated subsidiaries complied with their regulatory capital requirements throughout the year.

Group capital position (unaudited)

The Group's estimated capital surplus position at 31 December 2019, which is unaudited, and is stated after including 12 months' amortisation of transitional relief, was as follows:

	Solvency Capital Requirement		Minimum Group Solvency Capital Requirement	
	2019 ¹ £m	2018 ² £m	2019 £m	2018 £m
Eligible Own Funds	2,562	2,284	1,928	1,763
Capital Requirement	(1,814)	(1,589)	(444)	(393)
Excess Own Funds	748	695	1,484	1,370
Coverage ratio	141%	144%	434%	449%

1 Estimated regulatory position.

2 As reported in the Group's Solvency and Financial Condition Report as at 31 December 2018.

35 GROUP ENTITIES

The Group holds investment in the ordinary shares (unless otherwise stated) of the following subsidiary undertakings and associate undertakings, which are all consolidated in these Group accounts. All subsidiary undertakings have a financial year end at 31 December (unless otherwise stated).

	Principal activity	Registered office	Percentage of nominal share capital and voting rights held
Direct subsidiary			
Just Retirement Group Holdings Limited	Holding company	Reigate	100%
Partnership Assurance Group Limited	Holding company	London	100%
Indirect subsidiary			
HUB Acquisitions Limited ¹	Holding company	Reigate	100%
HUB Financial Solutions Limited	Distribution	Reigate	100%
HUB Online Development Limited	Software development	Belfast	100%
Just Management Services (Proprietary) Limited	Management services	South Africa	100%
Just Re 1 Limited	Investment activity	Reigate	100%
Just Re 2 Limited	Investment activity	Reigate	100%
Just Retirement (Holdings) Limited	Holding company	Reigate	100%
Just Retirement (South Africa) Holdings (Pty) Limited	Holding company	South Africa	100%
Just Retirement Life (South Africa) Limited	Life assurance	South Africa	100%
Just Retirement Limited	Life assurance	Reigate	100%
Just Retirement Management Services Limited	Management services	Reigate	100%
Just Retirement Money Limited	Provision of lifetime mortgage products	Reigate	100%
Partnership Group Holdings Limited	Holding company	London	100%
Partnership Holdings Limited	Holding company	London	100%
Partnership Home Loans Limited	Provision of lifetime mortgage products	London	100%
Partnership Life Assurance Company Limited	Life assurance	London	100%
Partnership Life US Company	Management services	USA	100%
Partnership Services Limited	Management services	London	100%
PASPV Limited	Investment activity	London	100%
PayingForCare Limited	Website	Reigate	100%
PLACL RE 1 Limited	Investment activity	Reigate	100%
PLACL RE 2 Limited	Investment activity	Reigate	100%
The Open Market Annuity Service Limited	Software solutions	Belfast	100%
TOMAS Online Development Limited	Software development	Belfast	100%
Enhanced Retirement Limited	Dormant	Reigate	100%
HUB Pension Consulting Limited	Dormant	Reigate	100%
HUB Pension Solutions Limited	Software solutions	Reigate	100%
HUB Transfer Solutions Limited	Dormant	Reigate	100%
JRP Group Limited	Dormant	Reigate	100%
JRP Nominees Limited	Dormant	Reigate	100%
Just Annuities Limited	Dormant	Reigate	100%
Just Equity Release Limited	Dormant	Reigate	100%
Just Incorporated Limited	Dormant	Reigate	100%
Just Protection Limited	Dormant	Reigate	100%
Just Retirement Finance plc	Dormant	Reigate	100%
Just Retirement Nominees Limited	Dormant	Reigate	100%
Just Retirement Solutions Limited	Dormant	Reigate	100%
PAG Finance Limited	Dormant	Jersey	100%
PAG Holdings Limited	Dormant	Jersey	100%
TOMAS Acquisitions Limited	Dormant	Reigate	100%
Corinthian Group Limited	Holding company	Reigate	75%
Corinthian Pension Consulting Limited	Pension consulting	Reigate	75%
Spire Platform Solutions Limited ^{2,3}	Software development	Portsmouth	33% ⁴

1 Class "A" and Class "B" ordinary shares.

2 Class "B" ordinary shares.

3 30 June year end.

4 Control is based on Board representation rather than percentage holding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35 GROUP ENTITIES continued

Registered offices

Reigate office:	London office:	Belfast office:	South Africa office:
Vale House	5th Floor, 110 Bishopsgate	3rd Floor, Arena Building	Office G01, Big Bay Office Park
Roebuck Close, Bancroft Road	London EC2N 4AY	Ormeau Road	16 Beach Estate Boulevard, Big Bay
Reigate, Surrey RH2 7RU		Belfast BT7 1SH	Western Cape 7441
Jersey office:	United States office:	Portsmouth office:	
44 Esplanade	2711 Centerville Road, Suite 400	Building 3000, Lakeside North Harbour	
St Helier	Wilmington	Portsmouth	
Jersey JE4 9WG	Delaware	Hampshire PO6 3EN	

On 24 July 2019 the Group disposed of its 33% interest in associated undertaking Eldercare Group Limited. At disposal, the Group's share of the net assets of Eldercare Group Limited recognised on the Consolidated statement of financial position under the equity method of accounting was £0.3m.

On 4 July 2018 the Group subscribed to 33% of the ordinary share capital of Spire Platform Solutions Limited. The Group has majority representation on the Board of the company, giving it effective control, and therefore consolidates the company in full in the results of the Group.

On 17 August 2018 the Group acquired 75% of the ordinary share capital of Corinthian Group Limited.

The non-controlling interests of the minority shareholders of Spire Platform Solutions Limited and Corinthian Group Limited totalling £(0.2)m have been recognised in the year.

36 RELATED PARTIES

The Group has related party relationships with its key management personnel and associated undertakings. All transactions with related parties are carried out on an arm's length basis.

Key management personnel comprise the Directors of the Company.

There were no material transactions between the Group and its key management personnel other than those disclosed below.

Key management compensation is as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Short-term employee benefits	2.2	4.4
Share-based payments	1.0	2.7
Total key management compensation	3.2	7.1
Loans owed by Directors	0.4	0.4

The loan advances to Directors accrue interest fixed at 4% per annum and are repayable in whole or in part at any time.

37 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The Company is the ultimate Parent Company of the Group and has no controlling interest.

38 POST BALANCE SHEET EVENTS

On 25 February 2020 the Group announced that the remaining £62.5m 9.5% 10 year subordinated debt issued by PLACL in 2015 will be called on 24 March 2020, the first call date.

On 11 March 2020 the Group signed an NNEG risk transfer transaction with an AA rated counterparty. The transaction protects the Group from NNEG risk caused by a fall in UK house prices in relation to an insured portfolio of £670m of LTMs.

On 11 March 2020 the Group signed a 100% quota share reinsurance treaty with a leading reinsurer covering c.£250m of liabilities in respect of a Defined Benefit De-risking Solutions policy.

There are no other post balance sheet events that have taken place between 31 December 2019 and the date of this report.

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2019

Year ended 31 December 2019	Share capital £m	Share premium £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit £m	Total shareholders' equity £m	Tier 1 notes £m	Total £m
At 1 January 2019	94.1	93.3	532.7	(6.2)	260.6	974.5	–	974.5
Loss for the year	–	–	–	–	(96.3)	(96.3)	–	(96.3)
Total comprehensive income for the year	–	–	–	–	(96.3)	(96.3)	–	(96.3)
Contributions and distributions								
Shares issued	9.4	–	64.4	–	–	73.8	–	73.8
Tier 1 notes issued (net of costs)	–	–	–	–	–	–	294.0	294.0
Dividends	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Interest paid on Tier 1 notes	–	–	–	–	(16.8)	(16.8)	–	(16.8)
Share-based payments	–	–	–	0.2	3.9	4.1	–	4.1
Transfer from merger reserve	–	–	(95.9)	–	95.9	–	–	–
Total contributions and distributions	9.4	–	(31.5)	0.2	82.8	60.9	294.0	354.9
At 31 December 2019	103.5	93.3	501.2	(6.0)	247.1	939.1	294.0	1,233.1

Year ended 31 December 2018	Share capital £m	Share premium £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit £m	Total shareholders' equity £m
At 1 January 2018	93.8	93.0	532.7	(5.0)	275.6	990.1
Profit for the year	–	–	–	–	0.6	0.6
Total comprehensive income for the year	–	–	–	–	0.6	0.6
Contributions and distributions						
Shares issued	0.3	0.3	–	–	–	0.6
Dividends	–	–	–	–	(24.4)	(24.4)
Share-based payments	–	–	–	(1.2)	8.8	7.6
Total contributions and distributions	0.3	0.3	–	(1.2)	(15.6)	(16.2)
At 31 December 2018	94.1	93.3	532.7	(6.2)	260.6	974.5

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2019

Company number: 08568957	Note	2019 £m	2018 £m
Assets			
Non-current assets			
Investments in Group undertakings	2	942.5	943.3
Loans to Group undertakings	3	825.0	400.0
Deferred tax asset	4	–	3.7
		1,767.5	1,347.0
Current assets			
Financial investments	5	101.8	103.2
Prepayments and accrued income		1.1	5.1
Amounts due from Group undertakings		24.2	7.6
Cash and cash equivalents		4.4	6.8
		131.5	122.7
Total assets		1,899.0	1,469.7
Equity			
Share capital	6	103.5	94.1
Share premium	6	93.3	93.3
Merger reserve		501.2	532.7
Shares held by trusts		(6.0)	(6.2)
Accumulated profit		247.1	260.6
Total equity attributable to ordinary shareholders of Just Group plc		939.1	974.5
Tier 1 notes		294.0	–
Total equity		1,233.1	974.5
Liabilities			
Non-current liabilities			
Subordinated debt	7	602.3	477.5
		602.3	477.5
Current liabilities			
Financial liabilities	8	45.9	2.2
Other payables		17.7	15.5
		63.6	17.7
Total liabilities		665.9	495.2
Total equity and liabilities		1,899.0	1,469.7

The financial statements were approved by the Board of Directors on 11 March 2020 and were signed on its behalf by:



Andy Parsons
Director

STATEMENT OF CASH FLOWS OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Cash flows from operating activities		
Loss before tax	(101.0)	(5.0)
Impairment of investments in Group undertakings	95.9	–
Share-based payments	(1.0)	(1.2)
Income from shares in and loans to Group undertakings	(14.1)	(25.0)
Interest income	(34.3)	(24.0)
Interest expense	35.5	31.6
Decrease/(increase) in prepayments and accrued income	3.6	(3.8)
(Decrease)/increase in other payables	(6.0)	13.8
Net cash outflow from operating activities	(21.4)	(13.6)
Cash flows from investing activities		
Decrease/(increase) in financial assets	70.3	(30.3)
Capital injections in subsidiaries	(90.0)	(50.0)
Loans to subsidiaries	(425.0)	(150.0)
Dividends received	–	25.0
Net cash outflow from investing activities	(444.7)	(205.3)
Cash flows from financing activities		
Issue of ordinary share capital (net of costs)	73.8	0.6
Proceeds from issue of Tier 1 notes (net of costs)	292.7	–
Increase in borrowings (net of costs)	124.5	228.5
Dividends paid	(0.2)	(24.4)
Coupon paid on Tier 1 notes	(2.8)	–
Interest paid on borrowings	(3.0)	(3.4)
Net cash inflow from financing activities	485.0	201.3
Net increase/(decrease) in cash and cash equivalents	18.9	(17.6)
Cash and cash equivalents at start of year	41.3	58.9
Cash and cash equivalents at end of year	60.2	41.3
Cash available on demand	4.4	6.8
Units in liquidity funds	55.8	34.5
Cash and cash equivalents at end of year	60.2	41.3

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

General information

Just Group plc (formerly JRP Group plc) (the “Company”) was incorporated and registered in England and Wales on 13 June 2013 as a public company limited by shares.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union effective for accounting periods commencing on or before 1 January 2019 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies followed in the Company financial statements are the same as those in the consolidated accounts. Values are expressed to the nearest £0.1m. The Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its own income statement and statement of comprehensive income. The loss arising in the year amounts to £96.3m (2018: profit of £0.6m).

1.2 Net investment income

Investment income is accrued up to the balance sheet date. Investment expenses and charges are recognised on an accruals basis.

1.3 Taxation

Taxation is based on profits for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior periods. Deferred taxation is provided on temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits to utilise carried forward tax losses against which the reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

1.4 Investments in Group undertakings

Shares in subsidiary undertakings are stated at cost less any provision for impairment.

1.5 Loans to Group undertakings

Investments in subordinated debt issued by subsidiary companies are valued at amortised cost net of impairment for expected credit losses. Expected credit losses are calculated on a 12 month forward-looking basis where the debt has low credit risk or has had no significant increase in credit risk since the debt originated.

1.6 Financial investments

Financial investments are designated at fair value through profit or loss on initial recognition.

1.7 Share-based payments

The Group offers share award and option plans for certain key employees and a Save As You Earn scheme for all employees. The share-based payment plans operated by the Group are all equity-settled plans. Under IFRS 2, Share-based payment, where the Company, as the Parent Company, has the obligation to settle the options or awards of its equity instruments to employees of its subsidiary undertakings, and such share-based payments are accounted for as equity-settled in the Group financial statements, the Company records an increase in the investment in subsidiary undertakings for the value of the share options and awards granted with a corresponding credit entry recognised directly in equity. The value of the share options and awards granted is based upon the fair value of the options and awards at the grant date, the vesting period and the vesting conditions.

2 INVESTMENTS IN GROUP UNDERTAKINGS

	Shares in Group undertakings £m
At 1 January 2019	943.3
Additions	95.1
Provision for impairment	(95.9)
At 31 December 2019	942.5
At 1 January 2018	884.5
Additions	58.8
At 31 December 2018	943.3

Details of the Company’s investments in the ordinary shares of subsidiary undertakings are given in note 35 to the Group financial statements.

Additions to shares in Group undertakings relate to shares issued by Just Retirement Group Holdings Limited and the cost of share-based payments for services provided by employees of subsidiary undertakings to be satisfied by shares issued by the Company.

Investments in Group undertakings are assessed annually to assess whether there is any indication of impairment.

As at 31 December 2019, the market capitalisation of the Group was more than its net assets. The shortfall between the market capitalisation and net assets of the Group was an indicator of possible impairment of Just Group plc’s investments in its life company subsidiaries, JRL and PLACL.

2 INVESTMENTS IN GROUP UNDERTAKINGS continued

Impairment testing was therefore carried out to assess the recoverable amount of the investments in JRL and PLACL at 31 December 2019. The testing assessed the recoverable amount for each subsidiary through a value in use calculation based on the expected emergence of excess capital under Solvency II for each subsidiary.

The carrying amount of the investment in JRL at 31 December 2019 was £423m. The recoverable amount was calculated to be in excess of this amount, indicating that no impairment of the Group's investment in JRL was required.

The carrying amount of the investment in PLACL at 31 December 2019 was £570m. The recoverable amount was calculated as £474m. Accordingly, a provision for impairment of £96m in respect of the investment in PLACL has been recognised at 31 December 2019.

Upon acquisition of the investment in PLACL in 2016, Just Group plc recognised a merger reserve of £532m. Following the impairment in the investment in PLACL recognised at 31 December 2019, an amount of £96m has been transferred from the merger reserve to the accumulated profit reserve.

The calculation of value in use for JRL and PLACL uses cash flow projections based on the emergence of surplus for in-force business on a Solvency II basis, over a 25 year period, together with new business cash flows on a Solvency II basis set out in the Group's business plan approved by the Board.

The pre-tax discount rates used were 10.3% for JRL and 9.4% for PLACL. The discount rates were determined using a weighted average cost of capital approach, adjusted for specific risks attributable to the businesses, with the lower rate used for PLACL reflecting that it is largely closed to new business.

A one percentage point increase in the discount rates used would reduce the value in use of JRL and PLACL by £102m and £29m respectively.

The Directors have not identified a reasonably possible change in assumptions which would result in the carrying amount of the Group's investment in JRL to exceed its recoverable amount. For PLACL future distributions to the Company are expected to reduce the value in use.

The discount rate used to determine the recoverable amount of the Just Group plc's investment in JRL is consistent with the discount rate used to assess the recoverable amount of goodwill in relation to JRL recognised in the Group's consolidated financial statements (see note 13 to the Group's consolidated financial statements). No impairment was required to the carrying value of the goodwill relating to JRL at 31 December 2019.

3 LOANS TO GROUP UNDERTAKINGS

	Loans to Group undertakings £m
At 1 January 2019	400.0
Additions	425.0
At 31 December 2019	825.0
At 1 January 2018	250.0
Additions	150.0
At 31 December 2018	400.0

Details of the Company's loans to Group undertakings are as follows:

	2019 £m	2018 £m
9.375% perpetual restricted Tier 1 contingent convertible debt (call option in April 2024) issued by Just Retirement Limited in April 2019	250.0	–
9.375% perpetual restricted Tier 1 contingent convertible debt (call option in April 2024) issued by Partnership Life Assurance Company Limited in April 2019	50.0	–
9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Retirement Limited in October 2016	250.0	250.0
8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Retirement Limited in October 2019	25.0	–
8.125% 10 year subordinated debt 2029 (Tier 2) issued by Partnership Life Assurance Company Limited in October 2019	100.0	–
3.519% 7 year subordinated debt 2025 (Tier 3) issued by Just Retirement Limited in May 2018	100.0	100.0
5.0% 7 year subordinated debt 2025 (Tier 3) issued by Just Retirement Limited in December 2018	50.0	50.0
Total	825.0	400.0

4 DEFERRED TAX ASSET

A deferred tax charge of £3.7m (2018: credit of £3.7m) has been recognised in the profit or loss.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

5 FINANCIAL INVESTMENTS

	Fair value		Cost	
	2019 £m	2018 £m	2019 £m	2018 £m
Units in liquidity funds	55.8	34.5	55.8	34.5
Debt securities and other fixed income securities	–	66.2	–	63.5
Deposits with credit institutions	0.1	2.5	0.1	2.5
Derivative financial assets	45.9	–	–	–
Total	101.8	103.2	55.9	100.5

All financial investments are measured at fair value through the profit or loss and designated as such on initial recognition. All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measured as a whole.

In the fair value hierarchy, units in liquidity funds are all classified as Level 1 and debt securities and other fixed income securities, and derivative financial assets are all classified as Level 2. There have been no transfers between Levels during the year.

6 SHARE CAPITAL

The allotted and issued ordinary share capital of the Company at 31 December 2019 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2019	941,068,882	94.1	93.3	532.7	720.1
Shares issued	94,012,782	9.4	–	64.4	73.8
Provision for impairment in investment in Group undertakings (see note 2)	–	–	–	(95.9)	(95.9)
At 31 December 2019	1,035,081,664	103.5	93.3	501.2	698.0
At 1 January 2018	938,308,340	93.8	93.0	532.7	719.5
In respect of employee share schemes	2,760,542	0.3	0.3	–	0.6
At 31 December 2018	941,068,882	94.1	93.3	532.7	720.1

On 14 March 2019, the Company completed the placing of 94,012,782 ordinary shares of 10 pence each at a price of 80 pence per share to both existing and new ordinary equity shareholders, raising gross proceeds of £75m. The placing price represents a discount of 6.7% on the market price of 85.3 pence per share at the time of the placing. The placing was achieved by the Company acquiring 100% of the equity of a limited company for consideration of the 94,012,782 new ordinary shares issued. Accordingly, merger relief under section 612 of the Companies Act 2006 applies, and share premium has not been recognised in respect of this issue of shares. A merger reserve has been recognised representing the premium over the nominal value of the shares issued.

Consideration for the acquisition of 100% of the equity shares of Partnership Assurance Group plc in 2016 consisted of a new issue of shares in the Company. Accordingly, merger relief under Section 612 of the Companies Act 2006 applies, and share premium has not been recognised in respect of this issue of shares. A merger reserve has been recognised representing the difference between the nominal value of the shares issued and the net assets of Partnership Assurance Group plc acquired.

7 SUBORDINATED DEBT

Details of the Company's subordinated debt are shown in note 24 to the Group financial statements.

8 FINANCIAL LIABILITIES

The Company has a cash flow swap derivative financial liability with subsidiary undertaking, Just Retirement Limited, with a fair value of £45.9m.

9 RELATED PARTY TRANSACTIONS

All transactions with related parties are carried out on an arm's length basis.

(a) Trading transactions and balances

The following transactions were made with related parties during the year:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Staff costs, Directors' remuneration, operating expenses and management fees charged by Just Retirement Management Services Limited	15.9	27.0
Loan advances to Just Retirement Limited	275.0	150.0
Loan advances to Partnership Life Assurance Company Limited	150.0	–
Interest on loan balances charged to Just Retirement Limited	38.1	24.6
Interest on loan balances charged to Partnership Life Assurance Company Limited	3.9	–
Dividends from Partnership Assurance Group Limited	–	25.0

The following balances in respect of related parties were owed by the Company at the end of the year:

	2019 £m	2018 £m
Just Retirement Limited	(0.7)	–
Just Retirement Management Services Limited	(7.7)	(7.7)
TOMAS Online Development Limited	–	(0.2)

The following balances in respect of related parties were owed to the Company at the end of the year:

	2019 £m	2018 £m
TOMAS Online Development Limited	0.1	–
Loan to Just Retirement Limited (including interest)	681.9	405.6
Loan to Partnership Life Assurance Company Limited (including interest)	151.6	–
Amounts owed for Group corporation tax	9.8	2.0

(b) Key management compensation

Key management personnel comprise the Directors of the Company.

Key management compensation is disclosed in note 36 to the Group financial statements.

ADDITIONAL FINANCIAL INFORMATION

The following additional financial information is not covered by the KPMG LLP Independent Auditor's Report on pages 102 to 110.

SOLVENCY II SURPLUS GENERATION

The table below shows the expected future emergence of Solvency II surplus from the in-force book in excess of 100% of SCR over the next 35 years. The amounts are shown undiscounted and exclude Excess Own Funds at 31 December 2019 of £748m.

The core surplus generation assumes that future property growth is in line with the best estimate assumption of 3.8%. The projection does not allow for the impact of future new business or dividends from 31 December 2019. Therefore any surplus emerging is assumed to roll up and earn an investment return, contributing to further surplus. The cash flow amounts shown are before the interest and principal payments on all debt obligations.

The TMTP amortisation shown includes the impact of the accelerated TMTP amortisation. The impact of the regulatory changes shown are the costs of phasing in the changes arising from SS3/17 to meet a 13% volatility and 1% deferment rate in the Effective Value Test by 31 December 2021.

Year	Core surplus generation £m	Regulatory changes £m	TMTP amortisation £m	Surplus generation £m
2020	294	–	(154)	139
2021	309	(68)	(126)	115
2022	307	–	(131)	176
2023	294	–	(131)	163
2024	286	–	(131)	156
2025	278	–	(131)	147
2026	271	–	(131)	140
2027	255	–	(131)	124
2028	250	–	(131)	119
2029	245	–	(131)	115
2030	233	–	(131)	102
2031	229	–	(131)	98
2032	220	–	–	220
2033	215	–	–	215
2034	208	–	–	208
2035	196	–	–	196
2036	193	–	–	193
2037	181	–	–	181
2038	172	–	–	172
2039	169	–	–	169
2040 – 2044	669	–	–	669
2045 – 2049	447	–	–	447
2050 – 2054	292	–	–	292

SOLVENCY II SURPLUS GENERATION continued**New business contribution**

The table below shows the expected future emergence of Solvency II surplus arising from 2019 new business in excess of 100% of SCR over 35 years from the point of sale. It shows the initial Solvency II capital strain in 2019. The amounts are shown undiscounted.

Year	Surplus generation £m
Point of sale	(74.0)
Year 1	14.7
Year 2	14.8
Year 3	14.8
Year 4	14.5
Year 5	13.9
Year 6	13.6
Year 7	13.1
Year 8	12.6
Year 9	12.1
Year 10	12.5
Year 11	12.4
Year 12	12.6
Year 13	12.9
Year 14	13.0
Year 15	12.6
Year 16	12.3
Year 17	11.9
Year 18	11.5
Year 19	10.4
Year 20	10.0
Years 21 to 25	40.4
Years 26 to 30	21.6
Years 31 to 35	4.4

INFORMATION FOR SHAREHOLDERS

FINANCIAL CALENDAR 2020

Annual General Meeting

14 May 2020

INVESTOR RELATIONS ENQUIRIES

For all institutional investor relations enquiries about the Group, please contact our Investor Relations department at the Registered Office address shown on page 168. Individual shareholders with queries regarding their shareholding in Just Group plc should contact our Registrar, Equiniti Limited.

Shareholders can keep up to date with all the latest Just Group plc news and events by registering with our Alert Service <http://justgroupplc.co.uk/investors/alert-service>. Just select the information of interest to you, such as results, trading updates, AGM and other meetings, and you will then be notified by email when this information is available to view on our website.

Further copies of our Annual Report and Accounts can be obtained by contacting the Group Company Secretary's office at the Registered Office address on page 168.

SHAREHOLDER PROFILE AS AT 31 DECEMBER 2019

Holdings	No. of holders	% of holders	No. of shares	% of issued share capital
1–5,000	514	51.55%	579,692	0.06%
5,001–10,000	68	6.82%	513,816	0.05%
10,001–100,000	165	16.55%	5,923,582	0.57%
100,001–1,000,000	135	13.54%	46,989,492	4.54%
1,000,001–10,000,000	85	8.53%	292,108,979	28.22%
10,000,001–20,000,000	17	1.71%	223,108,543	21.55%
20,000,001 and over	13	1.30%	465,857,560	45.01%
Totals	997	100.00%	1,035,081,664	100.00%

JUST GROUP PLC SHARE PRICE

Just's ordinary shares have a premium listing on the London Stock Exchange's main market for listed securities and are listed under the symbol Just. Current and historical share price information is available on our website <http://www.justgroupplc.co.uk/investors/data-and-share-information/Share-monitor> and also on many other websites.

WARNING ABOUT UNSOLICITED APPROACHES TO SHAREHOLDERS AND "BOILER ROOM" SCAMS

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in UK investments. These operations are commonly known as "boiler rooms". These "brokers" can be very persistent and persuasive. Just Group plc shareholders are advised to be extremely wary of such approaches and advised to only deal with firms authorised by the FCA. You can check whether an enquirer is properly authorised and report scam approaches by contacting the FCA on www.fca.org.uk/consumers or by calling the FCA Consumer Helpline: 0800 111 6768.

REGISTRAR

The Company's register of shareholders is maintained by our Registrar, Equiniti Limited. All enquiries regarding shareholder administration, including dividends, lost share certificates or changes of address, should be communicated in writing, quoting Just Group plc's Company reference number 3947 to the address below or by calling 0371 384 2787 for callers from the UK. Lines are open 8.30am to 5.30pm Monday to Friday, excluding UK Bank Holidays or +44 (0)121 415 0096 for callers from outside the UK. Shareholders can also view and manage their shareholdings online by registering at www.shareview.co.uk/myportfolio.

Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

DIVIDEND MANDATES

We strongly encourage all shareholders to receive their cash dividends by direct transfer to a bank or building society account. This ensures that dividends are credited promptly to shareholders without the cost and inconvenience of having to pay in dividend cheques at a bank. If you wish to use this cost-effective and simple facility, please contact our Registrar, Equiniti Limited.

CAUTIONARY STATEMENT AND FORWARD-LOOKING STATEMENTS

This Annual Report has been prepared for, and only for, the members of Just Group plc (the “Company”) as a body, and for no other persons. The Company, its Directors, employees, agents and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. This Annual Report contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements in relation to the current plans, goals and expectations of Just Group plc and its subsidiaries (the “Group”) relating to its or their future financial condition, performance, results, strategy and/or objectives. Statements containing the words: ‘believes’, ‘intends’, ‘expects’, ‘plans’, ‘seeks’, ‘targets’, ‘continues’ and ‘anticipates’ or other words of similar meaning are forward-looking (although their absence does not mean that a statement is not forward-looking). Forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, 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 which the Company believes are appropriate and relate to future events and depend on circumstances which may be or are beyond the Group’s control. For example, certain insurance risk disclosures are dependent on the Group’s choices about assumptions and models, which by their nature are estimates. As such, although the Group believes its expectations are based on reasonable assumptions, actual future gains and losses could differ materially from those that we have estimated. Other factors which could cause actual results to differ materially from those estimated by forward-looking statements include but are not limited to: domestic and global political, economic and business conditions (such as the UK’s exit from the EU and the terms of any trade deal which may be negotiated between the UK and the EU; or arising from the Coronavirus (COVID-19) outbreak or other infectious diseases); asset prices; market-related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of governmental and/or regulatory authorities including, for example, new government initiatives related to the provision of retirement benefits or the costs of social care; the impact of inflation and deflation; market competition; changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, gender pricing and lapse rates); risks associated with arrangements with third parties, including joint ventures and distribution partners and the timing, impact and other uncertainties associated with future acquisitions, disposals or other corporate activity undertaken by the Group and/or within relevant industries; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; default of counterparties; information technology or data security breaches; the impact of changes in capital, solvency or accounting standards; and tax and other legislation and regulations in the jurisdictions in which the Group operates (including changes in the regulatory capital requirements which the Company and its subsidiaries are subject to). As a result, the Group’s actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements. The forward-looking statements only speak as at the date of this document and reflect knowledge and information available at the date of preparation of this Annual Report. The Group undertakes no obligation to update these forward-looking statements or any other forward-looking statement it may make (whether as a result of new information, future events or otherwise), except as may be required by law. Persons receiving this Annual Report should not place undue reliance on forward-looking statements. Past performance is not an indicator of future results. The results of the Company and the Group in this Annual Report may not be indicative of, and are not an estimate, forecast or projection of, the Group’s future results. Nothing in this Annual Report should be construed as a profit forecast.

DIRECTORS AND ADVISERS

DIRECTORS

Executive Directors:

David Richardson, Group Chief Executive Officer and Managing Director, UK Corporate Business
Andy Parsons, Group Chief Financial Officer

Non-Executive Directors:

Chris Gibson-Smith, Chair
Keith Nicholson, Senior Independent Director
Paul Bishop
Ian Cormack
Michelle Cracknell
Steve Melcher
Clare Spottiswoode

GROUP COMPANY SECRETARY

Simon Watson

JUST GROUP REGISTERED OFFICE AND REIGATE OFFICE

Vale House
Roebuck Close
Bancroft Road
Reigate
Surrey RH2 7RU
Website: www.justgroupplc.co.uk
Tel: +44 (0)1737 233296

Registered in England and Wales number 08568957

CORPORATE BROKERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London
E14 4BB

Numis Securities Ltd
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

AUDITOR

KPMG LLP
15 Canada Square
London
E14 5GL

CORPORATE LAWYERS

Hogan Lovells International LLP
Atlantic House
Holborn Viaduct
London
EC1A 2FG

GLOSSARY

Acquisition costs – acquisition costs comprise the direct costs (such as commissions) of obtaining new business.

Adjusted earnings per share – an APM, this measures earnings per share based on adjusted operating profit after attributed tax, rather than IFRS profit before tax. This measure is calculated by taking the adjusted operating profit APM, reduced for the effective tax rate (19% for 2019), and dividing this result by the weighted average number of shares in issue by the Group for the year.

Adjusted operating profit before tax – an APM and one of the Group's KPIs, this is the sum of new business operating profit, in-force operating profit, operating experience and assumption changes, other Group companies' operating results, development expenditure and reinsurance and financing costs. The Board believes it provides a better view of the longer term performance of the business than profit before tax because it excludes the impact of short-term economic variances and other one-off items. It excludes the following items that are included in profit before tax: non-recurring and project expenditure, implementation costs for cost-saving initiatives, investment and economic profits and amortisation and impairment costs. In addition it includes Tier 1 interest (as part of financing costs) which is not included in profit before tax (because the Tier 1 notes are treated as equity rather than debt in the IFRS financial statements). Adjusted operating profit is reconciled to IFRS profit before tax in the Financial Review.

Alternative performance measure ("APM") – in addition to statutory IFRS performance measures, the Group has presented a number of non-statutory alternative performance measures ("APMs") within the Annual Report and Accounts. The Board believes that the APMs used give a more representative view of the underlying performance of the Group. APMs are identified in this glossary together with a reference to where the APM has been reconciled to its nearest statutory equivalent. APMs which are also KPIs are indicated as such.

Amortisation and impairment of intangible assets – amortisation costs relate to the amortisation of the Group's intangible assets, including the amortisation of intangible assets recognised in relation to the acquisition of Partnership Assurance Group plc by Just Retirement Group plc.

Auto-enrolment – new legal duties being phased in that require employers to automatically enrol workers into a workplace pension.

Buy-in – an exercise enabling a pension scheme to obtain an insurance contract that pays a guaranteed stream of income sufficient to cover the liabilities of a group of the scheme's members.

Buy-out – an exercise that wholly transfers the liability for paying member benefits from the pension scheme to an insurer which then becomes responsible for paying the members directly.

Capped Drawdown – a non-marketed product from Just Group previously described as Fixed Term Annuity. Capped Drawdown products ceased to be available to new customers when the tax legislation changed for pensions in April 2015.

Care Plan – a specialist insurance contract contributing to the costs of long-term care by paying a guaranteed income to a registered care provider for the remainder of a person's life.

Change in insurance liabilities – change in insurance liabilities represents the difference between the year-on-year change in the carrying value of the Group's insurance liabilities and the year-on-year change in the carrying value of the Group's reinsurance assets including the effect of the impact of reinsurance recaptures.

Combined Group/Just Group – following completion of the merger with Partnership Assurance Group plc, Just Group plc and each of its consolidated subsidiaries and subsidiary undertakings comprising the Just Retirement Group and the Partnership Assurance Group.

Defined benefit pension scheme – a pension scheme, usually backed or sponsored by an employer, that pays members a guaranteed level of retirement income based on length of membership and earnings.

Defined contribution ("DC") pension scheme – a work-based or personal pension scheme in which contributions are invested to build up a fund that can be used by the individual member to provide retirement benefits.

De-risk/de-risking – an action carried out by the trustees of a pension scheme with the aim of transferring investment, inflation and longevity risk from the sponsoring employer and scheme to a third party such as an insurer.

Development expenditure – development expenditure captures costs relating to the development of new products and new initiatives, and is included within adjusted operating profit.

Drawdown (in reference to Just Group sales or products) – collective term for Flexible Pension Plan and Capped Drawdown.

Economic capital coverage ratio – economic capital is a risk-based capital measure and expresses the Board's view of the available capital as a percentage of the required capital.

Embedded value – this represents the sum of shareholders' net assets and the value of in-force business, and is a measure in assessing the future profit streams of the Group's long-term business. It also recognises the additional value of profits in the business that has been written but not yet recognised under IFRS accounting.

Employee benefits consultant – an adviser offering specialist knowledge to employers on the legal, regulatory and practical issues of rewarding staff including non-wage compensation such as pensions, health and life insurance and profit sharing.

Equity release – products and services enabling homeowners to generate income or lump sums by accessing some of the value of the home while continuing to live in it.

Finance costs – finance costs represent interest payable on reinsurance deposits and financing, the interest on the Group's Tier 2 Debt, and, in the prior year, bank finance costs.

Flexi-access drawdown – the option introduced in April 2015 for DC pension savers who have taken tax-free cash to take a taxable income directly from their remaining pension with no limit on withdrawals.

Gross premiums written – gross premiums written are the total premiums received by the Group in relation to its Retirement Income and Protection sales in the year, gross of commission paid.

Guaranteed Guidance – see Pension Wise.

Guaranteed Income for Life ("GIFL") – retirement income products which transfer the investment and longevity risk to the Company and provide the retiree a guarantee to pay an agreed level of income for as long as a retiree lives. On a "joint-life" basis, continues to pay a guaranteed income to a surviving spouse/partner. Just provides modern individually underwritten GIFL solutions.

IFRS net assets – one of the Group's KPIs, representing the assets attributable to equity holders.

IFRS profit before tax – one of the Group's KPIs, representing the profit before tax attributable to equity holders.

In-force operating profit – an APM and one of the Group's KPIs, capturing the expected margin to emerge from the in-force book of business and free surplus, and results from the gradual release of prudent reserving margins over the lifetime of the policies. In-force operating profit is reconciled to IFRS profit before tax in the Financial Review.

GLOSSARY CONTINUED

Investment and economic profits – investment and economic profits reflect the difference in the year between expected investment returns, based on investment and economic assumptions at the start of the year, and the actual returns earned. Investment and economic profits also reflect the impact of assumption changes in future expected risk-free rates, corporate bond defaults and house price inflation and volatility.

Key performance indicators (“KPIs”) – KPIs are metrics adopted by the Board which are considered to give an understanding of the Group’s underlying performance drivers. The Group’s KPIs are Retirement Income sales, new business operating profit, in-force operating profit, adjusted operating profit before tax, IFRS profit before tax, IFRS net assets, Solvency II capital coverage ratio and organic capital generation.

Lifetime mortgage (“LTM”) – an equity release product that allows homeowners to take out a loan secured on the value of their home, typically with the loan plus interest repaid when the home is no longer needed.

LTM notes – structured assets issued by a wholly owned special purpose entity, Just Re1 Ltd. Just Re1 Ltd holds two pools of lifetime mortgages, each of which provides the collateral for issuance of senior and mezzanine notes to Just Retirement Ltd, eligible for inclusion in its matching portfolio.

Medical underwriting – the process of evaluating an individual’s current health, medical history and lifestyle factors, such as smoking, when pricing an insurance contract.

Net claims paid – net claims paid represents the total payments due to policyholders during the accounting period, less the reinsurers’ share of such claims which are payable back to the Group under the terms of the reinsurance treaties.

Net investment income – net investment income comprises interest received on financial assets and the net gains and losses on financial assets designated at fair value through profit or loss upon initial recognition and on financial derivatives.

Net premium revenue – net premium revenue represents the sum of gross premiums written and reinsurance recapture, less reinsurance premium ceded.

New business margin – new business margin is the new business operating profit divided by Retirement Income sales. It provides a measure of the profitability of new business sales.

New business operating profit – an APM and one of the Group’s KPIs, representing the profit generated from new business written in the year after allowing for the establishment of reserves and for acquisition expenses. New business operating profit is reconciled to IFRS profit before tax in the Financial Review.

New business sales – an indicator of the Group’s growth and realisation of its strategic objectives. New business sales include DB, GfL, Care, FPP and protection premiums written combined with LTM advances in the year. New business sales are reconciled to IFRS gross premiums in note 6 to the consolidated financial statements.

New business strain – represents the capital strain on new business written in the year after allowing for acquisition expense allowances and the establishment of Solvency II technical provisions and solvency capital requirements.

Non-recurring and project expenditure – non-recurring and project expenditure includes any one-off regulatory, project and development costs. This line item does not include acquisition integration, or acquisition transaction costs, which are shown as separate line items.

Operating experience and assumption changes – captures the impact of the actual operating experience differing from that assumed at the start of the year, plus the impact of changes to future operating

assumptions applied during the year. It also includes the impact of any expense reserve movements, and other sundry operating items.

Other Group companies’ operating results – the results of Group companies including our HUB group of companies, which provides regulated advice and intermediary services, and professional services to corporates, and corporate costs incurred by Group holding companies and the overseas start-ups.

Other operating expenses – other operating expenses represent the Group’s operational overheads, including personnel expenses, investment expenses and charges, depreciation of equipment, reinsurance fees, operating leases, amortisation of intangibles, and other expenses incurred in running the Group’s operations.

Organic capital generation – an APM and one of the Group’s KPIs. Organic capital generation is the net increase in Solvency II excess own funds over the year, excluding the impacts of equity and debt capital raised, economic variances and regulatory changes. The Board believes that this measure provides a good view of the progress made towards achieving a sustainable capital model. Organic capital generation is reconciled to Solvency II excess own funds in the Financial Review.

Pension Freedoms/Pension Freedom and Choice/Pension Reforms – the UK Government’s pension reforms, implemented in April 2015.

Pension Wise – the free and impartial service introduced in April 2015 to provide “Guaranteed Guidance” to defined contribution pension savers considering taking money from their pensions.

Prognosys™ – a next generation underwriting system, which is based on individual mortality curves derived from Just Group’s own data collected since its launch in 2004.

Regulated financial advice – personalised financial advice for retail customers by qualified advisers who are regulated by the Financial Conduct Authority.

Reinsurance and finance costs – the interest on subordinated debt, bank loans and reinsurance financing, together with reinsurance fees incurred.

Retirement Income sales (in reference to Just Group sales or products) – an APM and one of the Group’s KPIs and collective term for GfL, DB and Care Plan. Retirement Income sales are reconciled to IFRS gross premiums in note 2 to the consolidated financial statements.

Retirement sales (in reference to Just Group sales or products) – collective term for Retirement Income sales and Drawdown.

Solvency II – an EU Directive that codifies and harmonises the EU insurance regulation. Primarily this concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency.

Solvency II capital coverage ratio – one of the Group’s KPIs. Solvency II capital is the regulatory capital measure and is focused on by the Board in capital planning and business planning alongside the economic capital measure. It expresses the regulatory view of the available capital as a percentage of the required capital.

Trustees – individuals with the legal powers to hold, control and administer the property of a trust such as a pension scheme for the purposes specified in the trust deed. Pension scheme trustees are obliged to act in the best interests of the scheme’s members.

Underlying operating profit – an APM and the sum of the new business operating profit and in-force operating profit. As this measure excludes the impact of one-off assumption changes and investment variances, the Board considers it to be a key indicator of the progress of the business and a useful measure for investors and analysts when assessing the Group’s financial performance. Underlying operating profit is reconciled to IFRS profit before tax in the Financial Review.

ABBREVIATIONS

AGM – Annual General Meeting	PAG – Partnership Assurance Group
APM – alternative performance measure	PILON – payment in lieu of notice
Articles – Articles of Association	PLACL – Partnership Life Assurance Company Limited
CMI – Continuous Mortality Investigation	PRA – Prudential Regulation Authority
Code – UK Corporate Governance Code	PRI – United Nations Principles for Responsible Investment
CP – Care Plans	PVIF – purchased value of in-force
DB – Defined Benefit De-risking Solutions	PwC – PricewaterhouseCoopers LLP
DC – defined contribution	RICS – the Royal Institution of Chartered Surveyors
DSBP – deferred share bonus plan	RPI – retail price inflation
EBT – employee benefit trust	SAPS – Self-Administered Pension Scheme
EPS – earnings per share	SAYE – Save As You Earn
ERM – equity release mortgage	SCR – Solvency Capital Requirement
ESG – environment, social and governance	SFCR – Solvency and Financial Condition Report
EVT – effective value test	SID – Senior Independent Director
FCA – Financial Conduct Authority	SIP – Share Incentive Plan
FPP – Flexible Pension Plan	SLI – Secure Lifetime Income
FRC – Financial Reporting Council	SME – small and medium-sized enterprise
GDPR – General Data Protection Regulation	STIP – Short Term Incentive Plan
GHG – greenhouse gas	tCO₂e – tonnes of carbon dioxide equivalent
Gifl – Guaranteed Income for Life	TMTP – transitional measures on technical provisions
Hannover – Hannover Life Reassurance Bermuda Ltd	TSR – Total Shareholder Return
IFRS – International Financial Reporting Standards	
IP – intellectual property	
ISA – International Standards on Auditing	
JRL – Just Retirement Limited	
KPI – key performance indicator	
LTIP – Long Term Incentive Plan	
LTM – lifetime mortgage	
MA – matching adjustment	
MAR – Market Abuse Regulation	
NAV – net asset value	
NNEG – no-negative equity guarantee	
ORSA – Own Risk and Solvency Assessment	

NOTES



RETHINK RETIREMENT

Just Group plc

Vale House
Roebuck Close
Bancroft Road
Reigate
Surrey RH2 7RU

justgroupplc.co.uk