THE RETIREMENT SPECIALIST

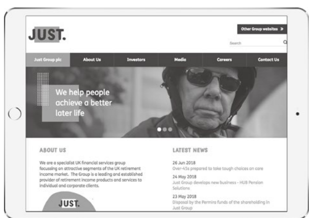
DOING BUSINESS THE JUST WAY

JUST GROUP PLC
ANNUAL REPORT
AND ACCOUNTS 2020

OUR PURPOSE

WE BELIEVE THAT EVERY DECISION WE MAKE AND EVERY ACTION WE TAKE SHOULD HELP US ACHIEVE OUR PURPOSE

CONTENTS



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.

WE HELP PEOPLE ACHIEVE A BETTER LATER LIFE

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

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 with retirement focused solutions to meet the needs of their customers and clients in later life.

READ MORE ON PG.4

INVESTMENT CASE

CAPITAL SUSTAINABILITY, COMPETENCE, INNOVATION AND GROWTH

Deploying our highly effective new business franchise to create value from our leadership positions in attractive segments of the UK retirement income market

CAPITAL STRENGTH AND SUSTAINABILITY

Our priority is to deliver a sustainable capital model so that we can take advantage of the growth markets that we operate in. In 2020 we achieved a major landmark in the Group's history by achieving capital self-sufficiency. We have improved our overall capital strength and are now working to increase our resilience as well as increasing our levels of organic capital generation. This focus will help us to fulfil our other goals and ensure we deliver value for shareholders.

READ MORE ON PG.6

WE HELP 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

DELIVERING VALUE GROWTH

Our sustainable capital model combined with a leading distribution franchise that positively disrupts in growing retirement markets will allow us to help more people achieve a better later life and provide growth in shareholder value.

READ MORE ON PG.14

"We have made huge strides to rebuild our capital base while focusing on fulfilling our purpose and building value for shareholders

DAVID RICHARDSON
Group Chief Executive Officer

READ MORE ON PG.8

FINANCIAL AND OPERATIONAL HIGHLIGHTS

KEY PERFORMANCE INDICATORS

SOLVENCY II CAPITAL COVERAGE RATIO (ESTIMATED)[2]

156%

141% at 31 December 2019

UNDERLYING ORGANIC CAPITAL GENERATION/(CONSUMPTION)[1]

£18M

£(15)m at 31 December 2019

ORGANIC CAPITAL GENERATION/(CONSUMPTION)[1]

£221M

£36m at 31 December 2019

RETIREMENT INCOME SALES[1]

£2,145.3M

2019: £1,918.1m, up 12%

NEW BUSINESS OPERATING PROFIT[1]

£199.2M

2019: £182.0m, up 9%

ADJUSTED OPERATING PROFIT BEFORE TAX[1]

£239.3M

2019: £218.6m, up 9%

MANAGEMENT EXPENSES[1]

£159.3M

2019: £169.0m, down 6%

IFRS PROFIT BEFORE TAX

£236.7M

2019: £368.6m, down 36%

IFRS NET ASSETS

£2,490.4M

2019: £2,321.0m, up 7%

AWARDED FURTHER RECOGNITION FOR OUTSTANDING SERVICE

FINANCIAL ADVISER: 5 STAR SERVICE AWARD

Pensions & Protection

FINANCIAL ADVISER: 4 STAR SERVICE AWARD

Mortgage Lenders and Packagers

CONFIRMIT ACE AWARDS

Achievement in Customer Excellence

FINANCIAL STRENGTH AND OTHER INDICATORS

FITCH INSURER FINANCIAL STRENGTH RATING

A+

for Just Retirement Limited (2019: A+)

FITCH ISSUER DEFAULT RATING

A

for Just Group plc (2019: A)

1 Alternative performance measure (see glossary on page 167 for definition).
Underlying organic capital generation/(consumption) and organic capital generation/(consumption) are reconciled to Solvency II excess own funds on page 25.
New business operating profit, management expenses and adjusted operating profit are reconciled to IFRS profit before tax on page 27 and 28.
Retirement Income sales are reconciled to gross premiums written in note 6 to the consolidated financial statements on page 122.
2 Solvency II capital coverage ratio allows for a notional recalculation of transitional measures on technical provisions ("TMTP") at 31 December 2020.

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

>£1 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

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

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:
L A leader ↗ Developing

...WITH PRODUCTS AND SERVICES

MARKETED PRODUCTS[1]

SERVICES	BENEFIT AND COMPETITIVE POSITION	
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.	Just’s innovative approach and underwriting expertise in this segment delivers better prices for trustees.	L
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.	L
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.	L
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.	L

1 Reported in our Insurance segment.

PROFESSIONAL SERVICES[2]

SERVICES	BENEFIT AND COMPETITIVE POSITION	
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.	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.	L
+	+	
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.	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

Just's purpose is compelling, clear and acts as a beacon for colleagues across the Group to live the purpose every day

ENGAGING PURPOSE, DELIVERING OUR COMMITMENT

JOHN HASTINGS-BASS
Chair

I am pleased to introduce Just Group plc's 2020 Annual Report, my first since becoming Chair in August 2020. We have continued to strengthen the capital position of the Group, increasing our resilience and delivered an excellent operating performance.

I'm delighted to have joined the Company to lead the Board. I've received a warm welcome and have been hugely impressed by the quality of colleagues I have had an opportunity to meet across the Group.

Before commenting on the Company's performance, on behalf of the Board I would like to express our gratitude to my predecessor, Chris Gibson-Smith. Chris was Chair of Just Group since its creation, overseeing a transformational merger and navigating significant regulatory change. He has steered the Group through some very challenging times and takes with him our best wishes for the future.

OUR PRIORITY IN 2020

Our first priority in 2020 has been to ensure the wellbeing of our colleagues and our customers in response to the global COVID-19 pandemic. David Richardson and his team have demonstrated outstanding leadership in their considered and rapid response. Within days, 99% of our colleagues had been equipped with new technology and other equipment to enable them to work at home productively.

All of our colleagues remain on full pay and the Group has not used the government's job retention scheme.

We maintained the delivery of all the Group's services to customers, most of whom are in the more vulnerable groups. To support our customers through this difficult period, we have made a number of changes to our products and services. You can read more about these changes and the support we have provided to our colleagues throughout this report.

In the 2018 and 2019 Annual Reports we set out the uncertainty presented to Just and other companies in the industry resulting from the Prudential Regulation Authority's ("PRA") consultation and policy statements into the treatment of equity release mortgages being held to back annuity liabilities. The impact on the Group over this period has been significant.

In 2019 the Board instigated a less capital intensive strategy. David Richardson and his team's response to adapting the business model has been disciplined and focused and we are improving our organic capital generation. Additionally, they have demonstrated strong competence in delivering their commitments by executing a wide programme of management actions over a two year period to improve the Group's capital position.

We continue to engage constructively with the PRA and although our solvency position continues to strengthen, regulatory scrutiny remains high and some uncertainty and risk remains, further details of which are set out in the principal risks and uncertainties section, and in note 35, Capital.

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

DIVIDEND

Whilst the Group has made significant progress to build its capital base to accommodate the regulations on equity release mortgages and to start to grow its underlying capital generation, the external environment as we emerge from the pandemic continues to be uncertain. The Board therefore considers that it would not be appropriate to recommend recommencing dividend payments and will continue to keep this situation under review.

BOARD COMPOSITION AND GOVERNANCE

I am pleased to welcome Kalpana Shah who joined the Group Board on 1 March. She has considerable commercial and insurance experience which will benefit our Group.

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 2021.

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

Before joining the Company, as I began my conversations with members of the Board, I was immediately drawn to the powerful purpose that sits at the heart of Just.

Just's purpose is compelling, clear and acts as a beacon for colleagues across the entire Group to live the purpose every day. Quite simply, we help people achieve a better later life. We achieve this by providing financial advice, guidance, competitive products and services and we help our customers achieve security, certainty and provide them with peace of mind in retirement.

CONTRIBUTING TO A GREENER, MORE SUSTAINABLE FUTURE

In support of our important role in helping the world transition towards a sustainable environment and low-carbon global economy, I was delighted that Just became the first UK insurance company to launch a Green Bond. You can read more about this on page 18.

OUTLOOK

The fundamental drivers for growth in our core markets continue to be strong. We have met our commitment to achieve capital self-sufficiency this year which puts us in a strong position to selectively grow our business and create value for shareholders. We are continuing to increase our resilience with further planned actions to reduce our capital sensitivity to our residential property exposure. The commercial outlook remains favourable for our Group.

On behalf of the Board, I would like to close by thanking all of our colleagues across the Group for their exceptional agility in responding to the pandemic and for their commitment to providing the best service possible to our customers and business partners. We are building a stronger, more resilient Just company that can be increasingly optimistic about the future.

ANNUAL GENERAL MEETING 2021
10.00 am
11 May 2021
at Just Group plc
Enterprise House
Bancroft Road
Reigate
Surrey RH2 7RP

CHIEF EXECUTIVE OFFICER'S STATEMENT

2020 was a major landmark in the Group's history. We achieved our goal of becoming capital self-sufficient and we now have more choices in how we deploy our resources. We have a resilient, sustainable business and are well placed to help even more people achieve a better later life

SOLVENCY II CAPITAL COVERAGE RATIO (ESTIMATED)[1]

156%

2019: 141%

ORGANIC CAPITAL GENERATION[2]

£221M

2019: £36m

ADJUSTED OPERATING PROFIT BEFORE TAX[2]

£239.3M

2019: £218.6m

1 Solvency II capital coverage ratio allows for a notional recalculation of TMTP at 31 December 2020.
2 Alternative performance measure. IFRS profit before tax £236.7m (2019: £368.6m).

FOCUSING ON CAPITAL, SUSTAINABILITY AND PURPOSE

DAVID RICHARDSON
Group Chief Executive Officer

I am delighted to present my Chief Executive Officer's Statement for the 2020 financial year.

CAPITAL

Our priority has been to deliver a sustainable capital model and 2020 was an important year in the attainment of that goal, as we achieved capital self-sufficiency more than a year earlier than originally planned. Our Solvency II capital coverage ratio has grown to 156% (estimated, post notional TMTP recalculation) from 141% at the end of 2019, an exceptional achievement given the particularly difficult economic environment. The increase reflects a sustained improvement in organic capital generation and the benefits arising from the successful execution of a range of management actions.

Increasing the organic capital generation has been a key focus of the whole leadership team. Underlying organic capital generation was positive for the first time in 2020, with management actions adding further to the surplus. Our increased focus on reducing costs and new business strain is helping to increase the underlying capital generation which provides a sustainable foundation for the future.

We have taken action to introduce significant de-risking initiatives over the year which have helped to increase the resilience of the balance sheet and to reduce the sensitivity of our capital position to economic factors. We have entered into our second and third no-negative equity guarantee ("NNEG") hedging transactions, sold a portion of our lifetime mortgages portfolio, released capital through more longevity reinsurance, this time on the GIfL portfolio and, as previously announced, signed our first DB partnering deal.

We have successfully hedged against interest rate movements and proactively managed our credit portfolio to positively contribute to our solvency capital despite credit downgrades.

The UK property market has been resilient since the start of the COVID-19 pandemic. We recognise that the uncertainty over the health of the UK economy makes it more difficult to predict the future trajectory of UK property prices to which our solvency position is exposed, as shown in the Solvency II property sensitivities included in the Business Review. The sensitivity has reduced due to the significant management actions we have executed over the year – both in further NNEG hedges, which partially protect around 20% of our LTM book against adverse future property performance, and in the sale of around 8% of the mortgage book. We expect further management actions will be implemented to reduce risk and boost the Group's capital position.

Regulatory engagement has remained high, as we have taken action to strengthen our capital position and reduce our property exposure. Some uncertainty and risks remain with further details in the principal risks and uncertainties section, and in note 35, Capital.

GROWTH AND INNOVATION

The retirement markets we participate in provide long-term structural growth opportunities and we are able to achieve high levels of return on the capital we invest in those markets. In the second half of 2020 we started to take more of those opportunities and we will be building on those foundations in 2021.

We are investing for growth by developing new solutions to positively disrupt our markets and deliver better outcomes for customers. This year we announced our first defined benefit partnering transaction, a capital light model for DB de-risking transactions which exceed £250m in size. In our retail markets we have introduced Destination Retirement, our unique automated advice service which has been developed to help close the financial advice gap for people in middle Britain with more modest pension savings.

OUR PURPOSE AND SUSTAINABILITY

Just has a strong social purpose: we help people achieve a better later life. We help our customers achieve security, certainty and peace of mind. During 2020, we have further strengthened our sustainability credentials as we became the first UK insurer to issue a Green Bond and the first to provide a green lifetime mortgage. The Green Bond enshrines our commitment to supporting the transition to a low-carbon global economy as all the proceeds are earmarked to be invested in green infrastructure projects. In 2019 our carbon intensity per employee was already the lowest in the FTSE 350 life insurance sector and in 2020 we have achieved further dramatic reductions. However this is a long-term journey and we will continue to work hard to improve all aspects of sustainability that we touch as a business.

CUSTOMERS

The needs of our customers are forefront when setting our goals. Many of our customers are in vulnerable groups and so we are proud that we have maintained the delivery of all the Group's services to customers during the disruption caused by the pandemic. In addition, we made a number of changes to our products and services to help support our customers through this difficult period where many household services have been impacted by the pandemic. You can read more about our response to help customers on page 21.

COLLEAGUES AND CULTURE

Protecting the welfare of our colleagues across the Group and ensuring the delivery of critical services to customers have been clear priorities driving our response to the pandemic. We are very aware of the challenges colleagues face when working from home and particularly for those with additional caring responsibilities. You can read in detail how we have supported our colleagues and achieved our highest ever Best Companies score on page 21.

We are rightly proud of our award-winning service, and of our strong social purpose, which together deliver a "Just" experience to our customers. Our colleagues are at the heart of this and I am grateful for the immense contribution they make to our business and for the way they have adapted so positively and with such agility to our new way of working during the pandemic.

Building a diverse workforce and strengthening our inclusive culture is a key priority for Just. It's the right thing to do and it helps us to succeed, innovate and better serve our customers. I am proud that we have increased gender diversity across senior roles by five percentage points in 2020 and we are on track to achieve our pledge as a signatory to the Women in Finance Charter that 33% of our senior leaders will be female by 2023.

PERFORMANCE REVIEW

I am very pleased that, as our capital position has improved over the year and after taking decisive action to reduce new business strain, we have been able to return to new business growth in the second half of the year. For the whole year, Retirement Income sales were £2,145m, an increase of 12% from the prior year.

The DB market has been very resilient throughout the crisis. DB sales were up 22% to £1,508m which is testament to how well both trustees and employee benefit consultants have adapted to working remotely.

The retail business was initially more affected but adapted swiftly and by the second half of 2020 GIfL and LTM sales were similar to those in the second half of 2019.

IFRS profit before tax for 2020 was £237m (2019: £369m) due to lower economic profits in 2020. Adjusted operating profit before tax rose to £239m (2019: £219m), as higher sales and new business profit, together with improved in-force earnings, have helped to offset higher finance costs.

The attention to capital discipline has resulted in a further fall in our new business strain to £48m (2019: £74m) and helped to achieve a very pleasing positive organic capital generation of £221m. We are building a strong, sustainable track record in capital generation, something that we are all committed to continuing.

IN CONCLUSION

These are extraordinary times and we are doing all we can to ensure we live up to our purpose to help people achieve a better later life. I am very grateful to my colleagues for their resilience, commitment and adaptability during this challenging period. We are pleased that our relentless focus on our key goal of strengthening the Group's capital has resulted in a much improved position that will allow us to make more positive choices around growth, innovation and shareholder returns in 2021 and beyond.

DELIVERING BETTER OUTCOMES FOR CUSTOMERS

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

DEFINED BENEFIT DE-RISKING SOLUTIONS

Defined benefit pension schemes have an obligation to pay members a retirement income based on their earnings history, length 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 defined benefit obligations to its members.

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

> "TAKING THE RISK OUT OF PAYING COMPANY PENSIONS

CURRENT MARKET AND OUTLOOK

2019 was a record year for de-risking transactions, with a total market volume of over £40bn driven by a number of megadeals. Megadeals have been largely absent from the market in 2020, providing an opportunity for more sub-billion transactions to secure insurer interest. Volatility in financial markets and subsequent illiquidity, both caused by COVID-19, provided both challenges and opportunities for schemes. As credit spreads widened, exceptional value in pensioner Buy-in and Buy-out pricing relative to holding gilts was available between April and July for those schemes ready and able to transact quickly. Since then, pricing still represents better value than before COVID-19 and where schemes have the funding in place, they're keen to transact. As a result, the market size in 2020 is estimated to have exceeded £25bn (source: LCP), making it the second busiest year on record.

There are an estimated £2.4tn of UK defined benefit pension scheme liabilities which have yet to be secured with an insurer (source: PPF) and the drivers remain in place to ensure continued high demand for de-risking solutions. The draft of the Pensions Regulator's defined benefit funding code is expected in spring 2021. The regulation is expected to ensure pension schemes are managing their risks appropriately and are on track to be fully funded by the time their cash flows turn negative, or face a bespoke approach to regulation. As a result we expect more schemes will have the funding in place to de-risk.

Research by LCP in 2020 found that 80% of defined benefit schemes expected to reach their endgame within ten years, with steady annual demand for de-risking volumes forecast to be in excess of £30bn until 2029 (source: Hymans Robertson). In their outlook for 2021, Fitch also believe that the strong demand for defined benefit de-risking is likely to continue. Even with self-sufficiency and commercial consolidation as possible endgames, we believe trustees will be competing for insurer attention. 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 will exceed the supply available from providers.

The seasonality in the defined benefit de-risking market has become less prevalent, with strong demand across the year. The exception in 2020 was in the months immediately after the first COVID-19 lockdown in March, when demand fell sharply but recovered again to pre-pandemic levels by early summer.

Heightened government, regulatory and fiduciary focus alongside consumer activism has pushed environmental, social and governance ("ESG") up the agenda for UK defined benefit pension schemes. Many trustees considering de-risking seek assurance that ESG considerations underpin the asset choices in the insurer's investment portfolio. At Just, our assets are invested sustainably in line with our ESG policy and the Green Bond we issued in October, the first by a UK insurance company, demonstrates how we've embedded ESG into our investment strategy.

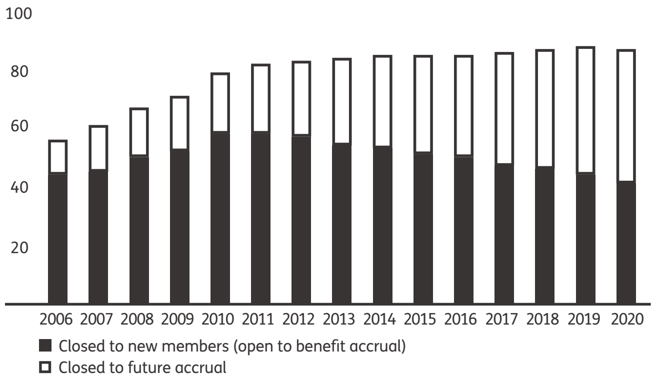
In June 2020 the Pensions Regulator issued their guidance for so called superfunds, a pension consolidation solution for schemes and sponsors to transfer risk where they cannot achieve a Buy-out from an insurance company. The interim guidance sets out the standards the regulator states must be met in the period before longer-term legislation is in place.

Regulation by the Pensions Regulator is outside of the insurance regime and so these new consolidators would not be subject to the more robust capital requirements of the Solvency II regulations. 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. One of these new consolidation models is a bridge to Buy-out and so schemes entering would eventually come to the insurance market.

This new superfund regime could provide additional competition for parts of the market we target. This won't be clear until the government and regulator have established rules for superfunds.

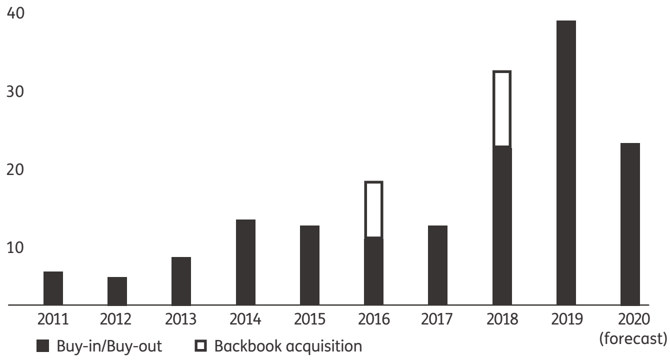
PROVIDING SECURITY AND PEACE OF MIND

87% OF DEFINED BENEFIT PENSION SCHEMES ARE CLOSED TO NEW MEMBERS AND INCREASINGLY TO FUTURE ACCRUAL (%)



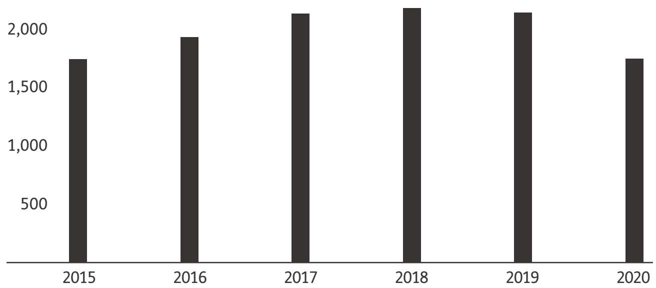
Source: The Purple Book 2020, PPF

DB DE-RISKING TRANSACTIONS (£BN)



Source: Just analysis, LCP

EXTERNAL GIFL MARKET (£M)



Source: Just analysis, ABI

INDIVIDUAL RETIREMENT INCOME MARKET

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.

CURRENT MARKET AND OUTLOOK

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. These requirements were subsequently strengthened and from January 2020 all firms are required to provide a medically underwritten comparison where a customer is eligible. 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 2019 (source: ABI).

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 2019/20. 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.

The first COVID-19 lockdown impacted the ability for some customers to transact business in the market which has resulted in a reduction in the size of the GIfL market in 2020. Volumes of transactions in the second half of the year have started to return to near pre-pandemic levels.

The FCA has announced they intend to complete further work on the suitability of advice and associated disclosure (known as “Assessing

MARKET CONTEXT CONTINUED

“

ENABLING PEOPLE TO IMPROVE THEIR LATER-LIFE LIVING STANDARDS

Suitability Review 2”). The review will focus on initial and on-going advice to consumers on taking an income in retirement. This evolving market has changed significantly following the Pension Freedom reforms and the FCA want to assess the outcomes consumers are receiving. The Governor of the Bank of England has expressed concerns that people may not have the financial resilience to withstand significant asset price volatility and the FCA has expressed concerns that people may not have sufficient sources of sustainable income. These comments and regulatory reviews shine a spotlight on the importance of securing a guaranteed income for life.

LIFETIME MORTGAGES

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 69 years old, has a house valued at around £275,000 and borrows 29% of the property value.

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 2020 was 19.7% 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

Just Group expects Lifetime Mortgages to continue to provide an important, but reducing component of the investments it uses to back its Retirement Income new business liabilities. 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 £31bn. Increased competition stemming from the new entrants to the marketplace has increased the availability of product variants, rising from 315 at the end of 2019 to 525 at the end of August 2020 (source: YourMortgage), in turn resulting in greater product choice and flexibility for customers. Market growth stalled in the second quarter of 2020 given the unprecedented environment resulting from the COVID-19 pandemic and the temporary closure of the housing market. Retail activity started to rebuild in the second half of 2020 as customers looked to take advantage of the broad range of competitive solutions available.

Just is forecasting that the LTM market will grow to around £5.7bn per annum by the end of 2023, which is a compound annual growth rate of 13.6% from 2020. The primary drivers of growth are:

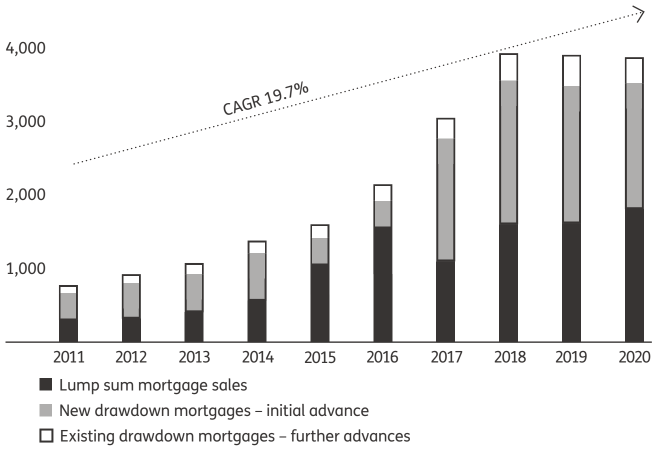
- households wanting to top up their retirement income to improve their standard of living in later life;
- an increase in the number of people with outstanding interest-only mortgages who are entering retirement and require a solution to settle the debt with the existing mortgage company;
- strong demographic 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.

In October the FCA wrote to chief executive officer’s and board directors of lifetime mortgage lenders and mortgage intermediaries. The FCA set out their view of the key risks these firms pose to their consumers or the markets in which they operate. They outlined their expectations of firms including how firms should be mitigating these key risks. They described their supervisory strategy and programme of work to ensure that firms are meeting the regulators’ expectations and that any harms and risks of harm are being remedied and/or mitigated.

“

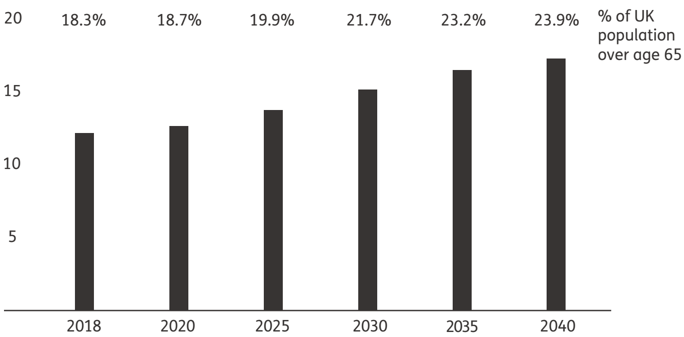
People are becoming increasingly positively disposed to accessing some of the equity in their homes to improve the quality of their later lives or to help their family

LIFETIME MORTGAGE MARKET SIZE AND GROWTH RATE (£M)



Source: Equity Release Council

NUMBER OF PEOPLE (MILLIONS) AGE 65+



Source: Office for National Statistics

The FCA are engaging with a number of firms across the industry and this phase of work is due to conclude in May 2021. They have committed to write to firms after this date to provide an updated view of the key risks posed by firms in this sector and their supervisory plans.

LONG-TERM CARE SOLUTIONS

Care Plans, or immediate needs annuities, are a form of purchased life annuity. In exchange for an up-front premium, they provide a guaranteed income for the life of the insured to help contribute to the cost of their care. Under current rules this income is tax free when paid directly to a registered care provider, with Care Plans available both to individuals entering care facilities and receiving domiciliary support. As such, Care Plans provide a form of longevity insurance to an individual against the on-going costs of receiving care until their death.

The COVID-19 pandemic had a severe and well publicised impact on the care home sector during 2020. Although this caused significant short-term disruption to our core market, it has helped to focus attention on the funding issues that the care market is currently facing, and could be the stimulus for future government structural reform for funding this critical consumer need.

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;
- this is the fastest growing demographic cohort, with its number expected to almost double over the next 25 years, suggesting a growth rate in excess of 2.6%;
- 40% of all people in the UK aged 65 and over are estimated to have a limiting long-standing illness, which may require care in the future; and
- the recent focus on pressures within the care sector has highlighted the need to plan for care, and any government reform will provide additional focus on the limited number of solutions currently available.

A LEADER IN UK LONG-TERM CARE FINANCIAL SOLUTIONS FOR

20 YEARS

BUSINESS MODEL

Our resilient business model is designed to create long-term value in the retirement market for customers and shareholders

CREATING LONG-TERM VALUE

WHAT SETS US APART

Our strengths are the foundation of our sustainable success…

RESILIENT AND AGILE

- We have met our commitment to achieve capital self-sufficiency this year and we are continuing to increase our resilience.

A STRONG REPUTATION

- Our reputation in the retirement market is unrivalled.
- We put the customer at the centre of what we do and this is reflected in the feedback we receive from customers.

STRONG FINANCIAL, RISK MANAGEMENT AND TECHNICAL PRICING CAPABILITY

- We are able to select risks that we know will create value.
- Through hedging and reinsurance, we are able to manage our capital whilst continuing to grow and scale our business lines.

INDUSTRY INNOVATOR

- We have a strong track record of positively disrupting markets.
- We selectively innovate and bring new solutions to market – you can read more about these on pages 5 and 9.

IN-RETIREMENT SPECIALIST MARKET INSIGHT

- We focus on attractive segments of the retirement market.
- We understand our markets and invest time developing insight to drive the direction of our business and to understand what our customers need.

HOW WE CREATE VALUE

RISK SELECTION

Selecting the right risks and pricing our products appropriately

PrognoSys™ is our powerful proprietary tool for pricing and reserving that 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

We invest in private placements, commercial property mortgages and infrastructure loans, as well as investment grade fixed income securities such as government and corporate bonds. We originate lifetime mortgages to provide matching cash flows for longer duration liabilities and to achieve a higher return than liquid financial assets.

INNOVATION

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

This includes:

- Defined benefit partnering model.
- Reinsurance options on new and existing business.
- No-negative equity guarantee risk transfer solution.

WHO WE CREATE VALUE FOR

SHAREHOLDERS

By managing our resources effectively we generate profits in excess of our cost of capital. We manage our capital conservatively and are focused on increasing our organic capital generation.

CUSTOMERS

Individuals: We use our medical underwriting to fairly optimise the returns for our customers. **Corporate clients:** We create opportunities and solve problems for companies using our scalable retirement focused solutions. **Trustees and scheme sponsors:** We provide member security and de-risk pension liabilities.

COMMUNITIES

We are a significant local employer in our communities of Reigate and Belfast. Our communities benefit from job creation, our tax payments and community outreach activities.

COLLEAGUES

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

For more information on engagement with stakeholders see page 44.

STRATEGIC PRIORITIES

In 2020 we successfully executed our strategy to strengthen the Group's capital position

2020 has been a year of challenges, but it has also been a year where we have evidenced how resilient we are as a business. We have demonstrated our operational capabilities to respond to the COVID-19 impacts to an exceptional standard. Despite the economic headwinds we have continued to make significant progress on the delivery of strong capital generation. Our markets have been resilient to the external pressures with negligible impact on our performance and strategy execution.

PRINCIPAL RISKS AND UNCERTAINTIES

- A Market environment
- B Pricing assumptions
- C Regulatory changes
- D Economic environment
- E Operational processes and systems
- F Brand and reputation

1.

IMPROVE OUR CAPITAL POSITION

FOCUS

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

2020 PROGRESS

- Capital management actions have been delivered. We have reduced our property risk exposure through the sale of an LTM portfolio, further NNEG hedge transactions and alternative investment strategies.
- We completed our first DB partner transaction and have made progress towards scaling our partnering propositions.
- The cost base has further reduced in 2020 by £6m.

2021 FOCUS

- Maintain our focus on capital self-sufficiency, while taking advantage of growth opportunities in our markets.
- Continue to de-risk our balance sheet to potential economic and regulatory challenges.

LINK TO RISKS AND UNCERTAINTIES:

A B C D E F

2.

TRANSFORM HOW WE WORK

FOCUS

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

2020 PROGRESS

- We have successfully delivered a significant technology upgrade across the Group this year which was a critical enabler to our ability to respond to COVID-19 impacts.
- Behavioural and technical learning to support our new environment has been embedded to support the upgrade.
- We have made good progress improving our business processes across the Group.

2021 FOCUS

- We will have an enhanced focus on transformation in 2021 with plans in place to streamline and digitise our operations across the business.
- Building on our new technology capability we will complete the next stage of our programme to create a modern workplace fit for the future.

LINK TO RISKS AND UNCERTAINTIES:

A B C D E F

3.

GET CLOSER TO OUR CUSTOMERS & PARTNERS

FOCUS

The customer is at the heart of what we do. We will maintain this whilst forming a sustainable business model.

2020 PROGRESS

- Our pioneering automated advice proposition, Destination Retirement, has made good progress with some significant partnerships on the horizon.
- Two businesses within HUB group have merged to create efficiencies and better serve our customers – HUB Pension Solutions and Corinthian Pensions have merged to become HUB Pension Consulting.

2021 FOCUS

- Building our customer strategy.
- Researching and testing innovative solutions in the Care market.

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.

2020 PROGRESS

- The first stage of our LTM digitisation programme went live in the second half of 2020 with further enhancements planned.
- Secure Lifetime Income (“SLI”) is now live and will enable financial advisers to blend guaranteed income alongside their drawdown investment portfolios to improve outcomes for their clients.

2021 FOCUS

- Helping advisers to adapt their advice processes so clients have solutions to generate sustainable retirement income.
- Scaling Destination Retirement.
- Scaling our DB partnering and DB deferred propositions.

LINK TO RISKS AND UNCERTAINTIES:

A **B** **C** D E **F**

5.

BE PROUD TO WORK AT JUST

FOCUS

Building our organisational resilience, strengthening our talent/capabilities and ensuring colleagues feel proud to work at Just.

2020 PROGRESS

- We have achieved our highest levels of colleague engagement and successfully introduced new ways of working in response to COVID-19.
- We increased our focus in critical areas, including leadership communication, facilitating colleagues to stay connected with wellbeing and line manager support.
- Gender diversity across senior roles has increased by five percentage points to 24%. We are on track to achieve our pledge as a signatory to the Women in Finance Charter that 33% of senior leadership will be female by 2023.

2021 FOCUS

- Design and implement a new model of working as part of our Modern Workplace programme, supporting colleague engagement, productivity and wellbeing.
- Drive progress on all aspects of diversity and inclusion.
- Engage colleagues around our 2021 sustainability strategy.

LINK TO RISKS AND UNCERTAINTIES:

A B **C** **D** E **F**

BREAKING NEW GROUND, INVESTING THE JUST WAY

Just has a strong social purpose: we help people achieve a better later life. It follows that we consider environmental, social and governance ("ESG") factors in all investment analysis and decisions.

Just has developed a Sustainable Investment Framework ("SIF"), to formally integrate ESG considerations into our investment portfolio and decision-making process. The SIF is available at https://www.justgroupplc.co.uk/investors/ESG.

GREEN INVESTMENTS, GREEN BOND AND A POSITIVE SOCIAL PURPOSE
Just's ESG credentials are already firmly established as a member of the FTSE4Good index series. As of 31 December 2020, Just Group has invested £1.1bn (8.8% of its bond portfolio[1]) in dedicated green and social investments. During 2020, we formally developed a Sustainable Bond Framework, which received a second party opinion from Sustainalytics on the framework's environmental and social credentials. Sustainalytics are a subsidiary of Morningstar and one of the world's leading ESG rating firms. In October 2020, Just Group became the first UK insurer to issue a Green Bond, resulting in gross issuance proceeds of £250m. The Group has provided a commitment to invest the proceeds in eligible green projects, including further investments in renewable energy, and expand into new areas such as green buildings and clean transportation. Given the predictable nature of guaranteed income cash flows, life insurers such as Just are ideal providers of long-term finance to such projects.

As investors, Just benefits from further asset diversification, while supporting the transition to a low carbon economy. Sustainalytics will annually review the projects for which the Green Bond proceeds are allocated and the bond's ongoing compliance with the initial SIF.

Separately we expect to increase the Group's exposure to social investments including local authority loans, social housing, care facilities, student accommodation, and other areas that have a positive social purpose.

A significant proportion of our investments are in lifetime mortgages, which fulfil an important social purpose by providing an option to customers to supplement their pension income or to fund larger purchases such as home improvements. By releasing equity from their home, the customer can remain in their home, close to friends and family, rather than downsizing and moving elsewhere.

LOOKING TO THE FUTURE
ESG is constantly evolving. Therefore, in order to make successful economic investments it is important to be proactive so as to anticipate regulatory requirements and to manage our risks, including reputational. Our framework will evolve over time to adapt to external and internal requirements. For example, during 2021 we will consider refining our investment approach to the mining sector and utilities, in particular those that use coal for a proportion of their power generation.

CLIMATE CHANGE
Over the last decade there has been increased awareness of climate change risk and its impact on asset owners. Our regulator, the Prudential Regulation Authority[2] recently asked insurers to model the risks posed by climate change under a range of scenarios. This was an exploratory exercise to gauge the impact to both the firm's liabilities and the investments stemming from physical and transition risks.

Just wishes to fully integrate climate change analysis and reporting for our investment portfolios, not only to comply with the new standards requested by the PRA, but also as a risk mitigating tool.

We believe that quality data is important in order to properly address and map these risks. We have formed a long-term partnership with Carbon Delta (part of MSCI) who provide a comprehensive bottom-up analysis on both single holdings and at portfolio level to measure Climate Value-at-Risk contribution on transition risk and physical risk scenarios.

1 Carrying value or cost.
2 https://www.bankofengland.co.uk/news/2019/december/boe-consults-on-proposals-for-stress-testing-the-financial-stability-implications-of-climate-change.

OUR GREEN AND SOCIAL CREDENTIALS ARE ALREADY EVIDENT IN OVER £1,100M OF INVESTMENTS IN THESE AREAS.

WIND FARMS

£381M

LOCAL AUTHORITY LOANS

£221M

COMMODITY TRADE FINANCE

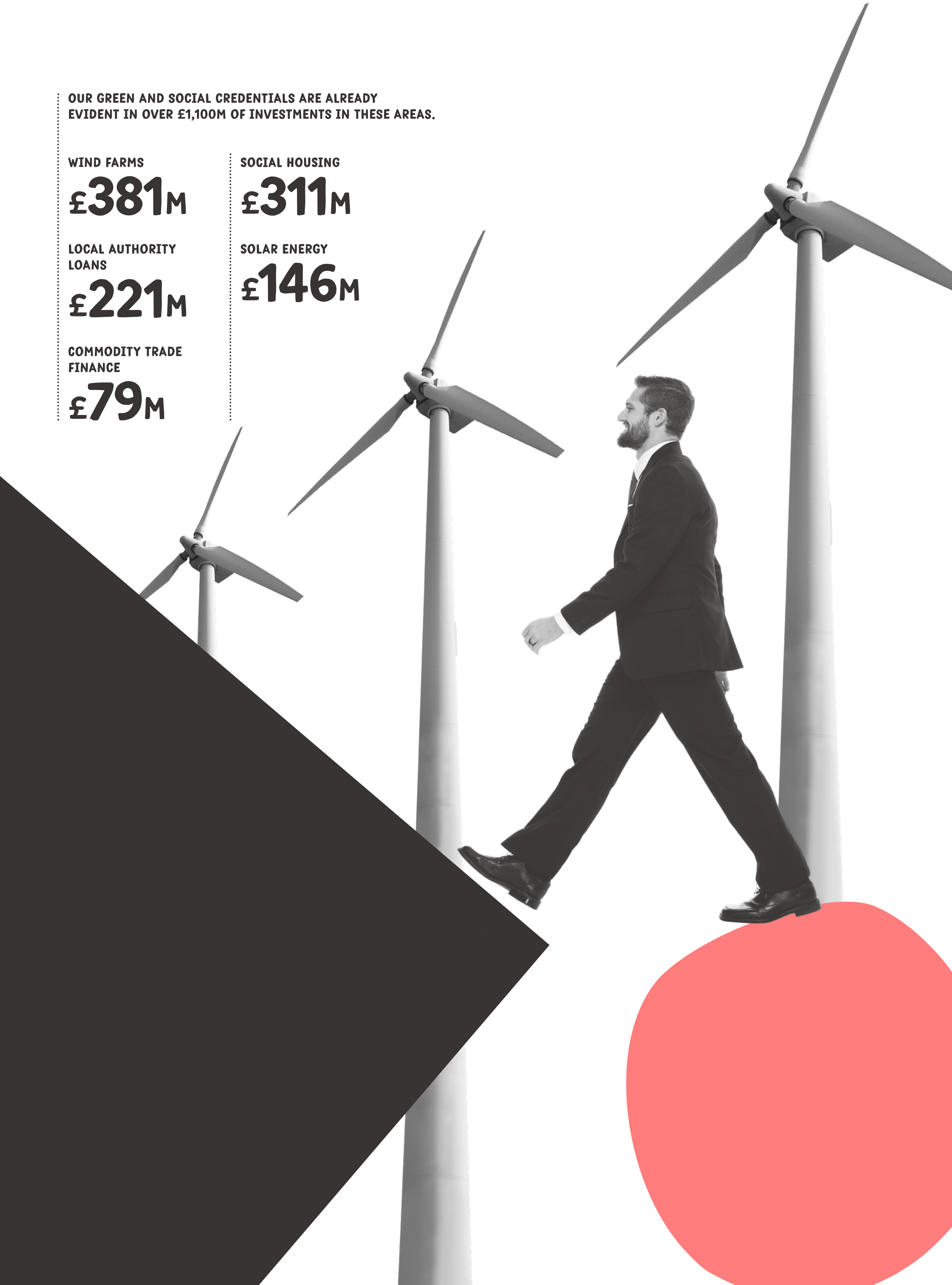
£79M

SOCIAL HOUSING

£311M

SOLAR ENERGY

£146M



COVID STRATEGY

> "OUR RESPONSE TO COVID-19 WAS INTUITIVE, DRIVEN FROM OUR CORE VALUES AND CULTURE

99%

OF OUR COLLEAGUES EQUIPPED WITH NEW TECHNOLOGY AND EQUIPMENT

FINDING NEW WAYS OF WORKING TO SUPPORT CUSTOMERS

Putting colleagues' and customers' needs at the forefront of our COVID-19 response

The development of the COVID-19 pandemic during 2020 has brought unprecedented change to the way businesses operate, both in the UK and globally. In responding to the pandemic, the imperatives that guided our actions were protecting the welfare of our colleagues across the Group and ensuring the delivery of critical services to customers.

OUR COLLEAGUES

We immediately increased our remote working capacity from around 300 to over 1,000, and within weeks equipped 99% of our colleagues with new technology and other equipment to enable them to work at home productively. This was a significant transition for a predominantly office-based community and demonstrated their agility to adapt and the Group's responsiveness to drive change.

We are very aware of the challenges colleagues face when working from home and particularly for those with additional caring responsibilities. We quickly introduced a number of flexible working arrangements and provided a range of wellbeing support to ensure our colleagues were safeguarded.

All of our colleagues remain on full pay and the Group has not used the government's job retention scheme.

We are rightly proud of our award-winning service, and of our strong social purpose, which together deliver a "Just" experience to our customers. Our colleagues are at the heart of this and we are grateful for the immense contribution they make to our business and for the way they have adapted to our new way of working during the pandemic.

READ MORE DETAIL ABOUT HOW WE HAVE SUPPORTED OUR COLLEAGUES ON PG.40

OUR CUSTOMERS

We have maintained the delivery of all the Group's services to customers, most of whom are in the more vulnerable groups.

To support our customers through this difficult period, we made a number of changes to our products and services:

- in our Lifetime Mortgage business, we introduced procedures to help people navigate the constrained conveyancing and advice process;
- we reduced interest rates on our lifetime mortgages for those customers who had passed away or moved into long-term care and were unable to sell their property because the housing market was effectively closed for a number of weeks; and
- we implemented a new temporary capital guarantee feature for our long-term care products to return the total premium less any income paid should the customer pass away within 12 months of the policy inception date.

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")

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

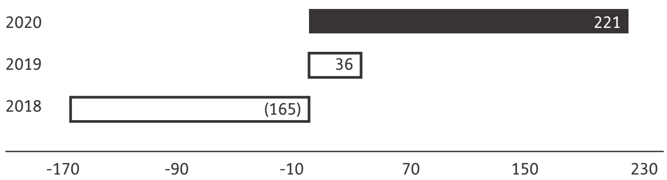
1 Alternative performance measure. See glossary on page 167 for definition.
2 These figures allow for a notional recalculation of TMTP as at 31 December 2020.

The Board keeps KPIs under review to ensure they continue to reflect the Group's priorities and strategic objectives.

During 2020 the Group introduced two new KPIs, management expenses, and underlying organic capital generation/(consumption). In-force operating profit has been discontinued as a KPI. These changes reflect the Group's focus on monitoring and controlling its costs and growing capital, and provide a balance of KPIs across capital, sales, expenses, profit and net assets.

ORGANIC CAPITAL GENERATION/ (CONSUMPTION)[1,2] – £221M

Organic capital generation/(consumption) is the net increase/(decrease) in Solvency II excess own funds over the year, and includes surplus from in-force, new business strain, cost overruns and other expenses, interest and other operating items. It excludes economic variances, regulatory adjustments, accelerated TMTP amortisation and capital raising or repayment. The Board believes that this measure provides good insight into our objective to improve our capital position.

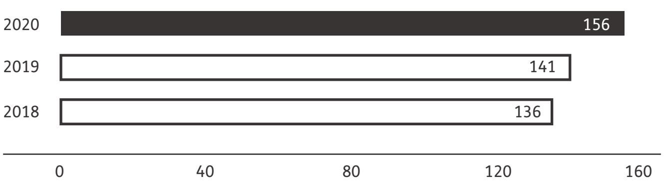


Link to strategic objective

1. 2. 3. 4. 5.

SOLVENCY II CAPITAL COVERAGE RATIO[2] – 156% (ESTIMATED)

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.

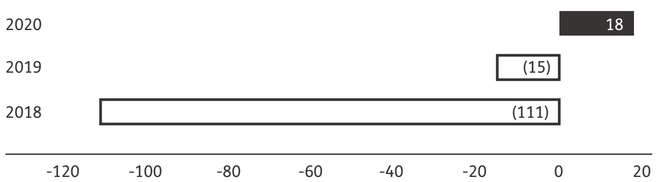


Link to strategic objective

1. 2. 3. 4. 5.

UNDERLYING ORGANIC CAPITAL GENERATION/ (CONSUMPTION)[1] – £18M

Underlying organic capital generation/(consumption) is calculated in the same way as organic capital generation, but also excludes the impact of other operating items.

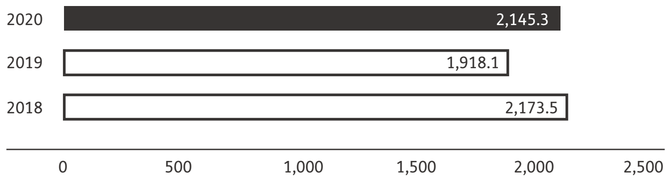


Link to strategic objective

1. 2. 3. 4. 5.

RETIREMENT INCOME SALES[1] – £2,145.3M

Retirement Income sales include DB, GIfL and Care premiums written and are a key measure of the Group's performance in these core product areas. Retirement Income sales are reconciled to IFRS gross premiums in note 6 to the consolidated financial statements.

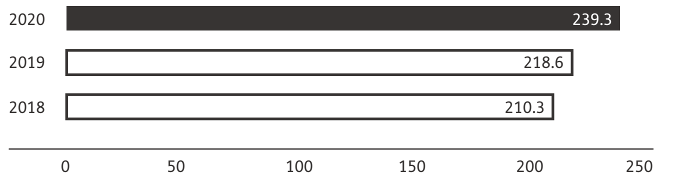


Link to strategic objective

1. 2. **3.** **4.** 5.

ADJUSTED OPERATING PROFIT BEFORE TAX[1] – £239.3M

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 27.

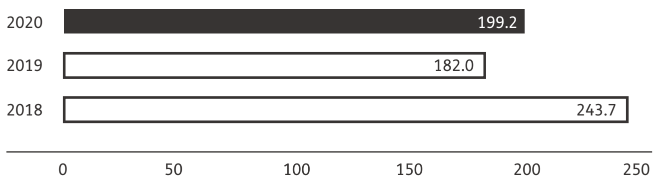


Link to strategic objective

1. 2. 3. **4.** 5.

NEW BUSINESS OPERATING PROFIT[1] – £199.2M

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.

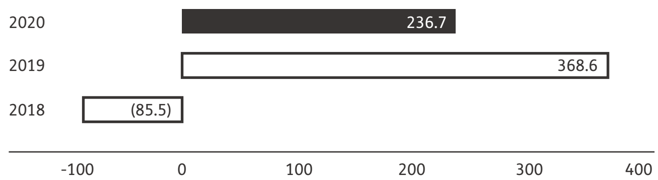


Link to strategic objective

1. 2. 3. **4.** 5.

IFRS PROFIT BEFORE TAX – £236.7M

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

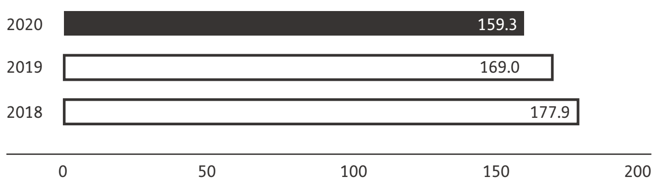


Link to strategic objective

1. 2. 3. **4.** 5.

MANAGEMENT EXPENSES[1] – £159.3M

Management expenses are the business as usual costs incurred and include all operational overheads. They are calculated as other operating expenses excluding investment expenses and charges and reassurance management fees, which are largely driven by strategic decisions, and amortisation of acquired intangible assets as these relate to merger and acquisition activity. The use of this metric provides the Board with a better view of the Group's cost base and how they support both development and transformation and business as usual activities, ensuring that they are able to be carefully monitored and controlled. Other operating expenses continue to be a useful measure alongside management expenses. Management expenses are reconciled to IFRS other operating expenses in note 5 on page 120.

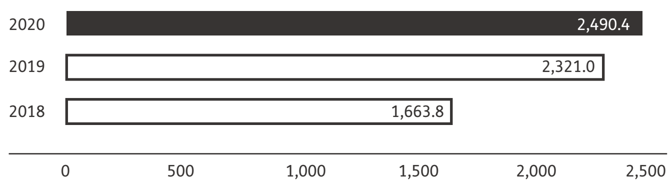


Link to strategic objective

1. **2.** 3. 4. 5.

IFRS NET ASSETS – £2,490.4M

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



Link to strategic objective

1. 2. 3. 4. 5.

The Board is focused on building a more resilient capital base and delivering value for customers and shareholders

DELIVERING RESULTS

SOLVENCY II CAPITAL COVERAGE RATIO (ESTIMATED)[1]

156%

2019: 141%

ORGANIC CAPITAL GENERATION[2]

£221M

2019: £36m

ADJUSTED OPERATING PROFIT BEFORE TAX[2]

£239.3M

2019: £218.6m

1 Solvency II capital coverage ratio allows for a notional recalculation of TMTP at 31 December 2020.
2 Alternative performance measure. IFRS profit before tax £236.7m (2019: £368.6m).

ANDY PARSONS
Group Chief Financial Officer

The Business Review presents the results of the Group for the year ended 31 December 2020, including IFRS and Solvency II information

The business has made strong positive progress over 2020, despite the considerable impact from COVID-19 on daily life and the economy. Our core products have proved resilient, with the DB market continuing to remain active throughout lockdown and the retail market building steadily after an initial slowdown. Advisers and customers have adapted well to new virtual ways of doing business.

Most importantly, the capital position of the Group has strengthened during the year as we have built the Solvency II capital coverage ratio ("coverage ratio") to 156% as at 31 December 2020[1] from 141% at the end of 2019, and 136% at the end of 2018[1]. This strong result has been enabled by the completion of significant management actions, successful capital raising and the impressive improvement in underlying capital generation. All of this combined has improved the capital coverage ratio, and at the same time offset the various negative regulatory costs including accelerated TMTP amortisation.

We have delivered consistently on management actions that improve the solvency capital position and reduce the sensitivity of the solvency balance sheet to UK house prices. During 2020 we have completed two NNEG hedges, sold a portfolio of LTMs, increased GIfL longevity reinsurance and announced a DB partnering agreement.

Underlying organic capital generation is now in a healthy positive position, which is an important milestone. This has been achieved through both a further reduction in new business strain to 2.2% (from 3.9% in 2019) and a focus on costs that has reduced the expense overrun by £10m year on year to £8m.

The balance sheet has proved extremely resilient as movements in the financial markets have had limited impact on the Group's capital position during the year. House price growth has been slightly ahead of our long-term assumptions. Active hedging of the Group's interest rate exposure has also minimised any impact from the c.60bps reduction in long-term interest rates since the start of the year. Credit downgrades affecting over 6% of the Group's corporate bond portfolio have led to a c.2% reduction in the coverage ratio, but were more than offset by the positive capital impacts from portfolio management. The Green Bond issue underscores the Group's commitment to diversifying our illiquid portfolio as the proceeds are earmarked for investment in renewable energy and green infrastructure projects. At this time, the outlook for the economy and continued progress of the COVID-19 pandemic both continue to be uncertain, but the position has improved substantially from the initial impact felt in the first half of 2020. The longer-term impact from the pandemic on policyholder mortality is still unknown. The Group remains exposed to the impact of further downgrades and future defaults on its corporate bond portfolio as well as to a potential fall in UK house prices. The impacts over 2020 have been minimal compared to initial market fears. The key sensitivities of the Group's capital and financial position to future economic and demographic factors are set out below and in notes 17 and 23 of these financial statements.

1 These figures allow for a notional recalculation of TMTP as at 31 December 2018 and 2020.

CAPITAL MANAGEMENT

Just Group plc estimated Solvency II capital position

The Group's coverage ratio was estimated at 156% at 31 December 2020, after notional recalculation of transitional measures on technical provisions ("TMTP") (31 December 2019: 141%). Steps taken by the Group during the period to reduce new business strain and expenses and implement management actions to de-risk the balance sheet have led to positive organic capital generated of £221m. In addition the Group has raised a net £113m of subordinated debt, which has added six percentage points to the coverage ratio. The Solvency II capital coverage ratio is a key metric and is considered to be one of the Group's key performance indicators ("KPIs").

Unaudited	**31 December 2020[1] £m**	31 December 2019 £m
Own funds	**3,014**	2,562
Solvency Capital Requirement	**(1,938)**	(1,814)
Excess own funds	**1,076**	748
Solvency coverage ratio	**156%**	141%

1 These figures allow for a notional recalculation of TMTP as at 31 December 2020. Without this recalculation, the Group's regulatory solvency capital ratio as at 31 December 2020 was estimated at 155%. See also note 35, Capital.

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 funds[1]

The table below analyses the movement in the capital growth over 2020.

Unaudited	**2020 £m**	2019 £m
Excess own funds at 1 January	**748**	577
Operating		
In-force surplus net of TMTP amortisation[3]	**164**	150
New business strain	**(48)**	(74)
Finance cost	**(66)**	(47)
Expenses	**(32)**	(44)
Underlying organic capital generation/ (consumption)	**18**	(15)
Other	**203**	51
Total organic capital generation[2]	**221**	36
Non-operating		
Accelerated TMTP amortisation	**(24)**	(42)
Regulatory changes	**(19)**	(219)
Economic movements	**37**	(56)
RT1, T2 and equity issuance, net of costs[4]	**113**	452
Excess own funds at 31 December	**1,076**	748

1 All figures are net of tax, and assumptions allow for a notional recalculation of TMTP as at 31 December 2020.
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 2020 figure is £250m new Tier 2 capital raised in October 2020, net of tender for £75m of the Group's Tier 3 loan notes, and net of the repayment of PLACL's Tier 2 bond which was called in March 2020. 2019 figure is net of £37m repayment in respect of PLACL's Tier 2 bond tender in October 2019.

Organic capital generation

Positive £221m of organic capital generation is a very significant improvement on the £36m of capital generation in 2019.

During 2020, the Group reached an inflection point as we became organically capital generative on an underlying basis for the first time, an important milestone for the Group. The improvement to an underlying organic capital generation of £18m (2019: £15m consumption) was as a result of a number of initiatives. New business strain is down, which reflects a focus on new business pricing discipline, capital optimisation and further longevity reinsurance. In-force surplus has continued to increase as the size of the in-force book grows, offsetting the increase in finance cost from the new debt instrument issued. Continued focus on costs has reduced expense overruns by £10m when compared to 2019. We remain confident that the 2020 overruns of £8m will be eliminated by the end of 2021.

BUSINESS REVIEW CONTINUED

In addition, we have executed a number of management actions over the period and these are included in the "other" activities. This includes capital generation of £104m from the expansion of GIfL reinsurance completed in June 2020, the second and third no-negative equity guarantee ("NNEG") hedges entered into during the year and the DB partnering deal entered into in March. Furthermore, positive mortality experience contributed £25m and modelling changes added a further £54m benefit from the adoption of CMI 2019. Other modelling changes added a further £19m.

Non-operating items
Economic movements of £37m resulted from the positive effect from portfolio management and hedging profits arising from lower interest rates more than offsetting the negative property variances and credit migration effects. The small positive property variance of £3m reflected a growth in house prices over 2020 of 3.9%, which was just above our long-term assumption. The cost of credit migration during the year was £42m, or a 2% reduction in our coverage ratio. Since the start of the pandemic over 17% of our issuers, by market value, have been downgraded, £730m of our portfolio has been downgraded by at least one letter, and of this, £167m has been downgraded to sub-investment grade. The credit migration cost was much more than offset by £88m of positive capital impacts from management of the credit portfolio.

There is a small negative from regulatory changes in 2020, primarily arising from the strengthening of the valuation of LTM notes in light of the fall in risk-free rates over the period which was partially offset by the increase in future corporation tax rate to 19%, which has increased own funds and decreased the SCR due to its effect on deferred tax.

As a result of additional NNEG hedges and the sale of an LTM portfolio, the property sensitivity has reduced to 14% (2019: 15%). We anticipate that additional management actions will reduce this sensitivity further. Note that the credit quality step downgrade sensitivity below, as well as being a severe stress requiring a significant downgrade in credit quality for 20% of our credit portfolio, also does not allow for the positive impact from credit portfolio management during a time of stress.

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

Estimated Group Solvency II sensitivities[1]

Unaudited	%	£m
Solvency coverage ratio/excess own funds at 31 December 2020	156	1,076
-50 bps fall in interest rates (with TMTP recalculation)	1	94
+100 bps credit spreads	1	21
Credit quality step downgrade (with TMTP recalculation)[2]	(13)	(201)
+10% LTM early redemption	2	21
-10% property values (with TMTP recalculation)[3]	(14)	(247)
-5% mortality	(13)	(236)

1 In all sensitivities the EVT deferment rate is maintained at the level consistent with base balance sheet, except for the interest rate sensitivity where the deferment rate reduces in line with the reduction in risk free rates but is subject to the minimum deferment rate floor (0% as at 31 December 2020).
2 Sensitivity shows the impact of an immediate full letter downgrade on 20% of assets where the capital treatment depends on a credit rating (including corporate bonds, commercial mortgages and infrastructure loans) but excludes lifetime mortgage senior notes. All credit assets were grouped into rating class, then 20% of each group were downgraded.
3 After application of NNEG hedges.

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

Unaudited	**31 December 2020[1] £m**	31 December 2019 £m
Shareholders' net equity on IFRS basis	**2,490**	2,321
Goodwill	**(34)**	(34)
Intangibles	**(100)**	(120)
Solvency II risk margin	**(846)**	(873)
Solvency II TMTP	**2,106**	1,891
Other valuation differences and impact on deferred tax	**(1,391)**	(1,271)
Ineligible items	**(5)**	(35)
Subordinated debt	**795**	684
Group adjustments	**(1)**	(1)
Solvency II own funds	**3,014**	2,562
Solvency II SCR	**(1,938)**	(1,814)
Solvency II excess own funds	**1,076**	748

1 These figures allow for a notional recalculation of TMTP as at 31 December 2020.

ALTERNATIVE PERFORMANCE MEASURES AND KEY PERFORMANCE INDICATORS

Within the Business 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, underlying organic capital generation, new business operating profit, in-force operating profit, underlying operating profit, adjusted operating profit, Retirement Income sales, management expenses 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.

The Board has also adopted a number of key performance indicators ("KPIs"), which include certain APMs, and which are considered to give an understanding of the Group's underlying performance drivers. KPIs are regularly reviewed against the Group's strategic objectives to ensure that we continue to have the appropriate set of measures in place to assess and report on our progress. During 2020 the Group introduced two new KPIs, management expenses, and underlying organic capital generation/(consumption). In-force operating profit has been discontinued as a KPI. These changes reflect the Group's focus on monitoring and controlling its costs and growing capital, and provide a balance of KPIs across capital, sales, expenses, profit and net assets. The Group's KPIs are discussed in more detail within the capital management section above, and on the following pages.

The Group's KPIs are shown below:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m	Change %
Underlying organic capital generation/(consumption)[1]	**18**	(15)	
Organic capital generation[1]	**221.0**	36.0	
Retirement Income sales[1]	**2,145.3**	1,918.1	12
New business operating profit[1]	**199.2**	182.0	9
Adjusted operating profit before tax[1]	**239.3**	218.6	9
Management expenses[1]	**159.3**	169.0	(6)
IFRS profit before tax	**236.7**	368.6	(36)

	31 December 2020 £m	31 December 2019 £m	Change %
Solvency II capital coverage ratio[2]	**156%**	141%	
IFRS net assets	**2,490.4**	2,321.0	7

1 Alternative performance measure, see glossary for definition.
2 Estimated, after allowing for a notional recalculation of TMTP as at 31 December 2020.

ADJUSTED OPERATING PROFIT

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m	Change %
New business operating profit	**199.2**	182.0	9
In-force operating profit	**97.8**	84.4	16
Underlying operating profit	**297.0**	266.4	11
Operating experience and assumption changes	**46.2**	42.2	9
Other Group companies' operating results	**(17.1)**	(13.1)	(31)
Development expenditure	**(7.3)**	(10.3)	29
Reinsurance and finance costs	**(79.5)**	(66.6)	(19)
Adjusted operating profit before tax[1]	**239.3**	218.6	9

1 See reconciliation to IFRS profit before tax on page 28.

Adjusted operating profit before tax

Adjusted operating profit before tax of £239.3m increased by 9% in 2020 (2019: £218.6m). Within this, underlying operating profit, the sum of new business operating profit and in-force operating profit, rose 11% to £297.0m. Operating experience variance and assumption changes increased to £46.2m in 2020 (2019: £42.2m) and were broadly in line with the previous year. Finance costs increased by 19% to £79.5m, driven by a full 12 month run-rate from the Restricted Tier 1 notes issued in March 2019.

New business operating profit

New business operating profit has increased by 9% to £199.2m (2019: £182.0m). This reflects a 12% increase in Retirement Income sales to £2,145.3m (2019: £1,918.1m), with a strong performance in the second half of the year, particularly in DB, while GIfL/Care sales returned to a normalised run-rate following the easing of lockdown restrictions in June. The new business margin achieved on Retirement Income sales during the period was 9.3% (2019: 9.5%), reflecting adjustments made to the asset mix backing the new business and increased longevity reinsurance as part of the Group's capital self-sufficiency objective. The Group continues to focus on pricing discipline and risk selection, and is benefiting from lower acquisition costs due to business mix and cost reductions.

Management expenses

Management expenses have decreased by 6% to £159.3m (2019: £169.0m). This is due to strengthened procurement and cost controls, elimination of certain vacant roles, selective hiring, and lower marketing and distribution costs due to the effect of remote working and social distancing. Furthermore, previous property rationalisation savings have come through for the full 12 months.

In-force operating profit

In-force operating profit increased by 16% to £97.8m (2019: £84.4m), reflecting growth in profit from the Group's growing in-force book of business and higher surplus assets, while maintaining control of policy maintenance costs. The effect of widening credit spreads and downgrades during the year further added to in-force operating profit.

Operating experience and assumption changes

The Group has paid close attention to developments as the COVID-19 vaccine programme rolls out across the population, which began with its customer base, many of whom are in the most vulnerable category. However, the long-term impact of the COVID-19 pandemic on those who recovered from the disease, the efficacy of the various vaccines and secondary impacts such as delayed diagnosis for other illnesses or behavioural changes need to be considered when reviewing long-term assumptions, in particular in respect of property and mortality.

The Group considered the early experience of the COVID-19 pandemic as part of the annual basis review in December 2020, and will continue to assess its long-term assumptions during 2021. Sensitivity analyses are shown in notes 17 and 23 which set out the impact on the IFRS results from changes to key assumptions, including property and mortality.

Overall, positive operating experience and assumption changes of £46.2m were reported in 2020 (2019: £42.2m). Within this £46.2m figure, operating experience was £20.1m, primarily due to data and modelling updates, offset by the reinsurance changes applied during 2020, specifically, the increased reinsurance coverage on GIfL business and the reinsurance implementation for our first DB partnering scheme. These combined to a net positive £15.7m. Positive mortality experience for guaranteed income due to higher than expected deaths during the period was offset by a negative LTM experience in relation to early redemptions arising from both mortality and also moves into long-term care and voluntary redemptions, resulting in a net positive £6.8m. Various other items totalled a negative £2.4m. There were a number of assumption changes including the adoption of CMI 2019 across our product range, which led to a net £61.9m longevity reserve release as the guaranteed income release outweighed LTM strengthening. Offsetting this release, calibration and other modelling refinements led to a £31.7m strengthening. The review of other assumptions led to a £4.0m reserve strengthening, resulting in net assumption changes of £26.2m.

Other Group companies' operating results

The operating result for other Group companies was a loss of £17.1m in 2020 compared to a loss of £13.1m in 2019.

Development expenditure

Development expenditure mainly relates to product development and new initiatives, such as new capital light products. Development expenditure also relates to distribution improvements such as online capability and digital access. Development expenditure has fallen as project expenditure concludes.

Reinsurance and finance costs

Reinsurance and finance costs include the coupon on the Group's Restricted Tier 1 notes, as well as the interest payable on the Group's Tier 2 and Tier 3 notes. The increase for the period is due to a full 12 month run-rate from the Restricted Tier 1 notes issued in March 2019 and the £125m Tier 2 notes issued in October 2019. It also includes the coupon from the Green £250m Tier 2 notes issued in October 2020.

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 2020 £m	Year ended 31 December 2019 £m	Change %
Defined Benefit De-risking Solutions ("DB")	**1,507.9**	1,231.3	22
Guaranteed Income for Life Solutions ("GIfL")	**585.9**	615.7	(5)
Care Plans ("CP")	**51.5**	71.1	(28)
Retirement Income sales	**2,145.3**	1,918.1	12

BUSINESS REVIEW CONTINUED

The Group's key focus is capital self-sufficiency, resilience, and providing optionality to deploy surplus capital. As part of this commitment, in 2019, we wrote less new business in order to reduce new business capital strain. During 2020, as the first half COVID-19 related disruption subsided, we executed our business plan by selectively increasing volumes at attractive margins. Our chosen markets have proven resilient in the face of considerable challenges, as the structural growth drivers that underpin our markets are unchanged. Retirement Income sales for 2020 increased by 12% to £2,145.3m (2019: £1,918.1m).

DB sales for the year were £1,507.9m, an increase of 22%. Transactions are lumpy in nature and subject to timing differences, with a number of transactions postponed due to COVID-19 disruption subsequently completing. DB sales in the second half of the year were over £1bn, a record for the Group. We completed 23 transactions during 2020 (2019: 23 transactions). The defined benefit de-risking market continues to be buoyant. We estimate that the DB market was c.£30bn in 2020, the second highest on record, after an exceptional year in 2019 (£43.8bn). In 2021, we expect to participate more fully in the deferred liabilities market, thus improving our Buy-out proposition, and to actively quote on larger case sizes including those suitable for DB partnering.

2020 GIfL sales decreased by 5% to £585.9m (2019: £615.7m). COVID-19 introduced challenges given the inherent face-to-face advice process; however, advisers responded quickly by utilising virtual means. In June, GIfL sales returned to their normal run-rate, demonstrating that disruption was only temporary. Volatile investment markets and economic uncertainty have demonstrated to customers the importance and security of a guaranteed income. Care sales were most impacted by COVID-19 disruption, but only represent 2% of Retirement Income sales.

Other new business sales

Lifetime Mortgage advances were £511.7m for 2020 (2019: £415.8m), an increase of 23%. 2020 includes £36m of LTM origination on behalf of a third party. The Group does not hold an economic exposure for these assets, it earns a fee for originating and administering these loans. LTM spreads were relatively stable during the year as risk-free rates fell, whereas in 2019, there was increased competition, particularly in the first half of the year, which resulted in lower volumes that year.

We continue to be more selective in the mortgages we advance, 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. In future, we expect to gradually taper the proportion of LTMs backing new business towards 20%.

During 2019, the Flexible Pension Plan drawdown closed to new business and existing customers were migrated to a third party platform. The Group also closed its US Care unit, which had been loss making.

ADJUSTED EARNINGS PER SHARE

Adjusted EPS (based on adjusted operating profit after attributed tax) has increased from 17.6 pence for 2019, to 18.8 pence for 2020.

	Year ended 31 December 2020	Year ended 31 December 2019
Adjusted earnings (£m)	**193.8**	177.1
Weighted average number of shares (million)	**1,030.7**	1,007.5
Adjusted EPS (pence)	**18.8**	17.6

EARNINGS PER SHARE

	Year ended 31 December 2020	Year ended 31 December 2019
Earnings (£m)	**165.5**	285.8
Weighted average number of shares (million)	**1,030.7**	1,007.5
EPS (pence)	**16.1**	28.4

RECONCILIATION OF OPERATING PROFIT TO STATUTORY IFRS RESULTS

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

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Adjusted operating profit before tax	**239.3**	218.6
Non-recurring and project expenditure	**(12.7)**	(8.3)
Implementation of cost saving initiatives	**(8.5)**	(13.5)
Investment and economic profits	**8.5**	173.8
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**28.1**	16.8
Amortisation costs	**(18.0)**	(18.8)
IFRS profit before tax	**236.7**	368.6

Non-recurring and project expenditure

Non-recurring and project expenditure was £12.7m (2019: £8.3m) and includes preparations for the new insurance accounting standard, IFRS 17, the costs associated with Green Tier 2 bond/concurrent Tier 3 tender, preparations for an internal model change to incorporate the recent regulatory changes and to move PLACL from standard formula to a Group internal model, and a number of smaller project costs. It also includes a significant upgrade to our hardware systems, the roll out of which was accelerated to enable our colleagues to work remotely to support the business during the COVID-19 pandemic. 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 cost savings initiated to optimise the Group's business model and prioritise capital efficiency. During the period the Group has carried out further improvements to its business processes and management structure. This builds on improvements made during 2019.

Investment and economic profits

Investment and economic profits for 2020 were £8.5m (2019: £173.8m). A large gain from the fall in risk-free rates has been largely offset by a change in the long-term property growth assumption and the sale of an LTM portfolio.

The decrease in risk-free rates during the first half of 2020, has led to a gain of £360m for the year as a whole. The impact of falling interest rates has been further amplified by additional interest rate hedges entered into to protect the Solvency II capital position, and which have increased the sensitivity of the IFRS balance sheet to interest rate movements relative to prior periods. There were small negatives from credit spreads and downgrades (£14m) and property growth experience (£5m).

We have taken a prudent view to reduce the long-term property growth assumption by 50 basis points to 3.3% from 3.8% previously. In updating these assumptions, the Board took into consideration future macro-economic uncertainties including the effect of COVID-19 and Brexit on the UK property market. The strengthening of these assumptions has given rise to a £166m loss, which is the combination of the change in lifetime mortgage asset values and the increase to the value of insurance liabilities from the resulting reduction to the valuation interest rate. Furthermore, in December 2020, the Group sold a portfolio of lifetime mortgages with accumulated value of £540m. These LTMs were sold at a gain to the IFRS fair value, but, we have foregone the difference in investment yield with the replacement bonds, and hence incurred a £136m pre-tax loss. Over time a proportion is planned to be allocated to new illiquid assets reducing this initial impact.

Further details and sensitivities to changes in property assumptions are given in notes 17 and 23 of these financial statements.

There were no corporate bond defaults within our portfolio during the period (2019: 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 2020 £m	Year ended 31 December 2019 £m
Gross premiums written	**2,147.8**	1,921.0
Reinsurance premiums ceded	**(232.0)**	2.8
Reinsurance recapture	**940.0**	436.8
Net premium revenue	**2,855.8**	2,360.6
Net investment income	**1,777.7**	1,451.7
Fee and commission income	**11.7**	12.7
Total revenue	**4,645.2**	3,825.0
Net claims paid	**(1,000.2)**	(861.1)
Change in insurance liabilities	**(2,983.1)**	(2,237.8)
Change in investment contract liabilities	**(1.8)**	92.2
Acquisition costs	**(44.5)**	(35.2)
Other operating expenses	**(219.9)**	(227.8)
Finance costs	**(159.0)**	(186.7)
Total claims and expenses	**(4,408.5)**	(3,456.4)
Profit before tax	**236.7**	368.6
Income tax	**(44.2)**	(66.2)
Profit after tax	**192.5**	302.4

Gross premiums written
Gross premiums written for the year were £2,147.8m, an increase of 12% compared to the prior period (2019: £1,921.0m). As discussed above, the overall increase reflects a 22% increase in DB sales, offset by a reduction in GIfL and Care sales, which were impacted by challenges from COVID-19 in the first half of 2020.

Reinsurance premiums ceded
Reinsurance premiums ceded (expense of £232.0m) has increased in 2020 as a result of reinsurance in relation to the Group's DB partnering business. Also included within this line item are reinsurance swap premiums and fees (2019: £2.8m credit).

Reinsurance recapture
During 2020 the Group recaptured all of the remaining quota share reinsurance arrangements held by its subsidiary JRL. These reinsurance treaties included financing arrangements, which allowed a capital benefit under the old Solvency I regime. The treaties allowed the recapture of business once the financing loan from the reinsurer had been repaid, and the Group has now fully repaid all such financing arrangements (2019: outstanding financing of £14.5m). This has resulted in a decrease of reinsurance assets of £940m 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 change in insurance liabilities respectively.

Net premium revenue
Net premium revenue increased from £2,360.6m to £2,855.8m, driven by the increase in gross premiums written, plus the impact of the reinsurance recaptures made during the year, offset by reinsurance premiums ceded.

Net investment income
Net investment income increased from £1,451.7m to £1,777.7m in 2020. 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. There has been a decrease in risk-free rates during the first half of 2020 which has resulted in unrealised gains in relation to assets held at fair value. During 2020 this line item also includes realised gains from the sale of £540m of the Group's lifetime mortgages, offset by the change to the carrying value of mortgages from the change to the Group's property growth assumption.

Net claims paid
Net claims paid increased to £1,000.2m, from £861.1m in 2019, reflecting the continuing growth of the in-force book.

Change in insurance liabilities
Change in insurance liabilities was £2,983.1m for the current year, compared to £2,237.8m in 2019. The increase is principally due to a greater fall in the valuation interest rate and a larger reinsurance recapture.

Acquisition costs
Acquisition costs have increased from £35.2m in 2019 to £44.5m in 2020, mainly as a result of an increase in LTM new business compared to the prior year.

Other operating expenses
Other operating expenses decreased from £227.8m in 2019 to £219.9m for the current year. This is driven by a reduction in management expenses, as explained above, which has been achieved through the cost saving initiatives entered into during 2019 and 2020.

Finance costs
The Group's overall finance costs decreased from £186.7m in 2019 to £159.0m in 2020. The main driver relates to a reduction in reinsurance deposits, which have fallen in line with the reinsurance recaptures made. This decrease has partly offset by interest on the new Tier 2 loan notes issued in October 2019 and October 2020.

Income tax
Income tax for the year ended 31 December 2020 was £44.2m (2019: £66.2m), with an effective tax rate of 18.7% in line with corporation tax rates (2019: effective tax rate of 18.0%).

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.

	31 December 2020 £m	31 December 2019[1] £m
Assets		
Financial investments	**23,269.8**	21,606.0
Reinsurance assets	**3,132.6**	3,860.6
Other assets	**1,771.0**	555.8
Total assets	**28,173.4**	26,022.4
Share capital and share premium	**198.3**	198.0
Other reserves	**948.8**	949.9
Accumulated profit and other adjustments	**1,051.2**	879.9
Total equity attributable to ordinary shareholders of Just Group plc	**2,198.3**	2,027.8
Tier 1 notes	**294.0**	294.0
Non-controlling interest	**(1.9)**	(0.8)
Total equity	**2,490.4**	2,321.0
Liabilities		
Insurance liabilities	**21,118.4**	19,003.7
Reinsurance liabilities	**267.1**	128.6
Other financial liabilities	**3,305.1**	3,678.9
Insurance and other payables	**91.6**	72.6
Other liabilities	**900.8**	817.6
Total liabilities	**25,683.0**	23,701.4
Total equity and liabilities	**28,173.4**	26,022.4

1 Restated in relation to reinsurance assets and reinsurance liabilities. See sections on reinsurance assets and reinsurance liabilities below, and note 2 to the financial statements.

BUSINESS REVIEW CONTINUED

Financial investments

During the last 12 months, financial investments increased by £1.7bn to £23.3bn (2019: £21.6bn). The increase is mainly due to the effect of decreases in risk-free rates during the period, somewhat offset by credit spread widening, but also as a result of investing the Group's new business premiums. The credit quality of the corporate bond portfolio remains resilient, with 50% of the Group's corporate bond and gilts portfolio rated A or above (2019: 53%) and continues to be well balanced across a range of industry sectors and geographies. Given the macroeconomic uncertainty, credit rating agencies have proactively taken a cautious approach, and have been slower to restore corporates to a level our fundamental credit analysis supports. The Group has limited exposure to those sectors that are most sensitive to structural change, such as Energy, Auto manufacturers and Consumer (cyclical), while the BBB-rated bonds are weighted towards the sectors least at risk from uncertain macro conditions post COVID-19/Brexit, including Utilities, Communications and Technology, and Infrastructure. Over the past year, the Group actively managed its portfolio and sold £639m of bonds, including those that were most exposed to downgrade. We constantly review the sector allocations, and within those, take the opportunity to trade out of individual names to stay ahead of credit rating agency actions, whilst maintaining diversification. From a sector perspective, the main rotational difference during 2020 was an increase in utilities, infrastructure and commercial mortgages and reduced exposure to banks and basic materials. At 31 December 2020, the Group's holding in liquidity funds was in line with expectations, as the Group invested its excess year end cash balances into corporate bonds and other fixed income assets, at attractive credit spreads. Combined with an opportunity to improve duration matching in 2020 following the LTM notes restructuring in Q4 2019, new investments in alternative asset classes and proactive management of the Group's bond portfolio led to a net positive contribution of £46m to Solvency II surplus.

The loan-to-value ratio of the mortgage portfolio at 31 December 2020 was 36.1% (2019: 34.3%). The percentage of lifetime mortgages decreased by 1.4 percentage points to 35.5% of financial investments, following the sale of a £540m portfolio of mortgages to a third party in December 2020. This sale was offset by an increase in the valuation of the remaining LTMs relative to bonds, due to the fall in interest rates as LTMs are typically longer duration. Given the uncertain macro environment, and volatile market conditions, the Group prudently managed its balance sheet and exposure by increasing various hedges, which led to an increase in derivatives and collateral.

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

	31 December 2020 £m	**31 December 2020 %**	31 December 2019 £m	31 December 2019 %
AAA[1]	**2,197.3**	**9.4**	2,440.0	11.3
AA[1] and gilts	**1,988.8**	**8.5**	1,777.3	8.2
A	**4,135.5**	**17.8**	3,709.8	17.2
BBB	**6,023.4**	**25.9**	5,290.7	24.5
BB or below	**408.4**	**1.8**	194.8	0.9
Unrated/Other[2]	**255.3**	**1.1**	212.9	1.0
Lifetime mortgages	**8,261.1**	**35.5**	7,980.5	36.9
Total	**23,269.8**	**100.0**	21,606.0	100.0

1 Includes units held in liquidity funds.
2 Includes internally rated assets and own-rated assets. December 2019 disclosures for privately rated assets have been updated and are shown within the appropriate ratings bucket, where such a rating exists. Previously, these privately rated assets were classified as "Unrated/Other".

The sector analysis of the Group's financial investments portfolio at 31 December 2020 is shown below and continues to be well diversified across a variety of industry sectors.

	31 December 2020 £m	**31 December 2020 %**	31 December 2019 £m	31 December 2019 %
Basic materials	**199.9**	**0.9**	329.8	1.5
Communications and technology	**1,188.9**	**5.1**	1,148.2	5.3
Auto manufacturers	**385.0**	**1.7**	446.6	2.1
Consumer (staples including healthcare)	**976.6**	**4.2**	927.1	4.3
Consumer (cyclical)	**112.8**	**0.5**	194.9	0.9
Energy	**462.7**	**2.0**	422.7	2.0
Banks	**1,422.5**	**6.1**	1,859.7	8.5
Insurance	**824.9**	**3.5**	724.2	3.4
Financial – other	**462.5**	**2.0**	426.6	2.0
Real estate including REITs	**771.3**	**3.3**	450.2	2.1
Government	**1,340.4**	**5.8**	1,128.9	5.2
Industrial	**839.6**	**3.6**	628.6	2.9
Utilities	**2,029.9**	**8.7**	1,708.2	7.9
Commercial mortgages	**707.0**	**3.0**	494.5	2.3
Infrastructure	**1,220.5**	**5.2**	892.9	4.1
Other	**38.0**	**0.2**	76.5	0.4
Corporate/government bond total	**12,982.5**	**55.8**	11,859.6	54.9
Lifetime mortgages	**8,261.1**	**35.5**	7,980.5	36.9
Liquidity funds	**1,128.5**	**4.8**	1,384.0	6.4
Derivatives and collateral	**897.7**	**3.9**	381.9	1.8
Total	**23,269.8**	**100.0**	21,606.0	100.0

Environmental, 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. Just Group has also been a constituent of the FTSE4Good Index Series since December 2019. The index is designed to measure the performance of companies demonstrating strong ESG practices. During the 12 months to 31 December 2020, the Group increased its investments in dedicated green and social investments to £1,138m, representing 8.8% of the bond portfolio (2019: 6.6% of the bond portfolio). This proportion does not include the Group's substantial investment in lifetime mortgages, which help customers achieve a better later life, through releasing equity tied up in their home. 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, and which is available on our website www.justgroupplc.co.uk.

In October 2020, Just Group became the first UK and the fifth European insurer to issue a Green Bond. The Group received a second party opinion as part of the bond accreditation process, and has committed to investing the bond proceeds in eligible green investment assets, focusing on renewable energy, green buildings and clean transportation.

Reinsurance assets
Reinsurance assets decreased to £3.1bn at 31 December 2020 (2019: £3.9bn). The decrease relates to the reinsurance recaptures made during 2020, offset by new reinsurance arrangements entered into for DB partnering (see reinsurance recapture section above). Since the introduction of Solvency II in 2016, the Group has increased its use of reinsurance swaps rather than quota share treaties. (Note that the 2019 comparative figures have been restated to correct for presentation of reinsurance liabilities included within this line item, see section in reinsurance liabilities below, and note 2 for further details).

Other assets
Other assets mainly comprise cash and cash equivalents, and intangible assets. During 2020 the Group has significantly increased the amount of assets held in cash and cash equivalents so as to increase protection against liquidity stresses, such as those experienced in Q1 of 2020 as an initial market reaction to the COVID-19 pandemic.

Insurance liabilities
Insurance liabilities increased to £21.1bn at 31 December 2020 (2019: £19.0bn). 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 rate of interest over the period.

Reinsurance liabilities
Reinsurance liabilities relate to liability balances in respect of the Group's longevity swap arrangements. These liability balances were previously included within the reinsurance assets balance. (A prior period restatement has been made to present these within the liability side of the balance sheet; further details of this adjustment are given in note 2).

Other financial liabilities
Other financial liabilities decreased to £3.3bn at 31 December 2020 (2019: £3.7bn). These liabilities mainly relate to deposits received from reinsurers, together with derivative liabilities and cash collateral received. The reduction from the prior year relates to the reinsurance recaptures in 2020.

Other liabilities
Other liability balances increased to £900.8m at 31 December 2020 (2019: £817.6m). The Group's loans and borrowings increased by c.£110m as a result of the issuance of the green Tier 2 bond in October 2020, offset by a £75m Tier 3 tender and the call of the remaining amount of the PLACL bond in March 2020. This increase has been offset by decreases in other liability balances, including in relation to corporation tax for which there is no longer any liability at the year end (2019: £10.2m liability) due to changes to the quarterly payment regime in 2020 whereby corporation tax payments are made in full by the end of the year.

IFRS net assets
The Group's total equity at 31 December 2020 was £2,490.4m, compared to £2,321.0m at 31 December 2019. 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 £2,027.8m to £2,198.3m resulting in net asset value ("NAV") per ordinary share of 212p (2019: 196p).

DIVIDENDS
Whilst the Group has made significant progress to build its capital base to accommodate the regulations on equity release mortgages and to start to grow its underlying capital generation, the external environment as we emerge from the pandemic continues to be uncertain. The Board therefore considers that it would not be appropriate to recommend recommencing dividend payments (total 2019 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 developing 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.

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

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 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 processes. 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 appraised of the Group's evolving risk profile.

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 could 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 risks from the COVID-19 pandemic, from the UK's withdrawal from the European Union and regulatory intervention.

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", which will be fully phased in by the end of 2021. 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 2020 through the issue of £250m Tier 2 capital (before issue costs), £75m of which was used to tender for part of the Group's Tier 3 loan notes. The Group has also continued to take steps to improve its capital efficiency during 2020, including increasing the level of reinsurance for GIfl contracts, launching new more capital-efficient products, additional no-negative equity guarantee ("NNEG") hedging and the sale of a portion of our lifetime mortgages portfolio to further protect against UK residential property risk; 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, through organic capital generation and through further steps to de-risk the balance sheet.

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.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION
RISK A **RISKS FROM REGULATORY CHANGES AND SUPERVISION** 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. This is shown in the 2020/21 Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") Business Plans. This was also highlighted as a result of regulatory activity relating to the COVID-19 pandemic and the impact on financial services. The 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 actions Just have taken have led to a reduction in the Matching Adjustment ("MA") available from ERMs and a consequential increase in the costs of the NNEG, partially offset by an increase in TMTP. Just has also taken action to review its ERM investment limits, given the change in MA. There has been significant 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. The PRA has published PS14/20 and SS1/20 which confirms their expectations of firms' compliance to the Prudent Person Principle with regard to managing investment risk. The proposals took effect on 27 May 2020. The PRA has heightened their focus on the use of illiquid assets as insurers expand asset allocations in this area, clarifying the regulatory expectations of qualitative and quantitative assessments. The Group has extensively reviewed and is further enhancing its investment strategy, including taking steps to significantly reduce exposure to property risk through LTMs. In 2019 the PRA published PS11/19 and SS3/19 requiring firms to set out plans for identifying and managing financial risks from climate change. In July 2020 the PRA issued a follow up "Dear CEO" letter requiring firms to have fully implemented these plans by the end of 2021. The FCA published PS20/17 in December 2020 which sets out that premium-listed firms (which includes Just Group plc) are expected to comply with the recommendations of the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures ("TCFD"). Climate change could affect Just Group's financial risks in two ways: (i) transitional risk – the increased consideration of sustainability in investment decisions may restrict investment choice, including in properties; 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, or heatwaves leading to increased subsidence, which may affect the value of properties not seen as having such an exposure at present. A fall in property values could affect our ability to recover the full balances of lifetime mortgages as a result of the NNEG. The PRA and 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. Just Group is currently aligning its approach to the regulators' expectations ahead of the implementation deadline expected to be the end 2021. The FCAs Mortgage Intermediaries Portfolio Strategy and Lifetime Mortgage Providers Letters (published in October 2020 and November 2020 respectively), set out a programme of work which the FCA are undertaking to assess whether firms and their senior managers are taking reasonable steps to mitigate the risk of harm to customers and/or remedy harms that have occurred. Just has reviewed the implications of the letters and no significant gaps have been identified. There is a potential risk to the reputation of the overall LTM market. The risk-free rate used for valuing liabilities will be updated from 31 July 2021 to reference SONIA as opposed to LIBOR. Any difference between the risk-free curves on this date will have an impact on excess own funds. 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.	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 has been to address the expectations of the updates to SS3/17, whilst maintaining the confidence of our stakeholders. During 2020 we have completed two further NNEG hedges, sold a portfolio of LTMs and increased GIfL longevity reinsurance; this improved the Group's solvency capital position and reduced the sensitivity of the solvency balance sheet to UK house prices. Subject to the outcome of HMT's review of Solvency II launched this autumn, it is anticipated that the UK's withdrawal from the EU will have limited direct impact on the Group from a regulatory change perspective due to the on-shoring of existing EU regulatory framework into UK law. Whilst a trade deal was agreed between the UK and the EU before the end of the transition period, this does not address the specific issue of UK insurers continuing payments to EU/EEA resident customers from 1 January 2021. However, following engagement with EU/EEA regulators over the past 12-18 months, permanent or interim solutions are in place in jurisdictions where material numbers of our customers reside. Just will continue to engage with national regulators as required to ensure any further measures to allow payments to policyholders to continue are completed. HMT are undertaking a review of the future regulatory framework in the UK post-Brexit. This covers the general regulatory framework and roles of the UK regulators as well as a review specifically focused on adapting Solvency II to fit the UK insurance market. Just are currently reviewing the potential implications and opportunities these reviews present. Just has an approved partial internal model to calculate the Group Solvency Capital Requirement, which it reviews for continued appropriateness. Just's regulatory priorities include a major model change application for JRL's internal model, expected to be submitted in 2021 as well as agreeing the satisfactory regulatory treatment for the NNEG risk transfer transactions already completed. Further actions to reduce our balance sheet sensitivity to UK property prices and the amount of capital we have to hold for LTMs continues to be a key focus, with a range of actions being explored to build on the NNEG hedging and LTM portfolio sale transactions completed to date. We intend to continue to actively monitor the academic and market debate concerning the valuation of no-negative equity guarantees. Just is enhancing its ESG approach in its investment strategy as set out in the sustainable investment framework in Just's Green Bond documentation. We have identified the potential impacts of climate change on the Group's financial risks and are developing stress testing capabilities to further improve monitoring of the potential impact of climate change on our investment and equity release portfolios. The Group's risk management framework is being developed to accommodate and report on climate risks and appropriate disclosures in line with TCFD recommendations.

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 Increasing Risk outlook No Change/Stable	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. A further deterioration in the economic environment (resulting, for example, from further outbreaks of COVID-19) 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. There remains a lack of clarity regarding the UK's future trading arrangements with the EU for financial services which could negatively impact the UK economy. The Group remains exposed to impacts that the UK's withdrawal has on the UK economy as a whole, including residential house prices, which could stagnate or fall. A fall in residential property values, as a result of the COVID-19 pandemic for example, 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. It is possible that the Bank of England could employ negative interest rates as a policy tool to stimulate the economy. It is not clear what effect this would have on customer behaviour or on the market for credit investments or lifetime mortgages. 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. 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 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 outgoings as they fall due. Portfolio credit risk is managed by a combination of Just's internal investment team and specialist external fund managers, overseen by Just's own credit specialists, 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 also 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. While the Group's capital models accommodate negative interest rates, there is no historical data to validate their behaviour in such an environment. 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 can be some short-term volatility in the Group's cash flows, which is a consequence of Just's derivative hedging. Regular cash flow forecasts predict liquidity levels over both the short term and long term and stress tests help us understand any potential periods of strain. Following the extreme market volatility in March and April 2020, Just amended its ultra (one month or less) short-term liquidity requirements to be cash and cash equivalents only, and to keep reserves to cover the worst stresses that have occurred. The Group's liquidity requirements have been met over the past year and forecasting confirms that this position can reasonably 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 AND REINSURANCE

Strategic objective

1. 2. 3. 4. 5.

Change in the year

Risk outlook

Description and impact

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 its extensive underwritten mortality data, as well as external mortality data sets, to provide insights and enhanced understanding of the longevity risks that the Group chooses to take.

The Group has monitored experience following the outbreak of COVID-19 and systematically reviewed external evidence related to the potential impact on assumptions. The Group continues to analyse possible direct and indirect impacts of the pandemic, including the possibility of an enduring effect on the longevity of customers.

Mitigation and management action

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.

A significant proportion of 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 partially mitigated through the posting and receipt of collateral into third party trusts or similar security arrangements, or the deposit of premiums back to the Group, and is managed within the Group risk appetite limit.

The Group measures its counterparty exposure as the change in excess own funds above Solvency II SCR from a default of each individual counterparty combined simultaneously with both longevity and market stresses. 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

Description and impact

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 and have implemented remote working arrangements for staff. The Group is no exception and a cyber-attack could affect customer confidence, or lead to financial losses.

Mitigation and management action

The Group maintains plans and controls to minimise the risk of business disruption due to information security or resilience 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, including remote data centres. Protecting our customers' interests is our top priority. Agile working arrangements enable the Group to protect customers, staff and business partners from operational shocks, ensuring that no one experiences any material detriment.

A formal but flexible resilience framework, supplemented by our modern working capabilities, enables Group continuity of service. Just's ability to remain operational is dependent upon a resilient technology platform, which allows us to switch our business from a central to a remote operating model. Risks associated with remote working have been assessed and addressed on an on-going basis.

Privacy by design and staff awareness of their responsibilities underpins our commitment to protecting our customers' data. Strong data protection controls support this philosophy, with all staff trained in data handling and the high standards that are expected to protect it. We operate a Group-wide network of Data Protection Champions to promote awareness, good practice and identify improvements within their teams.

To support this commitment, 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 2020 the Group continued to spend on market leading products to protect a mobile workforce and to complete our multi-layered approach to information security. Further investment has been made on core infrastructure to help support the transition to remote and future hybrid working models.

STRATEGIC OBJECTIVES

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RISK OUTLOOK

- No Change/Stable
- Increasing
- Decreasing

RISK	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION
RISK E **RISKS FROM OUR CHOSEN MARKET ENVIRONMENT** Strategic objective 1. 2. 3. 4. 5. Change in the year Increasing Risk outlook No Change/Stable	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. Markets have been disrupted by the COVID-19 pandemic; the full market impact will not be fully clear for some time. Investment volatility has emphasised the benefit of a secure income in retirement for customers and the Group expects that demand for Guaranteed Income for Life solutions will continue. The defined benefit de-risking market is expected to continue to grow strongly. 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. The market was significantly disrupted by the COVID-19 pandemic; providers, distributors, solicitors, conveyancers and valuers have adapted processes to continue to serve customers safely. House price growth observed in the second half of 2020 is expected to slow in 2021, which may impact appetite for equity release. 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 review and enhance our services to ensure they remain fully compliant, demonstrate best practices and deliver good customer outcomes. During the COVID-19 pandemic, all services were quick to adapt and continued to provide customers with products and services in our chosen markets. Any required operational changes received rigorous review ahead of implementation to ensure robust customer controls remained. At the start of 2020 we launched a new, pioneering and exciting fully advised online financial planning service, "Destination Retirement", targeted at people close to or in retirement with modest pension savings. The service provides the opportunity to receive tailor-made regulated financial advice without paying the costs associated with a traditional financial adviser. Following this launch, we successfully joined the FCA's regulatory sandbox as part of our on-going close engagement with the regulator. The defined benefit pension transfer advice market has remained under close regulatory scrutiny through the year. We continue to operate in this market, demonstrating the high advice standards expected.
RISK F **RISKS TO THE GROUP'S BRAND AND REPUTATION** Strategic objective 1. 2. 3. 4. 5. Change in the year No Change/Stable Risk outlook Increasing	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 customers 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. This could include, for example, failing to achieve the goals we have set for enhancing our sustainability framework. Additionally, the Group's reputation could be threatened by external risks such as a cyber-attack or regulatory intervention or enforcement action, either directly or as a result of contagion from other companies in the sectors in which we operate. Damage to our reputation may adversely affect our underlying profitability, through reducing sales volumes, restricting access to distribution channels and attracting increased regulatory scrutiny.	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. Engaging our colleagues in the Just brand and its associated values has been, and remains, a critical part of our internal activity. Just is proactive in pursuing its sustainability responsibilities and recognises the importance of its social purpose. The Group maintains a system of internal control, and associated policies and operational procedures, which define the standards we expect of all colleagues.

ENVIRONMENT

We have an important role in helping the world transition towards a sustainable environment and low carbon global economy

FOUNDATIONS FOR A SUSTAINABLE FUTURE

> “We accelerated the investment in our modern workplace to help our colleagues respond to the COVID-19 pandemic and bring forward the positive impact of emission reductions, which in total fell by 75% during 2020[1]

MODERNISING OUR WORKPLACE, SUPPORTING OUR COLLEAGUES AND CUSTOMERS, AND RECOGNISING OUR RESPONSIBILITY TO SOCIETY BY REDUCING OUR IMPACT ON THE ENVIRONMENT

We accelerated our investment to create a modern and sustainable workplace, equipping all our colleagues across the Group with improved technology, improving our infrastructure and security so we could provide resilient remote working capabilities. Our progress towards attaining a complete modern workplace provides opportunities to use our buildings more efficiently, make additional reductions to our property footprint and continue to improve energy efficiency to further reduce our environmental impact. Digitising and optimising processes has reduced our paper usage and helped us better serve our vulnerable customer base.

The actions we took to reduce our property footprint in 2019 and our decision this year to switch our electricity at our head office to a 100% renewable tariff, has resulted in our Scope 1 and 2 (gas and electricity) emissions reducing by 69%[1] whilst remaining fully operational across all sites. We have commissioned a further energy audit to identify additional areas of improvement. We've used technology to digitise processes which has allowed us to scale back our business travel and significantly improve our Scope 3 position.

Greater levels of engagement with our colleagues has occurred via focused workshops to elicit ideas and future participation in our modern workplace improvement programmes.

We recognise environmental impact and climate change among the key risks to our business and society and the impact it has on economic stability, ecology and vulnerable communities. We are committed to making positive changes in how we operate our business to reduce our impact on the environment.

We have reported on all of the emission sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which includes the Streamlined Energy and Carbon Reporting ("SECR") requirements. These sources fall within our Annual Report.

1 Does not include any allowance for carbon emissions generated by colleagues working from home during this period.

CARBON FOOTPRINT DOWN[1]

75%

392 tonnes of CO_2e (2019: 1,547 tonnes of CO_2e)

GHG EMISSIONS DATA[1]

Tonnes of CO_2e (tCO_2e)	**Year ended 31 December 2020**	Year ended 31 December 2019
Scope 1 – Gas consumption	**97**	144
Scope 2 – Purchased electricity	**125**	579
Scope 3 – Business travel	**170**	824
Total emissions	**392**	1,547
Intensity measurement "tCO_2e per full time employee"	**0.36**	1.42
Intensity measurement "tCO_2e per £m gross premiums written"	**0.18**	0.81

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 2020.

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 office and building related emissions of our directly owned and leased offices, 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.

4. Targets
We are setting short, medium and long-term climate change targets to reduce our impact on the environment. These are set in accordance with the Sustainable Development Goals ("SDG's") and ESOS objectives.

5. Intensity measurement
We use both a financial emissions intensity metric (tonnes of CO_2e per £m gross premiums written) and an employee intensity metric (tonnes of CO_2e per employee) to normalise our data and provide useful performance indicators.

6. Approach to assurance
Alphacello Ltd conduct an annual review of Just Group plc'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 have commissioned a sustainability audit to identify energy-saving initiatives throughout our buildings. We have switched to a 100% renewable electricity tariff for our head office campus.

DIGITAL JOURNEY
We are transforming the way we work to provide the tools and techniques that empower our colleagues to adopt modern flexible working practices, digitising our processes and reducing paper consumption. We will strive to use technological expertise to help improve energy efficiency in our buildings, enabling sound building management practices.

SUSTAINABLE OPERATIONS
It is imperative that we conduct business efficiently. Our internal energy-saving programme supports the principles of sustainable operations and aims to improve the environmental performance of our offices and facilities.

ENVIRONMENTAL AWARENESS
We promote environmental awareness across the Group, actively encouraging colleague participation in contributing to a sustainable workplace. 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, procedures, governance and reporting.

COLLEAGUES AND CULTURE

We entered 2020 with a focus on three strategic people priorities to enable the delivery of the Group's strategy

DEMONSTRATING RESILIENCE, MAINTAINING PRODUCTIVITY, STRENGTHENING CULTURE

FOCUS AREAS

1. BUILDING OUR ORGANISATIONAL RESILIENCE
2. STRENGTHENING OUR TALENT AND CAPABILITIES
3. ENSURING COLLEAGUES FEEL PROUD TO WORK AT JUST

“

The frequency and warmth of the communication from the top was exceptional. It made me proud to work here

Colleague comment from a “ways of working” focus group session

> **I THINK THAT JUST HAS SHOWN A GENUINE INTEREST IN THE HEALTH AND WELLBEING OF STAFF**
>
> COLLEAGUE COMMENT FROM PULSE SURVEY

By the end of March, and in light of COVID-19, 99% of our colleagues were working remotely, a significant transition for a predominantly office-based organisation. We were able to provide colleagues with new technology and other equipment to enable them to work productively within a two to three week period. Maintaining resilience, our teams delivered all critical services to customers, whilst implementing changes to service design and product features to help customers – particularly our vulnerable ones – navigate the impact of lockdown. You can read how we helped our customers on page 21.

During the following nine months we increased our focus in five areas critical to continue to support our people and deliver our Group-wide strategy. These remained aligned to our three strategic people priorities. "Turning up the dial" allowed us to take people challenges and turn them into great opportunities to successfully engage and develop colleagues in ways that we would not have envisaged 12 months previously.

In January 2021 we took part in the annual Best Companies survey and as a result of this focus, we were delighted to achieve our highest level of employee engagement since starting to take part in the survey in 2009.

INCREASED LEADERSHIP COMMUNICATION AND DEVELOPMENT

Having entered the year with good levels of employee engagement, we already had an established programme of non-executive and executive leadership communication and engagement activities in place. See page 48 for more details on the Board's approach to colleague engagement.

We have been accredited as a 2 star organisation (representing outstanding levels of engagement) via the Best Companies index. We achieved a 7% increase in our Best Companies score in comparison to 2019 and had an 86% response rate. We also held three pulse engagement surveys highlighting extremely positive results, with an average response rate of approximately 650 colleagues.

As well as increasing the volume and channels used for leadership communication, in particular with a greater use of video, we also focused on ensuring that our messages clearly addressed issues that were important to colleagues in a clear and transparent way. Our quarterly colleague town halls were delivered remotely, with 91% of respondents who completed October's short internal pulse survey agreeing that they found them valuable. Through the same survey mechanism, we also saw a significant increase in colleague advocacy, with the number of colleagues agreeing that they would recommend working at the Company to friends and family reaching 85%.

During 2020 we held four CEO town halls to provide business updates and promote two-way communication, with an average attendance of approximately 700 colleagues. We also held three Conversations with the Board sessions for colleagues' views to feed into Board decision making, with approximately 250 attendees in total.

We continued to invest in the development of our leadership population, migrating our quarterly "offsites" and our leadership development programme – "Just Lead" – to a virtual solution. As part of our focus on building organisational resilience, we delivered a "Resilient Leader" programme for our 50 most senior leaders. The programme was part of our commitment to equipping our leaders with the psychological knowledge and skills to optimise their own wellbeing and performance and to help them promote the resilience and health of their teams.

60 managers took part in our core leadership and management development programmes (Just Lead and Just Engage) across seven cohorts, all delivered virtually. We also updated succession plans to key leadership (including executive) and technical roles – identifying emergency cover, near-term and longer-term successors.

FACILITATING COLLEAGUES TO STAY CONNECTED

At the end of March we introduced "Just Connected" emails, with content supplied by colleagues, to share across the organisation. This provided a more personal style of communication and offered glimpses into people's lives – from how they were coping with the challenges of home schooling and structuring their work days, through to their views on Black Lives Matter and celebrating a socially distanced Diwali. With almost 100 Just Connected stories over the course of the year, as well as regular business updates and videos on our company intranet, 95% of colleagues who responded to our last quarterly pulse survey in October agreed that they felt informed about what was happening in our Company.

We also recognised the important part chats in the corridors, catch ups in the kitchen and after work gatherings play in maintaining a connected culture. We therefore ensured emphasis was placed on more informal activities – from lunch breaks and pub socials to a comedian night and Escape Room – all delivered virtually. In the run up to the holiday season in December we celebrated the Twelve Days of Christmas with a whole host of virtual activities, including fun videos, live quizzes and competitions.

SUPPORT FOR COLLEAGUES' WELLBEING AND OUR COMMUNITIES

Early on in the pandemic we realised that colleagues' experiences of working remotely, and the challenges of their particular circumstances, meant that we needed to offer an increased range of wellbeing support and guidance. At the centre of how we managed business decision making in relation to COVID-19, we strived to protect the wellbeing of our colleagues. Our people highly valued this approach, and again in gauging views through our internal pulse survey, 91% of respondents agreed that the Company was taking their health and wellbeing seriously. This approach meant that our people continued to go above and beyond to look after our customers, we saw no drop off in productivity and everyone was committed to continuing to successfully run our business.

In taking the view that "one size doesn't fit all" we put in place a range of initiatives built around mental, physical, social and financial wellbeing. To share some examples:

- In April we launched the corporate version of the Headspace App for all colleagues, described as a "gym membership for the mind". With science-backed benefits aligned to reducing feelings of stress and assisting with greater focus, content such as "stress release" and a "switching off" visualisation to relax the body and mind, supported relevant challenges for our workforce.
- In May we recognised Mental Health Awareness Week and in particular promoted the 20 Mental Health First Aiders we have at Just. These individuals are on hand for colleagues who may be experiencing emotional distress or a mental health issue and can offer initial support and guidance to the relevant services available.
- Understanding the strong link between mental health and financial wellbeing, in June we teamed up with Mercer, our benefit broker, to provide a series of financial webinars on various topics including tax, budgeting, prioritising debt, savings, investments, borrowing, wills and powers of attorney. This was supported with our internal "Just Talk" programme, designed to share learnings from our vulnerable customer programme with colleagues to help them and their families achieve a better life now and in the future.

COLLEAGUES AND CULTURE CONTINUED

> **THE COMPANY'S RESPONSE TO THIS DIFFICULT SITUATION HAS BEEN IMPRESSIVE. PLEASE CONTINUE TO KEEP US WELL INFORMED**
>
> COLLEAGUE COMMENT FROM PULSE SURVEY

Covid-19 support fund

Supported by the insurance and long-term savings industry

As part of our total reward offering, we have a number of core funded benefits available to all employees. These are a group personal pension, group income protection, employee assistance programme, life assurance, single level private medical insurance, health cash plan, Headspace App, childcare vouchers (for those who joined the scheme prior to 4 October 2018) and holiday buy/sell.

We also have a range of flexible benefits that employees can select at their own cost. These are critical illness cover, partner life assurance, cycle to work scheme, dental insurance, travel insurance, leisure/dining card, health screening, MyGymDiscounts and MyActiveDiscounts.

Whilst focusing on the wellbeing of our own colleagues, early on in the pandemic we recognised our duty to the communities in which we operate, as outlined in our charity and community policy. The Company pledged support to the COVID-19 Support Fund, teaming up with a number of other businesses from the UK insurance and long-term savings industry to help support some of the people hardest hit by the COVID-19 crisis. The key aim was to provide immediate relief to charities that had been affected as well as a longer-term programme of support for people, communities and issues where there is the greatest need.

We also continued to raise funds for our corporate charity Re-engage, who had to completely change the way they supported elderly guests during this period of enforced separation. Activities included our Just World Office Tour which has seen colleagues virtually covering the distance from our Belfast office to our Cape Town office, via London, Reigate and Tunbridge Wells as many times as possible, totalling a massive 58,975 miles. We also rounded off the year by giving all colleagues an Advent for Change calendar. With so many charities suffering from a lack of fundraising due to COVID-19, each door of the advent calendar highlighted a different great cause – including our own corporate charity Re-engage – and represented a 50 pence donation that the Company made to each charity on behalf of every colleague.

Company and employee fundraising and donations raised a six figure sum for our corporate charity partner Re-engage, the COVID-19 Support Fund and a range of charities including Redhill Corps of Drum Fundraising, Papyrus, Loveworks, Save our Spaniels, Merstham Mix, Wiltshire Air Ambulance Charitable Trust, St. Nicolas PTA, YMCA East Surrey, Versus Arthritis, Little Princess Trust, Alzheimer's Society, St. John Ambulance, The British Red Cross Society, 40tude Curing Colon Cancer, Macmillan Cancer Support, Royal British Legion Poppy Appeal, MND Scotland, Lothian Health Board Endowment Fund and Advent of Change.

LINE MANAGER DEVELOPMENT AND SUPPORT

We recognise the critical role that line managers play in ensuring that colleagues across Just are healthy, engaged and productive. This was especially true over the past 12 months as people and teams adjusted to new ways of working and the personal pressures and challenges presented by COVID-19.

Some examples of the ways in which we have supported and developed our people managers over the last year include:

- Quickly moving our flagship management development programme – Just Engage – to a virtual context, rolling out five cohorts over the year with participation from 40 managers.
- Over 30 people managers from across the business have taken part in the level 5 leadership and management diploma delivered in partnership with an external learning consultancy.

- As part of our focus on ensuring that we keep people connected across the organisation when working remotely, we established "Just Connected for people managers". These were regular, peer-to-peer 60 minute coaching sessions for small groups of up to six people managers at a time. The sessions provided a supportive space for people managers to share experiences, hear from others, offer ideas and receive support.
- Partnered with MIND, a mental health charity, to deliver training for our line managers across the business to help them to have healthy and open conversations about mental health and wellbeing at work.

We offer a range of targeted learning and development opportunities. During 2020 this has included sponsoring 52 actuarial students to achieve qualifications through the Institute and Faculty of Actuaries and supporting 21 colleagues to study towards CII qualifications. We also supported 26 colleagues through apprenticeship programmes, which were funded through our apprenticeship levy.

60 colleagues took part in external mentoring programmes over the last two years, either as a mentor or as a mentee – 20 through the Actuarial Mentoring Programme ("AMP") and 40 through the Moving Ahead cross-company mentoring programme. We have identified our pool of key talent reporting to our senior leadership team with tailored development.

Finally, as part of our commitment to supporting the development and growth of every colleague at Just, everyone has access to unlimited on-demand learning material and resources via our corporate LinkedIn Learning licence. We integrate this content into our leadership and management development programmes and initiatives and encourage our people managers to champion and promote the use of this online content within their own teams.

Since the launch of LinkedIn Learning in February 2020 we have had a 72% activation rate (817 people activated). 1,835 hours of content has been viewed and 649 people have consistently viewed content. 1,298 courses and 34,276 videos have been completed.

All colleagues have also completed mandatory e-learning modules to ensure that we comply with regulatory and best practice standards in areas such as GDPR, financial crime and anti-money laundering. You can also read further details around how we support and embed a culture of good risk management across the Group on page 77.

WIDENING OUR LENS ON DIVERSITY AND INCLUSION

During 2020 we focused on broadening our diversity and inclusion ("D&I") strategy, with five clear areas of focus:

- Increasing diverse representation, particularly at senior levels within the organisation. We made strong progress towards our Women in Finance target that 33% of our senior leaders will be female by 2023. An example of an initiative to support this area is our participation in a number of mentoring programmes. These include the 30% Club cross-company mentoring programme and the Actuarial Mentoring Programme for qualified actuaries. These programmes enable our female employees to gain broad business experience, senior cross-company networks and support with their career progression. Over 60 people across Just have taken part in one of these programmes.

We have increased gender diversity at senior levels (grade 14+, approximately top 10% of employees) by five percentage points (from 19% to 24%). We are on track to achieve the "33 by 23" target in line with our pledge as a signatory to the Women in Finance Charter that 33% of our senior leaders will be female by 2023. The percentage of women on the Board has also increased from 12% to 30% at 1 March 2021. Our gender pay gap reduced between 2019 and 2020 – mean hourly pay gap was down from 39.2% to 35.8% and median hourly pay gap reduced from 39.0% to 33.5%. This reflects an increasing proportion of women at senior levels in Just.

- Strengthening leadership focus and accountability for D&I. Just is a signatory to the Race at Work charter which is designed to foster a public commitment to improving outcomes of BAME (Black, Asian and Minority Ethnic) employees in the workplace. Giles Offen, our Chief Digital Information Officer, was appointed as executive sponsor for race, focused on delivering our commitments as a signatory to the charter. Furthermore, every member of the executive team has a personal objective to support our D&I agenda so there is clear accountability and ownership at senior levels. We were also pleased to have established a network of D&I champions to drive forward our strategy in each business area.
- Ensuring all groups have equal opportunity for progression and development – as an example, we gathered voluntary diversity data from colleagues which is being used anonymously to help us track and monitor progression from a diversity perspective and ultimately ensure that everyone has access to opportunities for career development and progression.
- Educating on unconscious bias and helping to strengthen our inclusive culture with a series of events and communications to raise awareness of D&I more broadly and to help us to strengthen our inclusive culture.
- Fostering belonging through supporting our people to be themselves – in addition to our D&I champions, we now have a number of support networks for diverse groups – these are the Just Black Network, the GenderEquality@Just network, the BAME@Just network and the Pride@Just network.

These areas of focus have been supported with a range of communication activities – from a D&I video update from our Group CEO, who is the Board sponsor for D&I, through to individuals sharing their personal stories, as part of our commitment to listen, learn and do the right thing together.

LOOKING TO THE FUTURE AND BUILDING A MODERN WORKPLACE

We recognise that COVID-19 has presented us with a unique opportunity to accelerate positive change in our business and build on our key behaviours of being dynamic, always adapting and collaborative to strengthen our culture. We have taken important steps in the critical areas of building a modern workplace and we have engaged with colleagues to share their views on what they "loved" and "lacked" during this period of remote working. We now have a clear picture of what colleagues would like our ways of working to be in the future, so we can create an environment in which our people can thrive. Ultimately, we want all colleagues to feel proud to work at Just and deliver our purpose of helping our customers achieve a better later life.

There has been a significant decrease in voluntary turnover, with an annual rate of turnover of 8% (2019: 14%). Turnover of males was 8.4% and turnover of females was 7.1%. Age 50+ turnover was 5.6%, age 30-50 was 6.4% and under 30s 12.1%. In addition, 33% of all vacancies were filled internally, compared to 29% in 2019.

In 2021 our aim is to continue to improve employee engagement and productivity, transitioning to more blended, flexible and agile ways of working. This will be underpinned by optimal organisational structures and increased operating efficiency to enhance our business sustainability and operational resilience. This will allow us to continue to achieve our key people priorities, as part of enabling the delivery of the wider strategy of the Group.

> **"FROM A SET-UP AND CONNECTIVITY VIEWPOINT THE COMPANY HAS BEEN EXCELLENT**
>
> **COLLEAGUE COMMENT FROM PULSE SURVEY**

RELATIONSHIPS WITH STAKEHOLDERS

The Board recognises the importance of effective engagement with our key stakeholders in the long-term sustainable success of Just

OUR STAKEHOLDERS		HOW WE ENGAGE
INDIVIDUALS	People approaching, at or in retirement wanting help with their retirement finances.	• 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/ FINANCIAL ADVISERS	Individuals accountable for securing good outcomes for pension scheme members and clients.	• We convene industry events to bring together trustees, advisers 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 and advisers.
COLLEAGUES	The team of colleagues at Just who deliver outstanding service to customers and the people who support those that deliver the services.	• Directly, day to day through line management and using a variety of communications channels. • We gather feedback using a range of techniques such as structured surveys and through more informal channels.
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.	• Ongoing 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 pages 48 to 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 reputation for service design and delivery, evidenced by our awards for outstanding service (see page 3). • Invested in our Just For You Lifetime Mortgage ("LTM") digital initiative for LTM advisers to obtain rates and quotes. • Launched "Destination Retirement", a financial planning service that gives individuals tailor-made advice about retirement within our HUB Financial Solutions business. • 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 advisers, 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.	• Developed strong asset sourcing capability and medical underwriting that delivers pricing advantage. • 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. • Regular attendance at client trustee board meetings to update them on their Just Buy-in assets. • Invested in new technology to improve digital services. • Hosted a wide range of virtual events for advisers to share knowledge.
• Being clear on 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. • Wellbeing.	• CEO quarterly briefing sessions for all colleagues across the Group to reiterate the Company's purpose and provide a business update on key initiatives. • Non-Executive Director engagement with colleagues to bring their voice into the boardroom. • Organised events to involve colleagues in supporting our corporate charity. • Developing colleagues through in-role experience. • Coaching, mentoring, online learning and training. • Broadened our diversity and inclusion strategy to, amongst others, increase diverse representation, educate on unconscious bias and develop an inclusive culture. • Increased the range of support and guidance for our colleagues built around mental, physical, social and financial wellbeing.
• 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 lifetime 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.	• Continued to respond to regulators in a timely and constructive manner and engage directly on any key regulatory matters. • Implemented various material management actions in response to the PRA changes to the treatment of lifetime mortgages. • Active participation in policy development directly and via trade bodies. • Timely preparation and filing of regulatory returns.
• 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. All suppliers are expected to adhere with relevant legislation and regulatory regimes, and to act ethically and with integrity. • 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 ongoing success. • Conflict of interest checks at onboarding ensure advantages are not gained through personal relationships.

SECTION 172 STATEMENT

The Board has direct engagement principally with our colleagues, shareholders, debt investors and regulators, and is also kept fully appraised of the material issues of other stakeholders through reports from the Executive Directors, senior management and external advisers.

HOW THE DIRECTORS MAKE DECISIONS

DIRECTORS' STATEMENT

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 long-term success of the Company for the benefit of its members as a whole, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in the decisions taken during the year being:

a. the likely consequences of any decision in the long term
b. the interests of the Company's employees
c. the need to foster the Company's business relationships with suppliers, customers and others
d. the impact of the Company's operations on the community and the environment
e. the desirability of the Company maintaining a reputation for high standards of business conduct
f. the need to act fairly between members of the Company

On pages 44 to 45 we outline the ways in which we have engaged with key stakeholders, what matters to them and how we have/are addressing these challenges.

Through stakeholder engagement, the Board is able to understand the impact of its decisions on key stakeholders and to ensure it keeps abreast of any significant developments in the market, including the identification of emerging trends and risks, which need to be factored into its strategy discussions and decision making.

S172 FACTOR	EXAMPLES OF MATTERS THE BOARD HAS REGARD TO	
LONG TERM	• Company's purpose • Strategy • Business model • Risks including emerging risks • Key stakeholders • Regulatory framework	The Board has regard to all our stakeholders when developing and executing our strategy. Our business model is reviewed at least annually taking into consideration our company's purpose, strategy, key stakeholders and emerging risks, and to address the changing regulatory environment.
COLLEAGUES	• Colleague engagement • Diversity and inclusion • Education and training • Modern workplace • Wellbeing	Ensuring colleagues feel proud to work at Just, building our organisational resilience and strengthening our talent and capabilities have been key strategic focus areas for the Board during 2020. "Colleagues and Culture" on pages 40 to 43 details Just's commitment to colleagues' interests, including widening our lens on diversity and inclusion, employee engagement, education and training, wellbeing and building a modern workplace.
BUSINESS RELATIONSHIPS – SUPPLIERS AND CUSTOMERS	• Anti-bribery and anti-corruption • Modern slavery • Responsible payment practices • Vulnerable customers	The Board is committed to fostering the Company's business relationships with suppliers, customers and other stakeholders. Pages 44 to 45 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. Ensuring the fair treatment of vulnerable customers continues to be an important area of focus for the Board. As part of our Vulnerable Customer programme, the Group vulnerable customer policy was updated and adopted by the Board.
COMMUNITY AND ENVIRONMENT	• Community programme • Climate change • Environmental impact • Sustainable investments	The Board recognises Just's place in society and has reaffirmed the Group's purpose "we help people achieve a better later life". The Group has invested in our communities and promoted helping older adults get active for a healthier life through our programme, "Just Get Active". The Board recognises the risks to society presented by climate change and is committed to the Group executing plans to support a sustainable environment. Page 18 outlines the Group's sustainable investment strategy and the Environment report on page 38 details the progress we are making to reduce our impact on the environment. 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 relevant bodies. The Board listens actively to them, taking stakeholders' feedback into account when making judgements and taking decisions.
HIGH STANDARDS OF BUSINESS CONDUCT	• Just Group brand • Culture and values • Awards and recognition • Internal controls • Whistleblowing	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 have a Group procurement and outsourcing policy, ensuring tender processes are fair and transparent and suppliers receive feedback on submissions. 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 to ensure they are effective and fit for purpose. The Board reviews and approves our whistleblowing policy annually and the Group has a dedicated whistleblowing hotline that allows staff who suspect fraudulent, illegal or unethical behaviour by co-workers to discuss the matter with an independent and confidential service.
INVESTORS	• Annual General Meeting • Shareholder engagement • Dividend policy	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 pages 44 to 45 for the various ways in which we engage with our different 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 various key stakeholders. It also 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	S172 FACTOR/ KEY STAKEHOLDERS
DIVERSITY AND INCLUSION	The Board considered and pledged to build a culture at Just which has diversity and inclusion at its core.	The Board is responsible for the ongoing oversight and challenge of the actions taken to fulfil its pledge on diversity and inclusion. Just has prioritised gender diversity since signing up to the Women in Finance Charter in 2018, pledging that 33% of our senior leaders will be female by 2023. Further details on the progress can be found on page 70. During the year, a key focus was on broadening our diversity and inclusion strategy. This included increasing diverse representation, particularly at senior levels within the organisation, strengthening leadership focus and accountability for diversity and inclusion, ensuring all groups have equal opportunity for progression and development, educating on unconscious bias and helping to strengthen our inclusive culture, and fostering belonging through supporting colleagues to be themselves. These areas of focus are based on recommendations from external bodies and insights from colleague focus groups held during the year. Details of this strategy can be found on page 43. The Board adopted a new diversity policy which includes references to the Board's commitment to improve both the gender and ethnic diversity of the Board which is in line with the Hampton-Alexander and Parker Reviews.	COLLEAGUES
COLLEAGUE ENGAGEMENT	Based on the strategic priority "Be proud to work at Just", the Board considered a programme of activity to ensure that it had opportunities to engage with colleagues through meaningful, regular dialogue.	During the year Michelle Cracknell assumed joint responsibility for championing colleague engagement activities with Steve Melcher. Colleagues were invited to attend a series of virtual engagement sessions with Non-Executive Directors branded as "Conversations with the Board" during the year, which were framed around various themes and topics including the impact of COVID-19, diversity and inclusion, and the challenges and opportunities for our business. At all sessions, colleagues had the opportunity to provide feedback and ask questions on any matters of interest to them to give the Directors visibility of any "hot topics" which required the attention of the Board. The Group Chief Executive Officer held a series of town halls during 2020 to reiterate the Group's purpose and strategic objectives, and to provide general business updates. Feedback from colleagues on matters such as wellbeing and job satisfaction was gathered through various means including surveys and focus group sessions during the year. We have been accredited as a 2 star organisation (representing outstanding levels of engagement) via the Best Companies Index, which is our highest level of employee engagement since starting to take part in the survey in 2009.	COLLEAGUES
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, 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 regard 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. A resolution was passed by shareholders at the Annual General Meeting in May 2020 to approve the policy recommended by the Remuneration Committee.	SHAREHOLDERS

AREA OF DECISION	MATTER CONSIDERED	WHAT WE DID	S172 FACTOR/ KEY STAKEHOLDERS
COVID-19	The impact of COVID-19 was a key consideration for the Board in many decisions taken during the year.	The Board considered the operational, commercial and financial implications of COVID-19 on the business both over the short term and longer term during the year. Protecting the welfare of colleagues and ensuring the delivery of critical services to customers was at the forefront of the Board's decision making. The Board oversaw the steps taken to ensure colleagues had the right resources and support to work remotely with colleague wellbeing being a key focus area for the Directors. The Board also took the decision not to furlough any employees during this challenging time. The business model was reviewed to determine what potential management actions were required to offset the impacts of any downturn of the UK economy on the Group and its life companies' capital positions. To support customers through this difficult period, the Board approved various changes to our products and services. This included a reduction in interest rates on our lifetime mortgages for customers who had passed away or moved into long-term care and were unable to sell their property because the housing market was effectively closed for a number of weeks. Other examples are covered in more detail on page 21. The Board was kept appraised of any potential impacts on customer services and performance arising due to issues experienced across the supply chain. The Board continues to monitor developments and potential longer-term impacts of COVID-19 on the business, such as the future direction of UK residential property prices to which the Group's solvency position is exposed. The Group's exposure to UK residential property risk has reduced due to various management actions that have been executed over the year.	**CUSTOMERS, COLLEAGUES AND SUPPLIERS**
STRATEGY AND CAPITAL	The Board considered the Group's strategy and concluded that improving the Group's capital position remained its key priority.	Following on from 2019 activities, the Group continued to make significant progress on the delivery of strong capital generation with various management actions executed throughout the year. The Group achieved its goal of delivering a self-sufficient sustainable capital model more than a year earlier than originally planned, which is a significant achievement given the particularly difficult economic environment. The increase in our Solvency II capital coverage ratio reflects a sustained improvement in organic capital generation and the benefits arising from the successful execution of various management actions. Key actions by the Group included: • entering into further no-negative equity guarantee ("NNEG") hedging transactions to manage negative interest rate exposure; • signing its first defined benefit partnering deal enabling Just to expand its market presence; • releasing capital through more longevity insurance on the Guaranteed Income for Life portfolio; and • further reducing the Group's exposure to UK residential property risk by completing the sale of a book of £540m of lifetime mortgages. Further information on the Group's focus on capital, sustainability and purpose can be found on pages 8 to 9.	**LONG TERM AND INVESTORS**
STRATEGY AND CAPITAL – GREEN BOND	The Board considered innovative capital raising opportunities and approved the issue of a Green Bond.	The Group completed its £250m Green Tier 2 capital raise via a 7% sterling denominated BBB rated 10.5 year, non-call 5.5 year issue, which was the first issue of a Green Bond by a UK insurer. The Green Bond issue underscores the Group's commitment to diversifying our illiquid portfolio and also to support the transition to a low-carbon global economy as all the proceeds are earmarked to be invested in green infrastructure projects.	**INVESTORS, COMMUNITY AND ENVIRONMENT**

SECTION 172 – EXAMPLES OF DECISIONS DURING THE YEAR CONTINUED

AREA OF DECISION	MATTER CONSIDERED	WHAT WE DID	S172 FACTOR/ KEY STAKEHOLDERS
CAPITAL AND DIVIDEND POLICY	The Board considered whether to recommend the payment of a final dividend taking into consideration the key focus on capital self-sufficiency along with regulatory and economic uncertainty.	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 that, given the importance of improving the Group's capital position, it was not in the best interests of shareholders as a whole to recommence dividend payments at this time.	**SHAREHOLDERS**
SUSTAINABILITY	Environmental, Social and Governance ("ESG") factors are a growing focus for the Board.	In addition to the Board's diversity and inclusion strategy covered separately, one of the key engagement priorities agreed by the Board is to become a greener business and implement plans to support a more sustainable environment. Key focus areas have been the continuation to modernise the workplace to reduce the Group's carbon footprint by integrating the Group's property and technology strategies, and the development of policies and programmes to ensure business is conducted in a safe, environmentally sound way and in line with relevant legislation and regulations. The oversight of a climate change project has been a key focus area for the Group Risk and Compliance Committee on behalf of the Board, which focuses on the steps taken to better understand the longer-term climate risks to the Group's investment and property portfolio, and to embed climate risk factors in the risk management framework. The scope of the project has been extended to ensure compliance with climate change disclosure requirements and to ensure that climate risks and opportunities are embedded into decision-making at every level including the Group Board. During the year, we launched our first Green Mortgage, which is an example of a retail product encouraging energy improvements in customers' homes. In addition, debt investors subscribed £250m to the Group's first Green Bond.	**COMMUNITY AND ENVIRONMENT, EMPLOYEES, CUSTOMERS, INVESTORS**
PROCUREMENT AND OUTSOURCING	The Board considered how the Group deals with suppliers.	During the year, the Board assessed whether COVID-19 has had an impact on the business in terms of the risk of modern slavery in the supply chains and operations, and concluded that there had been no impact in this respect. The Board reviewed and approved the Group's Modern Slavery Statement, which is available to view at www.justgroupplc.co.uk. As more fully detailed on pages 44 to 45 in our report on relationships with stakeholders, we have a fair, open and collaborative relationship with our suppliers and business partners. During the year, the Board reviewed and approved the Group procurement and 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.	**HIGH STANDARDS OF BUSINESS CONDUCT, SUPPLIERS AND PARTNERS, ENVIRONMENT**

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

The business model remains largely unchanged with the key focus being 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 pages 14 to 15 sets out our strengths and how they are the foundation of our sustainable success. 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 it receives reports and management information regarding key non-financial matters such as colleagues' wellbeing and job satisfaction. The discretionary bonus plan for employees 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	• Sustainable Investment Framework (a framework used by our Investment team) • Group procurement and outsourcing policy	• Sustainable Investment Framework: see the report on sustainable investment strategy 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	• Wellbeing 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	• Group charity and community policy • Board diversity policy • Flexible working policy • Group training and competence policy • Group fitness and propriety policy • Group operational risk policy • Group conduct risk policy	• Group charity and community policy: see "social" below. • Board diversity policy: see the Nomination Committee Report on page 68. • Flexible working policy: provides support and advice to employees regarding our approach to flexible working requests. • Group training and competence policy: sets out the standards and requirements to ensure the training and competency framework is effective in mitigating the risk of colleagues lacking the expertise and knowledge required for their role and potentially resulting in poor customer outcomes. • Group fitness and propriety policy: sets out a framework for appropriate processes and procedures to ensure compliance with the Senior Managers and Certification Regime. • Group operational risk policy: sets out the Group's framework for managing operational risk. • Group conduct risk policy: sets out the framework of principles, systems and controls around the management of conduct risk by the Group and encompasses regulatory requirements such as integrity, market conduct, customer interests, skill, care and diligence, and conflicts of interest.
3. SOCIAL	• Volunteering • Charity partners • Local community engagement	• Group charity and community policy	• Group charity and community policy: defines the minimum standards for managing opportunities and risks relating to the conduct of charitable and community activities as part of the Group's overall approach to corporate social responsibility to support the achievement of our purpose.
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 customer policy	• Group procurement and outsourcing policy: see "environmental" above. • Modern Slavery Statement: sets out our policies and processes to combat modern slavery in all its forms. • Group data protection policy: sets out a framework of high level controls and processes to enable the Group to safeguard personal data and manage the risks of processing individuals' personal data to comply with regulatory requirements. • Group vulnerable customer policy: defines our approach to ensure vulnerable customers receive consistently fair treatment across our Group and experience outcomes as good as those of other customers.
5. ANTI-CORRUPTION AND ANTI-BRIBERY	• Preventing corruption or bribery from happening by or on behalf of Just	• Financial crime policy • Group compliance policy • Group whistleblowing policy	• Financial crime policy: sets standards for the Group and colleagues to meet to manage the risks from financial crime. All colleagues 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: sets out the framework to encourage colleagues to feel safe in raising any suspicions of wrongdoing to the attention of the Board and senior management.

NON-FINANCIAL INFORMATION STATEMENT CONTINUED

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; reducing our office footprint; and applying environmental standards through our Group procurement and outsourcing policy.
- During the year, the majority of colleagues have worked remotely in accordance with government guidance due to COVID-19. The Group ensured that its technology was fit for purpose to enable secure remote working, which supports the wider initiative to modernise our workplace and reduce our carbon footprint over the medium to longer term.
- We are committed to promoting good corporate environmental practice and have ISO 14001:2015 certification.
- During the year the Group issued a Green Bond, the first insurance company in the UK to do so. The Group has committed to invest the proceeds of the bond in eligible green projects. Further information can be found on page 18.
- Information about our Investment team and their sustainable investment strategy and framework is included on page 18.
- Information on the steps we are taking to reduce our impact on the environment, including the greenhouse gas emissions for which we are responsible, is set out in our Environment report on page 38.

2. Colleagues

- Building our organisational resilience, strengthening our talent and capabilities, and ensuring colleagues feel proud to work at Just is a strategic priority for us.
- The Group has broadened its diversity and inclusion strategy in five areas: increasing diverse representation, particularly at senior levels; strengthening leadership focus and accountability for diversity and inclusion; ensuring all groups have equal opportunity for progression and development; educating on bias and developing the inclusive culture; and fostering belonging through supporting people to be themselves. The Board sponsor for diversity and inclusion is the Group Chief Executive Officer.
- There is an active programme under way to improve Board diversity. The Board adopted a new Board diversity policy during the year. Further information on this policy and the steps taken to improve Board diversity can be found in the Nomination Committee report on pages 68 to 70.
- Gender diversity across senior roles has increased by five percentage points to 24% and we are on track to achieve our pledge as a signatory to the Women in Finance Charter that 33% of senior leaders will be female by 2023. Just has also signed up to the Race at Work Charter which is designed to foster a public commitment to improving outcomes of Black, Asian and Minority Ethnic employees in the workplace.
- We have increased the range of wellbeing support and guidance for our colleagues built around mental, physical, social and financial wellbeing. This includes the support of Mental Health First Aiders and the launch of the corporate version of the Headspace App, described as a "gym membership for the mind".
- We have policies and provide training to help ensure that our colleagues act ethically and do the right thing in the performance of their work. 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.
- We have taken important steps in the critical areas of building a modern workplace and we have engaged with colleagues to obtain their views on what they would like our ways of working to be in the future.

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, colleagues, 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.
- During the year, Just pledged support to the COVID-19 Support Fund, teaming up with a number of other businesses from the UK insurance industry, to help support some of the people hardest hit by the COVID-19 crisis.
- We have been investing in our communities to help older adults get active for a happier, healthier life through our programme, Just Get Active. Further information about our community programme can be found on our website www.justgetactive.co.uk.
- For further information about our social and volunteering activities and the impacts, see our Colleagues and culture report on page 40.

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 handle our customers' sensitive personal data and it is important that this is used appropriately and protected. All of our colleagues, including those who are not customer facing, are trained on data protection and internal communications campaigns are used to remind staff of the importance of data privacy. Rigorous steps are taken to ensure the security of all the personal data we handle.
- We are cognisant that a number 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 defines our approach to ensuring vulnerable customers receive consistently fair treatment across our Group. Relevant training and support is provided to our colleagues to enable them to identify and give support to vulnerable customers.

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 Group 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 RISK MANAGEMENT

The risk management report on page 32 sets out our approach to risk management. Our approach enables all colleagues to take more effective business decisions through a better understanding of risk. The report sets out our principal risks and uncertainties including non-financial risks and how we mitigate those risks. The Group Risk and Compliance Committee ("GRCC") has considered various non-financial risks during the year. These include risks arising from people, operational processes and IT systems, conduct risk and the current and future business and operational impacts of COVID-19 on the Group. The GRCC also received regular reports on the status of the Group's climate change project, which covers various workstreams including risk management and financial risks. 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 and other stakeholders.

Our Risk team sets and manages the Group's Policy Framework. Each Group policy has a policy owner and an executive sponsor. The policies are reviewed by the policy owner and executive sponsor at least annually and an attestation is provided. Changes to policies are reviewed by the GRCC and approved by the Board. Breaches of policies are monitored and reported, and recorded in our risk management system. These are escalated to the Group Chief Risk Officer. Serious breaches are reported to the GRCC or Board. This ongoing 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.

APPROVAL

The Strategic Report was approved by the Board of Directors on 15 March 2021 and signed on its behalf by:

JOHN HASTINGS-BASS
Chair

CHAIR'S INTRODUCTION TO GOVERNANCE

I am pleased to present the Group's Corporate Governance Report for 2020

JOHN HASTINGS-BASS
Chair

Dear Shareholder

On behalf of the Board of Just Group plc (the "Board") I am pleased to present the 2020 Corporate Governance Report, my first since becoming Chair in August 2020.

The UK Corporate Governance Code 2018 (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. The Group has a strong social purpose, "we help people achieve a better later life" and aims to generate long-term, sustainable value for shareholders, as well as consideration for other stakeholders and the impact of the business's operations on wider society. In order to achieve these aims our recent priority has been to deliver a sustainable capital model. During 2020 the combination of management actions and increasing levels of organic capital generation has led to both improved capital resilience and increased overall capital strength.

The Board continued to engage in discussions with the Prudential Regulation Authority throughout 2020 and although our solvency position continues to strengthen, regulatory scrutiny remains high and some uncertainty and risk remains. However, the Group is in a much stronger position now, ending the year with a solvency capital ratio of 156% (allowing for a notional recalculation of TMTP as at 31 December 2020). Additionally, the sale of a portion of LTMs and two further NNEG hedge transactions have further reduced the Group's property exposure. 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.

Before the COVID-19 pandemic, the share price was recovering from falls in 2019. With the advent of COVID-19, concerns about the Group's exposure to residential property and the general economic environment impacted the share price again. The share price recovered somewhat towards the end of 2020 – management actions led to a strengthened solvency position, whilst the economic outlook improved and the UK residential property market remained robust.

2020 AGM

I am pleased to report that at our 2020 Annual General Meeting ("AGM") all resolutions were passed with at least 89% of those voting supporting the resolutions. This included the resolution for the new Directors' Remuneration Policy.

Due to COVID-19, the meeting was held in our Reigate office with only the Group Chief Executive Officer and the Group Company Secretary present. The meeting was broadcast and shareholders could dial in to listen. The Board was disappointed that the usual shareholder engagement could not take place. In order to facilitate engagement in the difficult circumstances, shareholders were encouraged to cast their vote by proxy and to submit questions in advance of the meeting.

2021 AGM

I am pleased to confirm that the 2021 AGM will be held on 11 May 2021 at 10.00 am at our registered office, Enterprise House, Bancroft Road, Reigate, Surrey, RH2 7RP. At the time of writing, it is not clear what COVID-19 restrictions will be in place at that time. In order to facilitate the best possible engagement with shareholders, given the circumstances, we intend to broadcast the AGM through Microsoft Teams and there will be an opportunity for shareholders to ask the Board questions should you wish to join the meeting online. Unfortunately there is no facility to vote online during the AGM and so your Board recommends that you vote via proxy in advance of the meeting. There will be a designated email to submit questions in advance of the AGM. More information about the 2021 AGM the associated arrangements can be found in the Notice of Meeting and on the Group's website.

STAKEHOLDERS

Stakeholder engagement is of key importance to the Board. We take into account the interests of a wide range of stakeholders including investors, customers, colleagues, pension scheme trustees, financial advisers, regulators and suppliers. Of prime importance is the requirement to understand the views of our stakeholders and we do this through a variety of engagement activities. Steve Melcher was appointed as the Non-Executive Director responsible for seeking the views of our colleagues and bringing these back into the boardroom. This year we appointed Michelle Cracknell to also carry out this role for the Board. Further information about how the Board engages with colleagues can be found in the Governance in operation report on page 62 .

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 44 to 45.

Since my appointment, I have had meetings with nearly all of the Group's major shareholders and I engaged with colleagues as part of the "Conversations with the Board" programme.

BOARD COMPOSITION AND SUCCESSION PLANNING

As previously announced, 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.

The Board has been further strengthened by the appointment of Andy Parsons as the Group's Chief Financial Officer. Andy joined on 1 January 2020 and was also appointed to the Board on that date.

Michelle Cracknell and Kalpana Shah were appointed as Non-Executive Directors of Just Group plc on 1 March 2020 and 1 March 2021 respectively. I was appointed as the Chair on 13 August 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 on pages 68 to 70.

CULTURE, DIVERSITY AND INCLUSION

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.

In 2020, despite the difficulties presented by COVID-19, the Group has continued to work on the organisation's culture through the three key people priorities to enable the delivery of the Group's strategy of: building organisational resilience; strengthening talent and capabilities; and ensuring colleagues feel proud to work at Just.

Diversity remains a key focus for the Board and Group Executive team who recognise the enhanced contributions a set of diverse people can bring to our business and wider society. During 2020, the Group focused on broadening the diversity and inclusion ("D&I") strategy with five clear areas of focus: increasing diverse representation, particularly at senior levels; strengthening leadership focus and accountability for D&I; ensuring all groups have equal opportunity for progression and development; educating on unconscious bias and developing the inclusive culture; and fostering belonging through supporting people to be themselves. The Board sponsor for D&I is the Group Chief Executive Officer. Further information on the D&I strategy can be found in the Strategic Report on page 43.

The Board also adopted a new diversity policy which includes references to the Board's commitment to improve both the gender and ethnic diversity of the Board which is in line with the Hampton-Alexander and Parker Reviews. The updated policy references the Group's wider five point diversity strategy. You can read more about the Nomination Committee's work in the area of diversity in the Nomination Committee Report on pages 68 to 70. A copy of the Board diversity policy can be found on our Group website.

In accordance with the Board diversity policy but whilst ensuring that people with the appropriate skills were appointed, the appointment of Michelle Cracknell and Kalpana Shah improved the gender balance on the Board from 12% to 30%. The Board and the Nomination Committee recognise that there is more to be done, as covered in more detail in the Nomination Committee Report on pages 68 to 70.

BOARD EVALUATION

The Board evaluation is an important annual process. This year we have had an externally facilitated Board evaluation. The review covered both Just Group plc and the two life companies (Just Retirement Limited and Partnership Life Assurance Company Limited). The process was facilitated by Value Alpha Limited, an independent specialist board evaluation company, who attended the Board and committee meetings as well as interviewing the chairs of the Boards and each of the Directors. Value Alpha also interviewed other key stakeholders. 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 external auditor for the year ended 31 December 2020. PricewaterhouseCoopers LLP ("PwC") were appointed the Group's external auditor at the 2020 AGM. Further information is included in the Audit Committee Report on pages 71 to 75.

JOHN HASTINGS-BASS
Chair
15 March 2021

BOARD OF DIRECTORS

NON-EXECUTIVE CHAIR

JOHN HASTINGS-BASS,
Group Chair

Appointed: 13 August 2020
John Hastings-Bass was appointed Chair of Just Group plc in August 2020.

John brings over 35 years of business experience in the insurance and reinsurance sectors and has undertaken the role of Chair in publicly quoted and privately owned businesses. He currently holds the role of Chair of BMS Group, the private equity backed global insurance broking group, and until 2017, was Chair of publicly quoted Novae Group plc.

John began his career in Hong Kong with Jardine Matheson in 1976. He moved to London and was latterly a JLT Group Board Director and CEO of International Business Group. He joined Arthur J. Gallagher in 2007, as Chairman of International Development, leading the Asia Pacific business. He joined the Board of the FTSE 350 listed Novae Group plc in May 2007 and became Chair in May 2008. He was appointed Non-Executive Chair of BMS Group in January 2015. John was appointed a Trustee of the Landmark Trust in 2016 and chairs the Audit Committee.

Current other listed directorships
None.

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.

EXECUTIVE DIRECTORS

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.

He previously held the role of Deputy Group Chief Executive Officer and Managing Director of the UK Corporate Business from 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 previously served as Chair of Liberty Corporate Capital Limited, Liberty Mutual Managing Agency Limited and Liberty Mutual Insurance Europe SE from 2011 to September 2020. He was Deputy Chair of The Equitable Life Assurance Society from August 2009 until December 2019, and was Deputy Chair of Wesleyan Assurance Society until September 2014. 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, Partnership Life Assurance Company Limited, HUB Financial Solutions Limited and HUB Pension Solutions Limited.

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 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 Zurich Assurance Limited. Previously, Paul served as Non-Executive Director of Police Mutual Assurance Society from 2017 to September 2020.

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.

NON-EXECUTIVE DIRECTORS CONTINUED

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, Chair of Maven Income & Growth VCT 4 plc, and was a Non-Executive Director of Hastings Group Holdings plc.

Ian is currently a Non-Executive Director of NatWest Holdings Limited, National Westminster Bank plc , the Royal Bank of Scotland plc, Ulster Bank Limited, and Non-Executive Director of the Foundation for Governance Research and Education. On 11 August 2020, Ian was appointed as a Director of the Broadstone Acquisition Corporation.

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

Michelle was Chief Executive Officer of The Pensions Advisory Service between October 2013 and December 2018. Prior to that, she held Director roles in advice firms, providers and insurance companies. She is a qualified actuary.

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 Committees of Pension Bee.

Current other listed directorships
None.

Committee and internal directorships
Member of the Remuneration Committee.

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 Group Audit Committee, Group Risk and Compliance Committee, Remuneration Committee, and the Just Retirement Limited & Partnership Life Assurance Company Limited Investment Committees.

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

KALPANA SHAH,
Independent Non-Executive Director

Appointed: 1 March 2021
Kalpana Shah was appointed as a Non-Executive Director of Just Group plc on 1 March 2021.

Kalpana brings 30 years of business experience in the insurance and investment industry having started her career at the London Commodity Exchange and moving into insurance as Deputy to the Director of Underwriting at Groupama Gan. She was longstanding Group Chief Actuary and a Partner at Hiscox plc until 2016. Kalpana has chaired and contributed to working parties for the Bank of England, Lloyd's of London, and the Bermuda Monetary Authority.

Kalpana was elected to the governing body of the Institute and Faculty of Actuaries in 2019 and is a member of its Audit and Risk Committee. She is also a senior Liveryman of the Worshipful Company of Insurers and a trustee of Unitas, a Barnet Youth Zone. Last year, she headed up a voluntary team of actuaries helping the NHS with analytics and planning in the height of the COVID-19 pandemic.

In addition to Just Group, Kalpana is Chair of RiverStone Managing Agency, Senior Independent Director of RiverStone Insurance (UK), and Non-Executive Director of Asta Managing Agency and Markel International.

Current other listed directorships
None.

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

Director of 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 a Non-Executive Director of BW Offshore Limited from August 2013 to May 2020.

In addition to the Just Group, Clare is Chair of Xoserve Limited and Naftogaz Group. She is also a Non-Executive Director of the 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 Group 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 Kerrigan was appointed as a Non-Executive Director of Just Retirement Limited and Partnership Life Assurance Company Limited, the Group's life company subsidiaries, in November 2019.

Mary has considerable experience in the pensions, life insurance and investment industries, and is a former partner of Willis Towers Watson.

Outside of Just Group, Mary is a Non-Executive Director of New Ireland Assurance Company and Chair of its Risk Committee. She is also a member of the Independent Governance Committee of Prudential Assurance UK.

Mary was appointed as a Non-Executive Director of Aegon Asset Management Limited on 24 September 2020.

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

NICK POYNTZ-WRIGHT

Appointed: 8 March 2016

Nick Poyntz-Wright was appointed as Chair of Just Retirement Limited and Partnership Life Assurance Company Limited on 30 April 2019, having previously held the role of Non-Executive Director of Just Retirement Limited since March 2016 and Partnership Life Assurance Company Limited since 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 Chief Executive Officer 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 Chair of its Investment Committee. He is a Non-Executive Director of Unum Limited and Unum European Holding Company Limited. In July 2020, Nick also was appointed as a Non-Executive Director and Chair of the Investment Committee of ReAssure 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 and Distribution Director in 2009. David is also Chief Executive Officer of the group of companies trading under the HUB Group 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, and Criterion Tech Holdings Limited, a not-for-profit body that delivers professional Standards and Governance services for the UK's Financial Services industry.

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' 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,
Chief People Officer

Appointed: 3 August 2017
Kathryn Gray was appointed Chief People Officer of Just Group 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, financial services. Prior to joining Just Group she spent six years at Legal and General where she was Divisional HR Director for the Protection and Savings business and Group Director for Reward, Performance and Leadership and 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 and a member of the Police & National Crime Agency Remuneration Review Body.

Current listed directorships
None.

PAUL FULCHER,
Group Capital Management & Investment Executive

Appointed: 1 February 2021
Paul Fulcher was appointed Group Capital Management & Investment Executive of Just Group in February 2021.

Paul is responsible for Investments, Capital Management and Group Underwriting, including the Longevity, Medical, Pricing and Reinsurance teams.

Paul has 30 years' experience working across the life insurance industry. Prior to joining Just Group, Paul was a Principal at Milliman LLP, a life and financial service consulting firm. Before Milliman he spent six years working at Nomura as Managing Director, leading their ALM Structuring and Insurance Solutions team for Europe, Middle East and Africa. Prior to Nomura he worked for the Royal Bank of Scotland in their Global Markets business as Managing Director and Head of their Financial Institutions Risk Advisory Team.

Paul is a Fellow of the Institute of Actuaries.

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 Assurance Group, which he joined in January 2014 to transform the company's IT capability and change programmes. Giles has over 20 years of diverse global experience which includes working at companies such as Reed Elsevier, Lexis Nexis and Cashplus.

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 Just Group plc Board (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

- Sets purpose, values and strategy for the group of companies of which Just Group plc is the ultimate shareholder (the "Group")
- Monitors culture and ensures behaviours and practices are aligned with the Group's purpose, values and strategy
- Sets risk appetite and oversees risk management, internal control systems, corporate governance and regulatory matters
- Approves major changes to the Group's business activities including, but not limited to, major acquisitions or disposals and its presence in various jurisdictions
- Approves the business plan including objectives, budgets, forecasts and material changes, and monitors delivery against the plan
- Approves the capital structure of the Group and any changes to capital, and monitors capital risk appetite
- Approves major changes to the operational structure of the Group
- Approves the financial statements, half-year reports and regulatory reports
- Delegates oversight for some of its activities to committees of the Board

GROUP AUDIT COMMITTEE

Chair: Paul Bishop

Oversees on behalf of the Board:
- Financial reporting
- Significant accounting judgements and accounting policies
- Solvency reporting
- Relationship with the external auditor including monitoring independence, non-audit services and the audit plan
- Audit tender process
- Appointment of the new auditor
- Internal controls
- Internal audit function and internal audit plans

READ MORE ON PG.71

REMUNERATION COMMITTEE

Chair: Ian Cormack

Oversees on behalf of the Board:
- Remuneration policy
- Within the terms of the remuneration policy sets remuneration, benefits, pension and total compensation of the Chair of the Board, Executive Directors, members of the Group Executive Committee, the Group Company Secretary and other senior management and Solvency II staff
- Share schemes including SAYE, LTIPs, STIPs and DSBP schemes and approval of awards under the schemes
- Alignment of workforce reward and incentives

READ MORE ON PG.78

NOMINATION COMMITTEE

Chair: John Hastings-Bass

Oversees on behalf of the Board:
- Board appointments process
- Structure, size and composition of the Board
- Succession planning for appointments to the Board and Group Executive Committee
- Balance of skills, experience and knowledge of the Board
- Diversity and inclusion matters; monitoring the impact of initiatives (for Board, senior management and wider initiatives)
- Independence of Directors

READ MORE ON PG.68

GROUP RISK AND COMPLIANCE COMMITTEE ("GRCC")

Chair: Keith Nicholson

Oversees on behalf of the Board:
- Mandates of the Risk, Compliance and Chief Actuary functions
- Material changes to the risk management and internal control framework, including Group policies, which support the framework and risk strategy
- Principal and emerging risks relative to risk appetite tolerances
- Solvency II compliance and the internal model including changes to the internal model
- Regulatory matters (other than Group Solvency II reporting)
- Compliance monitoring plan

READ MORE ON PG.76

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 Group Chief Executive Officer.

The Group 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 Group 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
- Business risk management and the oversight of the implementation of 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 and managed with opportunities for development

There is also an Executive Risk Committee ("ERC"), chaired by the Group Chief Risk Officer, which focuses on risk management across the Group. This includes oversight of risk appetite, risk controls, and regulatory and compliance matters. 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, when to make an announcement and the contents of the announcement.

The Board may 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 Board are defined and approved by the Board. Each Group committee has terms of reference which are approved by the Board. The matters reserved for the Board and the main Board committees' terms of reference can be found at www.justgroupplc.co.uk.

Composition of committees

The main Board committees comprise 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 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 Board holds its meetings on a nested basis together with the Boards of the Group's regulated life companies, Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL"). The governance structure is operated in this way due to synergies between their strategies and operations. JRL is the principal operating company in the Group and, therefore, its activities also have a strategic and material impact on the consolidated Group performance.

Each Board considers matters 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. JRL and PLACL both have two independent Non-Executive Directors who are not Directors of Group. Nick Poyntz-Wright is the Chair of the Boards of JRL and PLACL. Mary Kerrigan is an independent Non-Executive Director of both life companies.

The Boards of JRL and PLACL have not established separate remuneration committees, nomination committees or risk and compliance committees. These matters are overseen by the respective Group Board committees to the extent relevant and necessary, for the regulated life companies.

JRL and PLACL Investment Committees

Chair: Mary Kerrigan

The Boards of JRL and PLACL have delegated responsibility for oversight and management of investment management activities within an investment management governance framework to the JRL and PLACL Investment Committees. The committees assist the Group Board with oversight of these activities.

The JRL and PLACL Investment Committees are responsible for:

- Overseeing the investment framework
- Overseeing 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 their terms of reference

JRL and PLACL Audit Committees

Chair: Paul Bishop

The Boards of JRL and PLACL have established independent subsidiary audit committees. The JRL and PLACL Audit Committees are mainly 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. Nick Poyntz-Wright is a member of the JRL and PLACL Audit Committees to ensure their independence from the Group Audit Committee. Senior Independent Director, Keith Nicholson, is also a member of the JRL and PLACL Audit Committees. Further information is available in the Audit Committee Report on pages 71 to 75.

JRL and PLACL terms of reference

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

BOARD ACTIVITIES

During 2020 the Board monitored the capital light strategy, the development and execution of management actions to improve the capital position of the Group and the resilience of the Group by reducing property exposure. At the strategy meeting in October the Board considered how the sustainability of the Group in a capital light environment could be improved. The strategy remains aligned with our purpose of helping people achieve a better later life. Due to restrictions arising from COVID-19, the majority of Board meetings were held as virtual meetings throughout the year. A series of virtual "Conversations with the Board" sessions were held during the year to give employees the opportunity to engage with various Non-Executive Directors, including both the Group Chair, John Hastings-Bass, and independent Non-Executive Director, Michelle Cracknell.

The Board lead by example and promote our values of doing the right thing. The Section 172 Report in the Strategic Report on pages 46 to 50 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.

GOVERNANCE IN OPERATION CONTINUED

AREA OF FOCUS	KEY BOARD ACTIVITIES
REVIEWING STRATEGIC PROGRESS	• Held a Board strategy session in October 2020 to monitor progress against the Group's strategy, and to review and agree refinements to it. The strategy session focused on business viability, transformation and growth, and future opportunities • 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 in-depth reviews into each of the Group's business lines
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 • Monitored the Group's capital and liquidity position • Approved the Group's Own Risk and Solvency Assessment ("ORSA") • Reviewed risks to the Group's strategy and business plan
FINANCIAL REPORTING AND CONTROLS AND DIVIDEND POLICY	• Reviewed the Group's financial performance on an ongoing basis, and the Group's half-year and annual financial results • Reviewed the dividend policy and agreed not to pay interim or final dividends for the financial year ended 31 December 2020 • Reviewed and challenged reports provided by its committees on key financial-related matters
STRUCTURE AND CAPITAL	• Assessed the Group's capital and liquidity requirements including its Solvency II position • Oversight of changes to improve the resilience of the Group's capital position to insurance, market and counterparty risks • Continued examination of capital efficiency improvement measures • Oversight of external and intra-Group financing • Called the remaining £63m 9.5% PLACL Tier 2 debt in March 2020 • Issued a £250m BBB rated Green Solvency II Tier 2 qualifying instrument with a maturity date in April 2031, an optional redemption period from October 2025 to April 2026 and a coupon of 7% in October 2020 • Completed a tender for £75m of the existing £230m Subordinated Tier 3 debt due in October 2020
CORPORATE GOVERNANCE	• Received regular updates from committees, management and external advisers on legal and regulatory developments • Reviewed activities in light of the Prudent Person Principle regulation • 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 various Group policies • Extensive shareholder engagement by the Chair and Senior Independent Director in addition to the normal CEO/CFO programme
BE PROUD TO WORK AT JUST	• Reviewed outcomes and plans from the "Best Companies" survey, as part of a colleague engagement strategy • Held "Conversations with the Board" to promote two-way communication and hear views on areas of focus, such as diversity and inclusion • Introduced John Hastings-Bass to colleagues via an interactive Teams session, with extremely positive feedback from colleagues • Increased the percentage of women on the Board and made progress against the Board's commitment to improve gender diversity more generally at senior levels across Just
BOARD SUCCESSION PLANNING	• Significant focus was given to Board and executive succession planning (including the appointment of new Group Chair and two independent Non-Executive Directors) • Reaffirmed its commitment to Board and senior management diversity • Undertook an externally facilitated evaluation of the Board's effectiveness and the performance of the Group 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:
- John Hastings-Bass, Chair (appointed on 13 August 2020)
- Chris Gibson-Smith (retired on 13 August 2020)
- David Richardson, 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)
- Steve Melcher, Independent Non-Executive Director
- Keith Nicholson, Senior Independent Director
- Kalpana Shah, Independent Non-Executive Director (appointed on 1 March 2021)
- Clare Spottiswoode, Independent Non-Executive Director

Commitment
The Non-Executive Directors have made a significant contribution and commitment to ensuring the long-term sustainable success of the business during 2020. The Board held ten meetings during the period from 1 January 2020 to 31 December 2020, of which eight were scheduled and two were additional Board meetings called due to the needs of the business. 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 with the Code placing increased emphasis on corporate culture, purpose, values, stakeholder engagement and more generally a company's contribution to wider society.

Pages 62 to 67 on "Governance in operation" set out how the Board is led, 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 68 (Nomination Committee), 71 (Audit Committee), 76 (GRCC) and 78 (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 pages 44 to 50 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 Colleagues and culture report on page 40 outlines more about our culture and our approach to colleague engagement. During 2020, going above the requirements of the Code, Michelle Cracknell was appointed to join Steve Melcher as the independent Non-Executive Directors responsible for championing workforce engagement activities. Further information on their 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 frequent updates.

Shareholder engagement
The Group maintained an open dialogue with its major institutional shareholders and debt investors during 2020 through a programme of meetings undertaken by both the new Group Chair, Senior Independent Director, Group Chief Executive Officer, Group Chief Financial Officer, and members of the Investor Relations team. Activity seamlessly switched to virtual means leading to greater efficiency of Director time and increased accessibility to capital providers. Equity led roadshows were held in March and September 2020, with dedicated debt roadshows in June and October, culminating in the issuance of a £250m Tier 2 Green Bond and concurrent Tier 3 £75m buyback. Management also virtually attended a number of investor conferences and seminars, provided broker and non-broker salesforce briefings, and throughout the year, hosted ad hoc meetings with both existing and prospective shareholders.

There was continuous engagement during 2020 as the Group discussed a number of important issues including management actions in response to prior regulatory change, capital levels and reduction of risks, diversity, and the various strategic options available. The programme included major shareholder meetings with the Group Chair following his appointment in August 2020.

The Investor Relations team 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 the results roadshow.

The ordinary shares are covered by nine analysts. 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 for members of the Group, but moved the outlook to Negative from Stable following a COVID-19 related UK life sector review in May 2020.

	Board[4]	Audit[5]	Remuneration	Nomination[6]	Group Risk and Compliance	JRL & PLACL Investment
John Hastings-Bass[1]	2/2	–	3/3	2/2	2/2	–
Chris Gibson-Smith[2]	7/7	-	4/4	3/3	4/4	-
David Richardson	10/10	–	–	–	–	–
Andy Parsons	10/10	-	-	-	-	-
Paul Bishop[7]	10/10	11/11	–	5/5	–	5/6
Ian Cormack	10/10	–	7/7	5/5	6/6	–
Michelle Cracknell[3]	8/9	–	3/3	–	–	–
Steve Melcher	10/10	11/11	7/7	–	6/6	6/6
Keith Nicholson	10/10	11/11	–	5/5	6/6	–
Clare Spottiswoode	10/10	11/11	–	–	6/6	–

1 John Hastings-Bass was appointed as a Director and Group Chair on 13 August 2020.
2 Chris Gibson-Smith retired as a Director and Group Chair on 13 August 2020.
3 Michelle Cracknell was appointed as a Director on 1 March 2020 and as a member of the Remuneration Committee on 14 May 2020. Michelle Cracknell was unable to attend the Board meeting on 26 November 2020 due to prior commitments.
4 Two additional Board meetings were held to approve discrete items of business between 1 January and 31 December 2020.
5 Two additional Audit Committee meetings were held between 1 January and 31 December 2020.
6 One additional Nomination Committee meeting was held to approve discrete items of business between 1 January and 31 December 2020.
7 Paul Bishop was unable to attend the JRL & PLACL Investment Committee on 25 March 2020 due to prior commitments.

Nick Poyntz-Wright and Mary Kerrigan are independent members of the JRL and 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

During 2020 Just Group plc's shares fell by 12% to 69.9 pence, compared with the FTSE 350 life insurance index which fell by 11%.

The Senior Independent Director is available for consultation with shareholders if they have concerns which are inappropriate to raise with the Chair, Group Chief Executive Officer or other Executive Directors. Further information for shareholders is included on page 164.

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.

2020 AGM resolutions
The 2020 AGM saw all resolutions passed with at least 89% of those voting supporting the resolutions.

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 of Association.

DIVISION OF RESPONSIBILITIES

Board balance and independence
As at the date of this report there are ten members of the Board: the Chair (independent on appointment), two Executive and seven 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 Group Chief Executive Officer 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, regulators, and other stakeholders.

The Group Chief Executive Officer 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 pages 68 to 70 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.

During the year the Board adopted a new Board diversity policy and is working via the Nomination Committee to achieve the Hampton-Alexander diversity targets. The appointments of Michelle Cracknell and Kalpana Shah have improved the gender balance of Directors on the Board. More information can be found in the Nomination Committee Report on page 70. 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 line with best practice, it reviews the length of tenure of those Directors who have served on the Board for over two three-year periods. Further information regarding succession planning is included in the Nomination Committee Report on page 68.

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 Chair and Non-Executive Directors
During the year the Nomination Committee led a process to appoint a new Chair of the Group Board, John Hastings-Bass, who joined the Board on 13 August 2020. The Nomination Committee also led a process to appoint new Group Non-Executive Directors, Michelle Cracknell and Kalpana Shah, who joined the Board on 1 March 2020 and 1 March 2021 respectively. More information about the appointments 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 internal Board evaluation performed in 2020, the Board conducted an external evaluation using Value Alpha Limited. Value Alpha Limited is an advisory firm which specialises in evaluating board and director effectiveness. Value Alpha Limited has no other connections with the Group.

The evaluation was conducted on the basis of two-hour face-to-face interviews, based around a structured questionnaire, with the Board's Directors, as well as the Directors of the life companies. Key stakeholders were also interviewed during the process. Value Alpha observed a Board meeting and, separately, meetings of the GRCC and the JRL and PLACL Investment Committees. Two meetings of the Audit Committee were observed.

The review concluded that the Board is performing strongly. Levels of skills, knowledge and experience are high, and the Board displays an independent mindset. Levels of diversity are improving with the appointment of two female Directors.

The leadership of the Company has changed, with relatively recent arrivals of a new Chair, Group Chief Executive Officer and Group Chief Financial Officer. The evaluation found that the new Board members were settling in well, and that the relationship between the Chair and Group Chief Executive Officer was healthy. The relationship between the Chair and the Senior Independent Director was also found to be strong.

The Board meeting was considered to be highly effective, as were the meetings of the committees. All meetings involved a Non-Executive Director-only session at the beginning, with management and advisers absent. Levels of constructive challenge was evident in all the meetings observed, and there was a strong sense of teamwork. The committees provided feedback to the Board in an effective manner, and the Group Chief Executive Officer's report to the Board was comprehensive. The Board allocated an appropriate amount of time to the key challenges facing the business. The nested board arrangement was working well.

Opportunities for continued improvement identified in the evaluation process included:
- Board refreshment - As Directors approach their term limits, this has grown in importance
- Maintaining the focus on strategy, development, and identifying new business opportunities
- Increasing Board visibility of the talent pipeline and strengthening succession planning
- Continuing to improve the quality of the Board and committee packs

The Group Company Secretary has devised an action plan which will be owned by the Nomination Committee, with periodic progress reports to the Board.

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 71 to 75.

The Board takes care to present a fair, balanced and understandable assessment of the Group'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 Group'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 Group'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 Group's risk management, including oversight of risk appetite and the risk management framework, is the responsibility of the GRCC.

The information regarding management of risk can be found in the GRCC Report on pages 76 and 77 and the risk management report in the Strategic Report on page 32, 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 33.

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 78 to 92.

NOMINATION COMMITTEE REPORT

I am pleased to present the Committee's report for the year ended 31 December 2020

JOHN HASTINGS-BASS
Chair

The report details the activities carried out by the Nomination Committee (the "Committee") during the year.

A significant amount of Committee time was focused on succession planning for the Group Board, and in particular my own appointment, as well as the recruitment of Michelle Cracknell and Kalpana Shah who joined the Board in March 2020 and March 2021 respectively. We reviewed the Group Executive Committee ("GEC") and senior leadership team succession plans. We considered the Board diversity policy and progress on diversity and inclusion across the Group, noting that the Group's plan is extending beyond its initial focus on gender to include more on the wider aspects of diversity and inclusion, which we welcomed.

ROLE AND RESPONSIBILITIES

A key role of the 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. 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.

The full responsibilities of the Committee are set out in the terms of reference, which are reviewed annually and can be found at www.justgroupplc.co.uk.

COMMITTEE MEMBERSHIP AND MEETINGS

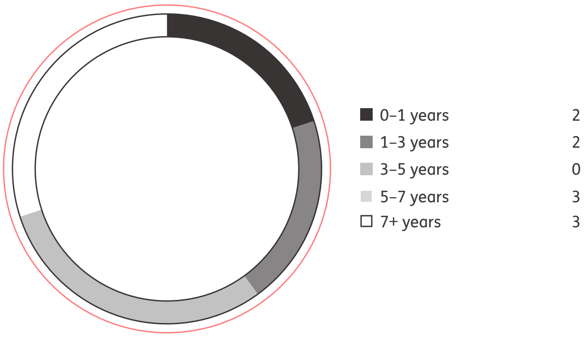
The members of the Committee as at 31 December 2020 are shown in the table below. I replaced Chris Gibson-Smith as Chair following our respective appointment and retirement as Directors in August 2020. Biographies of the Committee members can be found on pages 56 to 59. The Committee meets at least twice a year and the Group Chief Executive Officer and Chief People Officer are normally invited to attend meetings. The Group Company Secretary also acts as Secretary to the Committee.

Committee members	Attendance scheduled meetings
John Hastings-Bass (Chair)[1]	2/2
Chris Gibson-Smith[2]	3/3
Paul Bishop	5/5
Ian Cormack	5/5
Keith Nicholson	5/5

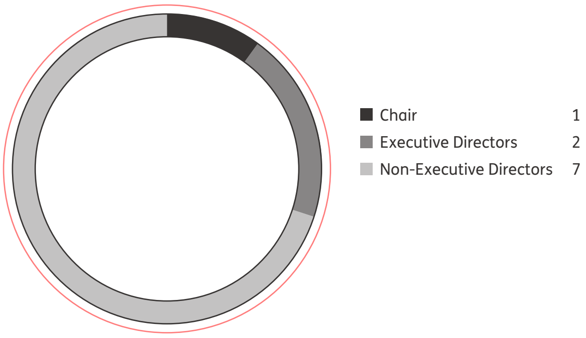
1 Appointed as a Director on 13 August 2020.
2 Resigned as a Director on 13 August 2020.

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.

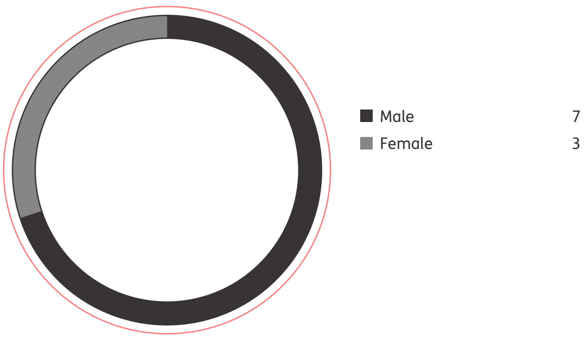
BOARD TENURE 2020 (INCLUDES PARTNERSHIP & JUST RETIREMENT)



INDEPENDENCE



GENDER DIVERSITY



ACTIVITIES OF THE COMMITTEE DURING THE YEAR

The Committee followed 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 2020, the Committee undertook a number of significant activities, including:

- Considered the skills and requirements of the Board and led the search for the appointment of an additional independent Non-Executive Director and new Group Chair.
- Reviewed the succession plans for both Executive and Non-Executive Directors.
- Considered and reviewed an updated Board diversity policy, noting the recommendation from the Parker review (2020) to have at least one BAME (black, Asian and minority ethnic) director by 2024.
- Reviewed and updated its terms of reference.

The following sections give further information about the work carried out by the Committee.

CHANGES TO THE GROUP BOARD

During 2020 there were changes to the Group Executive Directors and Non-Executive Director roles. Andy Parsons joined the Board as Group Chief Financial Officer on 1 January 2020 and Michelle Cracknell was appointed as a Non-Executive Director on 1 March 2020. On 12 May 2020, Chris Gibson-Smith informed the Board that it was his intention to retire as Chair of the Group as soon as a suitable successor had been identified. During the summer the Committee was heavily involved in the Chair search and a full external process was instigated. My appointment as Chair was effective as of 13 August 2020.

Following an external search consultancy selection exercise, Russell Reynolds Associates ("RRA") were engaged for the recruitment of an independent Non-Executive Director. RRA has no other connection to the Company or any Director. The Committee initially considered a long and varied list of candidates prepared by RRA and, having agreed a shortlist, interviewed candidates. Following a thorough interview programme and due diligence checks, the Committee recommended Kalpana Shah as its preferred candidate. The Board accepted the Committee's recommendation and agreed to appoint Kalpana Shah with effect from 1 March 2021. Kalpana brings over 25 years of business experience in the insurance and investment industry and was elected to the governing body of the Institute and Faculty of Actuaries in 2019, where she is also a member of its Audit and Risk Committee.

BOARD COMPOSITION AND SKILLS

The Committee 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;
- the membership of the Board committees and Board tenure. The Committee 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 their role;
- 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
- the progress made on the diversity and inclusion plans for the Board and senior leadership.

NOMINATION COMMITTEE REPORT CONTINUED

APPOINTMENT OF JOHN HASTINGS-BASS AS CHAIR

The Senior Independent Director ("SID"), assisted by members of the Committee (excluding the incumbent Chair) and the Chief People Officer, led the process that resulted in the appointment of John Hastings-Bass as the Chair for the Group. Key steps in the process are outlined below.

When the final results for 2019 were announced, the Board Chair, Chris Gibson-Smith, announced his intention to stand down as Chair when the half year results were announced in 2020. Ridgeway Partners, who are signatories to the Voluntary Code of Conduct for Executive Search Firms, were appointed to support the Group on the appointment. They are accredited by the Hampton-Alexander Review for compliance with the gender diversity code. Ridgeway Partners has no other connection to the Board or any Director.

The Committee confirmed to the search consultancy the key criteria for the role along with a person specification. Due to the nature of the role and the importance of it to the success of the Group, the search focused primarily on candidates with Chair experience, ideally of a listed company, with retail and commercial financial services experience.

The process involved a full map of the external market, a shortlisting process led by the SID, reviewing candidate backgrounds and experience against the key criteria and specification. Interviews were conducted by the SID and members of the Committee. For the final shortlisted candidates there were interviews with the Group Chief Executive Officer before a recommendation was made to the Group Board. The Board approved the appointment of John Hastings-Bass which was announced on 12 August 2020 to take effect from the close of business the following day following the announcement of the Group's half year results. The SID kept shareholders updated on progress.

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 considered both the 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 2021. It was noted that for future senior vacancies, the Group needed to continue to have balanced shortlists to enable the diversity targets to be reached by 2023.

The Committee also considered the Board succession plans, noting the UK Corporate Governance Code which states that serving more than nine years may impair independence. As a number of the Non-Executive Directors have more than six years' service, the Committee has embarked on an active Board refresh in order to ensure orderly succession. 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.

The Committee looked at the strategic challenges and the balance of skills and experience across the current members and concluded that, with any future additional appointments in 2021, it should look to strengthen the expertise in the areas of digital technology and business/customer process transformation. The Committee noted that some of the current Non-Executive Directors may retire from the Board over the next 18 months. To ensure the continuation of the right depth of financial acumen they may have to be replaced with people with similar skills.

DIVERSITY AND INCLUSION

The Board's diversity and inclusion strategy 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. A new Board diversity policy was adopted during the year. The updated policy:

- references the commitment to improving both gender and ethnic diversity at Board level. This includes an aim to have at least one BAME Director by 2024;
- links to the Group's wider five point diversity and inclusion strategy; and
- includes reference to a consideration of diversity in succession plans for leadership positions.

More information on the Group's diversity and inclusion strategy can be found on page 43. We are pleased that our Board is 30% women and 10% BAME because we believe that a diverse and inclusive culture supports and promotes better business performance, growth and innovation. The Committee and the Board acknowledge that there is more to be done in order to meet the Hampton-Alexander target of 33% of women on the Board. We are making progress towards this target and, as part of its succession planning to refresh the Board, the Committee will endeavour to meet the target by the 2022 AGM.

On behalf of the Nomination Committee

JOHN HASTINGS-BASS
Chair, Nomination Committee
15 March 2021

AUDIT COMMITTEE REPORT

I am pleased to present the Audit Committee Report for the year ended 31 December 2020

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 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 Committee is also responsible for maintaining an appropriate relationship with the external auditor and monitoring audit activities.

The full responsibilities of the Committee are set out in the terms of reference, which are reviewed annually and can be found at www.justgroupplc.co.uk.

The Committee operates separately from, but alongside, the Group Risk and Compliance Committee ("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 GRCC.

The effectiveness of the Committee was reviewed as part of the annual Board effectiveness review which took place in February 2021 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 UK Corporate Governance Code 2018 (the "Code"). As a whole the Committee has competence relevant to the sector in which the Group operates. Kalpana Shah joined as a member of the Committee with effect from 1 March 2021.

The biographies of the members of the Committee are set out on pages 56 to 59.

The Committee had nine scheduled meetings during the year and also held two additional meetings.

Attendance was as follows during 2020:

	Attendance scheduled meetings	Attendance unscheduled meetings
Committee members		
Paul Bishop (Chair)	9/9	2/2
Steve Melcher	9/9	2/2
Keith Nicholson	9/9	2/2
Clare Spottiswoode	9/9	2/2

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, PricewaterhouseCoopers LLP ("PwC"), attended all meetings during the year. Their predecessor, KPMG LLP, attended all meetings from January through to March 2020 in respect of the audit of the 2019 Annual Report and Accounts. 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 executive management being present during the year.

AUDIT COMMITTEE REPORT CONTINUED

AREAS OF FOCUS

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. Regular reporting is received from Internal Audit and External Audit as outlined later in this report.

Key areas of focus during the year included the following matters.

Financial reporting

In 2020 and to date in 2021, 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 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 COVID-19;
- reviewed the nine key performance indicators (“KPIs”) used by the Group to assess its financial performance and approved the replacement of the current KPI “in-force operating profit” with “management expenses” and “underlying organic capital generation/ (consumption)” to reflect the focus on management expenses and controlling costs and growing capital;
- 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 2020 Group Annual Report and Accounts and the half-year statements to 30 June 2020;
- 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; and
- oversaw the preparation and review of the Group Solvency and Financial Condition Report (“SFCR”) as at 31 December 2019, the Group and Solo Regular Supervisory Reports and the Annual Quantitative Reporting Templates for the PRA submission in April 2020.

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

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 Group’s position, prospects, business model and strategy.

Accounting standards

No new accounting standards were introduced during 2020. The Committee continued to monitor the progress towards being in a position to implement IFRS 17 and received regular status updates. Work continues in parallel to develop Just’s systems solution for computation of the new IFRS 17 accounting data.

There were amendments to IFRS 3 “Business Combinations”, IAS 1 and IAS 8 “Definition of Material”, and IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform” during the year. These amendments do not have any material impact on the Group.

Significant accounting judgements

The key areas of judgement considered by the Committee in relation to the 2020 accounts, and how these were addressed, are set out in the following table.

Significant judgements	Approach	Action
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 determined that the mortality improvements basis should be updated to replace the CMI 2017 model source with CMI 2019 for reporting as at 31 December 2020. The expected impact on future mortality rates (over both the short and long term) was considered and it was concluded that, given the level of uncertainty for the impact of COVID-19, future mortality improvement assumptions would not be adjusted for the impact of COVID-19 for the year ended 31 December 2020.
CREDIT DEFAULT ASSUMPTIONS	Credit default assumptions are used to determine the valuation rate of interest used in the calculation of insurance contract liabilities. The Group's asset portfolio includes a material amount of illiquid assets. For corporate bonds, credit default assumptions are calculated taking into account both historical default experience for each rating class and the current spread on the asset. For Lifetime Mortgages it is captured using the expected NNEG shortfalls. For other illiquid assets including infrastructure and ground rents, credit default assumptions are set to a proportion of the equivalent corporate bond default allowance.	The Committee reviewed the key assumptions and determined that they should remain unchanged. The potential impact of COVID-19 was considered and it was concluded that no adjustment was required for any elevated rate of default or downgrade from the economic effects of COVID-19 due to sufficient prudence within the existing methodology.
EXPENSE AND EXPENSE INFLATION ASSUMPTIONS	Future maintenance expenses are used in the measurement of the insurance contract liabilities. The assumptions reflect the expected future expenses that will be required to maintain the in-force policies at the balance sheet date, including an allowance for project costs and a margin for prudence (IFRS only).	The Committee reviewed and approved proposals to update maintenance expense assumptions in line with the latest expense forecasts provided by management, which included apportionment by categories of maintenance, acquisition, development and non-recurring, and by entity, and to revise the inflation rate to explicitly allow for expected increases linked to CPI, RPI and earnings to determine a weighted average inflation rate.
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 ("ONS") indices to determine current property prices. The ONS indices uses publicly available sales information.	The Committee reviewed both these key assumptions including detailed analyses from management. It was determined that the assumption for property price volatility should remain unchanged from the 2019 year end and that the assumption for property price inflation should reduce by 50 basis points. This included consideration of the potential impact of the UK's withdrawal from the European Union and the COVID-19 pandemic on UK property prices. The Committee reviewed, and challenged as appropriate, the detailed analysis and agreed with the proposals. During 2020 management also assessed the appropriateness of using the ONS indices to determine property prices and on reviewing the analysis the Committee concluded that it was appropriate to continue to use the ONS indices 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 2020 accounts, the Committee considered whether any of the investment in subsidiaries should be impaired. After reviewing the recoverable amounts for the Group's investments in subsidiaries, an impairment of £14m was recognised in respect of the investment relating to PLACL as a result of a dividend distribution to its parent, during the year.

AUDIT COMMITTEE REPORT CONTINUED

Alternative Performance Measures
The Committee considered the APMs 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 2020, the Committee considered the impact of COVID-19 and the regulatory position of the Group.

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; risks arising from the UK's withdrawal from the European Union; and the risk of regulatory intervention. In addition to risks, the Committee considered the Group business plan approved by the Board in November 2020 and the forecast regulatory solvency position calculated on a Solvency II basis, which includes scenarios setting out possible adverse trading and economic conditions as a result of the COVID-19 pandemic. Steps taken by the Group during 2020 to improve capital efficiency were also considered.

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 ongoing publication by the Prudential Regulation Authority of supervisory statements that set out its expectations for certain aspects of prudential regulation.

The Committee received and discussed reports from Group Internal Audit on the Group's processes in accordance with the PRA Supervisory Statement, SS3/17, Solvency II: matching adjustment - illiquid unrated assets and equity release mortgages ("SS3/17"). The Committee received assurance that the restructuring of the lifetime mortgages into matching adjustment eligible notes had been designed to satisfy the requirements as set out in SS3/17.

The Committee has responsibility for overseeing the recalculation of Transitional Measures on Technical Provisions ("TMTP"). The Committee reviewed and approved changes to the TMTP methodology for inclusion in the SFCR at 31 December 2020 to reflect refinements in the methodology.

The implementation of Solvency II in practice has continued to evolve and is expected to do so in the future. There was regular engagement with the PRA on the changes proposed to the TMTP and other matters affecting reporting during the year.

EXTERNAL AUDIT

Appointment
Following the tender process in 2019, the Board approved the appointment of PwC as external auditor for the year ended 31 December 2020 and a resolution put to the shareholders at the 2020 AGM was subsequently approved. KPMG resigned as external auditor following the completion of the audit for the year ended 31 December 2019. Shareholders were notified that there were no matters that needed to be brought to their attention. The lead audit engagement partner who was appointed for the 2020 audit is Lee Clarke. This being the first year since appointment, there are no current plans to re-tender the service of the external auditor, which was last undertaken in 2019. There are no contractual obligations restricting the Group's choice of external auditor. The Committee confirms it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Process and Audit Committee Responsibilities) Order 2014, published by the Competition and Markets Authority on 26 September 2014.

Oversight
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, Lee Clarke, without the presence of management. Private meetings were also held with Lee Clarke and the Chair of the Committee on a regular basis.

In 2020 and to date in 2021, the Committee:
- reviewed the 2020 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: a) the independence and objectivity of the external auditor having regard to the report from the external auditor describing the general procedures to safeguard independence and objectivity; b) the level, nature and extent of non-audit services provided by the external auditor; c) whether the external audit firm was the most suitable supplier of the non-audit services; and d) the fees for the non-audit services, both individually and in aggregate;
- agreed the terms of engagement and fees to be paid to the external auditor for the audit of the 2020 Annual Report and Accounts;
- reviewed recommendations made by the external auditor in their management letters and on the adequacy of management's response; and
- reviewed the external auditor's explanation of how the significant risks to accounts were addressed.

The Committee received regular updates from management and PwC on preparations for completing the year-end close process and audit in light of the challenges posed to our usual processes, and those of PwC, by the COVID-19 pandemic. The Committee was reassured by the actions that management and PwC had taken to ensure that there was minimal impact on the year-end timetable.

The Committee considered the quality and effectiveness of the external audit process. Its effectiveness is dependent on appropriate audit risk identification at the start of the audit cycle. The Committee receives a detailed audit plan from PwC, identifying its assessment of these key risks. For the 2020 reporting period the significant risks identified were broadly in line with 2019. The key risks identified were in relation to the valuation of insurance liabilities, the valuation of loans secured by residential mortgages, recoverability of investment in subsidiaries and the valuation of hard to value investments. The significant judgements made in connection with these risks are set out in the table on page 73. 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 PwC at the interim and year end. In addition, the Committee seeks feedback from management on the effectiveness of the audit process. For the 2020 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.

During the year, the FRC's Audit Quality Review team ("AQR") completed a review of the audit of the Group's financial statements for the year ended 31 December 2018. The AQR routinely monitors the quality of the work of certain UK audit firms through inspections of sample audits and related procedures. One finding was raised as a limited improvement in relation to work performed by KPMG, the previous external auditor. Having considered the report and discussed it with the KPMG Lead Audit Partner, the Committee was satisfied that the finding was addressed.

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 the external auditor 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 £2.2m (2019: £1.26m), which included first year audit costs. The value of non-audit services during the year amounted to £1.1m (2019: £1.13m), comprising:

	£m
Audit-related assurance services (audit of regulatory returns)	0.6
Audit-related assurance services (other services)	0.2
Other assurance services	0.1

The ratio of non-audit services to audit services fees was 1:2.4. Non-audit services of £0.6m were provided during 2020 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 and IFRS 17 assurance. Other assurance services of £0.1m were provided in relation to the Group's debt issuance during the year.

Non-audit services for 2020 were similar to the previous year. These non-audit services are considered to be closely related to the work performed by the external auditor of the Group and the Committee determined that the services provided would not impact the independence of the external auditor.

As part of the evaluation of the objectivity and independence of the external auditor, the Committee has received and reviewed written confirmation that PwC 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 external 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 5 to the consolidated financial statements. The Committee has approved PwC's remuneration and terms of engagement for 2020 and remains satisfied with PwC's work and that PwC continues to remain independent and objective.

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 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, regular updates on internal audit work carried out during the year and the internal audit end of year report.

In 2020, the Committee:

- continued to oversee the Internal Audit function with the Director of Group Internal Audit reporting directly to the Committee Chair;
- oversaw the engagement of EY to work with the Internal Audit team on the combined internal audit assurance work to complete the audit plan for 2020;
- reviewed and approved 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;
- conducted an assessment of the Internal Audit function;
- considered and approved the implementation of an updated rating system for findings identified by the Group's internal assurance providers;
- reviewed and approved the Internal Audit Charter, which is available to view on the Group's website; and
- reviewed and approved the Internal Audit calendar for 2021.

Monitoring and review of the scope, extent and effectiveness of the activity of the Group Internal Audit team is an agenda item at each regular 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 Group 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 regularly considers the resource requirements of the Internal Audit team and remains satisfied that it has the appropriate resources and the relevant skills and experience to fulfil its role effectively.

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 and is accountable for the setting and appraisal of his objectives and performance with input from the Group Chief Executive Officer.

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 Committee.

WHISTLEBLOWING

The Committee receives regular whistleblowing updates. During the year, no incidents of whistleblowing were reported. The whistleblowing framework was revisited and enhancements were made to the process. The Group has in place an external confidential dedicated telephone hotline for employees to use and whistleblowing training was provided to employees during the year.

The Chair of the Committee is the Group's whistleblowing champion and is responsible for ensuring and overseeing the integrity, independence, autonomy and effectiveness of the Group's policies and procedures on whistleblowing including the Group whistleblowing policy which is reviewed annually.

On behalf of the Audit Committee

PAUL BISHOP
Chair, Audit Committee
15 March 2021

GROUP RISK AND COMPLIANCE COMMITTEE REPORT

I am pleased to present the Group Risk and Compliance Committee Report for the year ended 31 December 2020

KEITH NICHOLSON
Chair, Group Risk and Compliance Committee

The report outlines the work of the Group Risk and Compliance Committee (the "Committee") during the year.

ROLES AND RESPONSIBILITIES

The Committee's purpose is to assist the Board in discharging its responsibility to maintain effective systems of risk management, compliance and internal control throughout the Group. The Board has delegated responsibility to the Committee for overseeing the risk management and internal control frameworks of the Group, and regulatory compliance. The Committee plays a key role in providing effective oversight and challenge on the continued appropriateness and effectiveness of the risk management and internal control framework and risk strategy, and the principal and emerging risks inherent in the business. The Committee also oversees the results of capital and liquidity modelling and assesses how these may affect the likely achievement of the Group's strategic objectives and continued viability of the business.

The Committee is responsible for considering the above matters from the perspectives of the Company and each of the Group's life companies, Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL"), as well as from the perspective of any other Group entity as appropriate. The Committee works closely with other committees, in particular the Group, JRL and PLACL Audit Committees, and the JRL and PLACL Investment Committees. The cross membership between Board committees promotes a good understanding of issues and efficient communication. The full responsibilities of the Committee are set out in the terms of reference, which are reviewed annually and can be found at www.justgroupplc.co.uk.

COMMITTEE MEMBERSHIP AND MEETINGS

The members of the Committee during the year are shown in the table below. John Hastings-Bass replaced Chris Gibson-Smith as a member following their respective appointment and retirement as Directors in August 2020. Kalpana Shah joined as a member on 1 March 2021. Biographies of the Committee members can be found on pages 56 to 59. Non-Executive Directors who are not members of the Committee were also invited to attend and contributed, at the invitation of the Chair, to the challenge and debate. The Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer and Group Chief Actuary attend all meetings. Other Group executives and senior managers were invited to attend the meetings to report, where appropriate, on their areas of responsibility.

	Attendance scheduled meetings
Committee members	
Keith Nicholson (Chair)	6/6
Ian Cormack	6/6
Chris Gibson-Smith[1]	4/4
John Hastings-Bass[2]	2/2
Steve Melcher	6/6
Clare Spottiswoode	6/6

1 Resigned as a Director on 13 August 2020.
2 Appointed as a Director on 13 August 2020.

There were four quarterly meetings for regular risk and compliance reports and two meetings for in-depth reviews of specific risk issues during 2020. The Chair of the Committee holds regular private meetings with the Group Chief Risk Officer to ensure that all significant areas of risk are considered and that risk management is embedded within the business. 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 February 2021 and the Board was satisfied with the Committee's performance.

AREAS OF FOCUS

The Committee follows an annual rolling forward agenda with standing items considered at each quarterly meeting in addition to any matters arising and risk or compliance matters which the Committee has decided to focus on. Key areas of focus during the year included the following matters.

Deep dive reports

The Committee carried out in depth reviews of key risks to the business during the year. 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. Deep dive reviews in 2020 included an overview of reinsurance counterparty risk exposure and how it is managed, and an update of the primary elements of property risks impacting the Group, how they are measured, where property risk is relative to risk appetite and options available to manage the risks.

Risk governance and oversight

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 considered the appropriateness of the risk appetites, against which the business plan and strategy are assessed, and concluded that they should remain unchanged following a significant update the previous year. Contingency arrangements were also considered and approved during the year.

Following an external review of the effectiveness of the Group's risk management in 2019, the Committee has overseen the progress in implementing the recommendations from this review, which have now been addressed.

During the year, the Committee approved a statement of risk culture expectations for the Group. The Committee also considered and agreed an initiative to assess the Group's existing risk culture through line manager and employee surveys, and to implement remedial action where appropriate. Positive progress on further improvements to risk culture was reported to the Committee later in the year.

The Committee considered and approved the Group's annual Own Risk and Solvency Assessment ("ORSA") report during the year, which provided a risk review of the Group as at a specific date together with a forward looking assessment of the key risks it faces. The Committee also received quarterly updates on the Group's evolving risk profile for review and discussion. A key area of focus for the Committee was on the actions being taken by management to ensure the Group's residential property risk exposure is within appetite and to achieve greater diversification of investment risk in accordance with the PRA's Prudent Person Principle. Further details of the Group's principal risks can be found on pages 34 to 37.

Emerging risks

Various emerging risks were considered by the Committee during the year with particular focus on the potential impacts of a failure to conclude a post-Brexit trade deal, climate change and COVID-19.

The Committee received reports on the status of the Group's climate change project, which covered primary workstreams on risk management, sustainable investments and property risk. The Committee concluded that good progress had been made on this initiative. It was agreed that there needed to be continued focus on managing this risk with ongoing development of the Group's climate change strategy, disclosures and modelling capabilities for climate risks.

The Committee considered the potential impact on the Group's business of the UK failing to conclude a trade deal with the EU by the end of the post-Brexit transition period. A key area of focus was the steps taken to ensure that the Group could continue to discharge its contractual obligations to make payments to its policyholders resident in an EEA state from 1 January 2021.

Business resilience

Operational resilience, including cyber security, continued to be an area of focus during the year. The Committee received regular updates on the status of the Group's business continuity planning, disaster recovery arrangements and information security position. As part of its review, the Committee considered steps taken by the Group to remain resilient in a remote working model for its operations following the introduction of lockdown restrictions. The Committee was also responsible for monitoring the Group's progress in developing its operational resilience arrangements to meet future regulatory requirements.

During the year there was a focus on the key financial risks and operational risks to the Group arising due to the COVID-19 pandemic. Financial risks considered included, amongst others, short and long-term liquidity risk, property risk, investment credit risk and interest rate risk. The impact of market participants' risk aversion, economic slowdown and extensive quantitative easing on interest rate risk was an area that received close attention by the Committee during the year. The prospect of house price movement due to economic uncertainty was discussed given the Group's property risk exposure. Longevity risk also received close attention in light of the potential significant increase in mortality over long-term expectations due to the impact of COVID-19.

Operational risks due to the COVID-19 pandemic were reviewed including the impacts on our people, productivity, technology and third party providers. The Committee was particularly interested in gaining comfort that the appropriate steps were being taken by the Group to ensure the mental and physical wellbeing of employees, particularly during the periods of lockdown, and that the necessary cyber security measures were in place for remote working. Protecting vulnerable customers during this difficult period was also a key area of concern for the Committee. The Committee was satisfied with the steps taken by the Group to protect its key stakeholders' needs, and to assess the direct and indirect risks impacting the business, including property risk. The direct and indirect impacts of COVID-19 continue to be a key focus area for the Committee.

Regulatory risk

During 2020, there continued to be a high level of regulatory activity as covered in more detail in principal risks and uncertainties on page 34. This included engagement with the regulators concerning the potential impact of COVID-19. The regulation of lifetime mortgages both in terms of prudential regulation and customer outcomes featured significantly in the work of the Committee. The Committee reviewed the approach adopted on the treatment of lifetime mortgages in solvency capital in light of the significant fall in interest rates during the year. It concluded that no change was necessary.

Letters from the FCA in October 2020 set out its view of the key risks lifetime mortgage providers and mortgage intermediaries pose to their consumers or the markets in which they operate together with the FCA's expectations including how firms should be mitigating these risks. In response, the Committee assessed the Group's current position and concluded that there were appropriate systems and controls in place to mitigate the significant risks.

Compliance and 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 Group and the number and root cause of complaints arising within the Group. During the year, the Committee received an update on the programme of work to update the conduct risk framework to ensure that consumer outcomes are properly considered and to develop the Group's approach to managing conduct risk in general. This included proposed changes to the conduct risk dashboard to incorporate lessons learned during the COVID-19 pandemic.

The Committee considered and approved changes to various Group policies and the 2021 compliance monitoring plans during the year. It received regular conduct and prudential compliance reports, money laundering reporting officers' reports and an annual report from the Group Data Protection Officer. The Committee also received regulatory updates to assess whether there were any matters that required specific attention and to oversee the Group's actions to ensure compliance with regulatory changes relevant to the business.

On behalf of the Group Risk and Compliance Committee

KEITH NICHOLSON
Chair, Group Risk and Compliance Committee
15 March 2021

DIRECTORS' REMUNERATION REPORT

I am pleased to present the Remuneration Committee Report for the year ended 31 December 2020

IAN CORMACK
Chair, Remuneration Committee

IFRS NET ASSETS

£2,490.4M

2019: £2,321.0m

ADJUSTED OPERATING PROFIT BEFORE TAX[1]

£239.3M

2019: £218.6m

ORGANIC CAPITAL GENERATION[1]

£221M

2019: £36m

NEW BUSINESS PROFIT[1]

£199.2M

2019: £182.3m

IFRS PROFIT BEFORE TAX

£236.7M

2019: £368.6m

1 Alternative performance measure.

STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Dear Shareholder

2020 has presented our business with tremendous challenges, the likes of which no one anticipated when budgets and business plans were set at the end of 2019. COVID-19 has required our business leaders, managers and colleagues to operate within a fast-changing and uncertain environment to focus on the delivery of business priorities, as set out in the Strategic Report. The short-term reduction in some business activity was limited and the majority of the business was able to continue operating remotely as effectively as they had been prior to lockdown. As shareholders will be interested in this context, it is helpful to note that:

- no employees were put on furlough;
- while there is continual minor restructuring, no redundancies were made as a result of COVID-19;
- no government or other COVID-19 related loans have been received; and
- the Company has completed its journey to become capital self-sufficient and has achieved this key milestone well ahead of its original target date of 2022.

Support to our customers remained a priority and we have not seen any drop in customer experience scores as a result of COVID-19 and the requirement for all colleagues to work from home at very short notice. The government lockdown effectively closed the housing market, which meant many people were unable to buy or sell properties. To help, Just reduced Lifetime Mortgage interest rates during this period on the properties of many customers who had died, or moved into long-term care. This reduced the amount of interest due. To read more about how we helped our customers turn to page 21.

The focus has been on building capital self-sufficiency and the business plan agreed by the Board in 2019 did not include the payment of dividends in 2020. The dividend policy has not been impacted by COVID-19.

PROGRESS ON CAPITAL

Capital has been included in the Short Term Incentive Plan ("STIP") since 2019 and was a new measure in the shareholder approved Long Term Incentive Plan ("LTIP") for 2020. The actions taken by David and his management team during the course of 2020 in pursuit of capital generation have been supported by shareholders. Organic capital generation continues to be an important strategic focus in 2021, as it provides management with additional options to accelerate innovation to grow the business to benefit our customers and generate value for shareholders.

The Remuneration Committee, on the recommendation of David Richardson, applied its discretion to moderate the bonus pool, however were careful to ensure that the incentive schemes rewarded strong underlying performance. In addition, awards under the LTIP in 2020 were the first to be granted with a reduced normal award level for the CEO of 150% of salary, in line with best practice.

2020 has been David Richardson's first full financial year as Group Chief Executive Officer and Andy Parsons' first financial year as Group Chief Financial Officer.

As Remuneration Committee Chair, I would like to extend my thanks to Chris Gibson-Smith, who was a valued member of the Committee in addition to his role as Group Chair, prior to his resignation from the Board during the year. I was pleased to welcome both Michelle Cracknell and John Hastings-Bass to the Committee in 2020.

Remuneration Committee membership in 2020

Member	Appointment period	Meetings attended
Ian Cormack (Chair)	4 April 2016 – present	7/7
John Hastings-Bass	13 August 2020 – present	3/3
Chris Gibson-Smith	4 April 2016 – 13 August 2020	4/4
Steve Melcher	15 May 2016 – present	7/7
Michelle Cracknell	14 May 2020 – present	3/3

REMUNERATION COMMITTEE 2020

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:

- review and approval of the Directors' Remuneration Report;
- approval of the grant of the 2020 awards and performance conditions under the Long Term Incentive Plan;
- assessment of the performance of the Executive Directors against the 2020 corporate financial, non-financial and personal performance outturns, in relation to their annual bonus, in the context of wider Company performance and approving the payments;
- approval of the list of colleagues with responsibilities categorised under Solvency II and the treatment of their variable pay under the regulations;
- review and approval of bonus plans across the Group, where they are not aligned to the Group STIP Plan or Group LTIP Plan;
- review and approval of the all employee remuneration policy for 2021;
- review of the Company's gender pay gap data; and
- monitoring the developments in the corporate governance environment and investor expectations.

REMUNERATION IN 2020

At the AGM in May 2020, a new Directors' remuneration policy was approved with 89% of votes in favour and our advisory vote on the Directors' Remuneration Report was approved with 91% of votes in favour. Given Just Group's resilience through the challenges of 2020, the Remuneration Committee believes the policy operated well in 2020 and is not suggesting any changes to the approved policy for 2021. In particular, the increased focus on the Group's capital position within the Executives' pay arrangements continues to reflect the Group's priorities for 2021.

The Board approved a challenging business plan for 2020, before COVID-19 emerged. The measures for the STIP and LTIP were not adjusted during the year to take account of the impact on the economic environment. Despite these external challenges David and his team have delivered an exceptional set of results in 2020, demonstrated by the STIP outturn of 87.3% of maximum. The financial performance measures were achieved at 89.8% of maximum and the strategic performance measures, which provide a neutral or downward modifier to the financial outturn, reduced the final STIP outturn by 2.5%.

Executive Director changes

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. The Committee believed this reflected Andy's extensive experience. Details of Andy's buyout arrangements were disclosed in last year's Directors' Remuneration Report.

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 2.05% with effect from 1 April 2020, which was below the 2.42% average increase received by other employees.

Pension

The Executive Directors received cash payments in lieu of the Company pension of 10% of salary, aligned to the contribution available to the majority of the wider workforce.

Short Term Incentive Plan

Page 82 details the targets and outcomes relating to 2020. For performance in 2020 the Committee approved awards for David Richardson at 85% of maximum and for Andy Parsons at 80% of maximum. These payments reflect their strong personal performance and delivery of solid financial results in a challenging year for the business.

In line with the policy, 60% of the Executive Directors' STIP will be paid in cash and 40% will be deferred into Just Group shares for three years under the Deferred Share Bonus Plan ("DSBP").

The table below illustrates performance against the STIP performance measures. From 2020, the Committee aligned 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. Details of key achievements are provided on page 83.

Financial performance measure	Organic capital generation	Cost base reduction	New business profit	Adjusted operating profit
Weighting	50%	20%	15%	15%
Outturn	£221m	£17m	£199m	£239m
Achievement	100%	87%	49%	100%

Strategic performance measure	Business transformation	Customer	People
Adjustment	0	–2.5%	0
Aggregate scores: Corporate outturn		**87.3%**	
David Richardson		85.0%	-2.3%
Andy Parsons		80.0%	-7.3%

The Committee is satisfied that this level of bonus payout is reflective of 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

In March 2020, awards under the LTIP were made to David Richardson and Andy Parsons over shares worth 150% of base salary, in line with the normal award level under the new policy. This reflected the reduced normal award level for the CEO from 200% of salary under the previous policy. For the first time, these LTIP awards included capital self-sufficiency measures, with 25% of the LTIP measure based on the Group's solvency capital ratio and 25% based on organic capital generated. The balance will be measured based on total shareholder return ("TSR") performance compared with the constituents of the FTSE 250 and adjusted earnings per share ("EPS") performance (each for 25% of the LTIP).

DIRECTORS' REMUNERATION REPORT CONTINUED

The LTIP awards made in 2018 are due to vest in March 2021 with reference to performance to 31 December 2020. The threshold TSR performance target was not achieved and the adjusted EPS measure was achieved at 39.5%. 19.75% of the 2018 LTIP awards will therefore vest in March 2021. Further detail can be found on page 83.

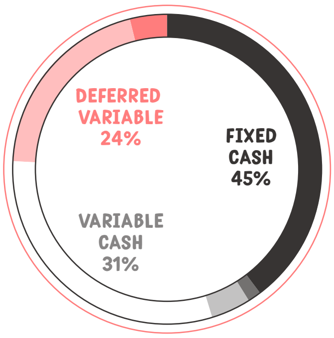
The Committee felt that outturns under the STIP and LTIP in 2020 were appropriate and did not exercise discretion.

CEO loan

Our Group CEO originally joined Partnership Assurance Group in 2012 when it was a privately owned, private equity-backed company, prior to its initial public offering in 2013. These long-standing arrangements involved the company making loans to the executives to enable them to purchase shares in Partnership Assurance Group. On the merger of Partnership Assurance Group and Just Retirement Group in 2016 to form the current Group, this loan was assumed and the related shares were converted into shares in the Company. The loan accrues interest at a rate of 4% per annum, which is added each year to the principal owed, with £389k due as at 31 December 2020. The loan relates to 334,712 shares in the Company, with David required to repay any proceeds of sale from such shares up to the amount due. Arrangements require the balance of the loan to be written off if sale proceeds are insufficient to repay the loan, which would generate a taxable (if notional) receipt for David which the Company would settle on a grossed-up basis.

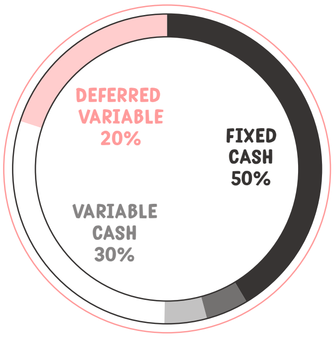
This has been reported in the accounts since 2016 as a Directors' loan. However, it has not been reported in the Directors' Remuneration Report as a potential liability or a qualification to the number of shares in which David has an interest. To ensure full disclosure, details of the loan have been disclosed in the remuneration report and a footnote to Directors' interests on page 85 of this report.

Summary of remuneration for David Richardson in respect of 2020



	(£'000)
Salary	594
Benefits	24
Pension	59
STIP – cash	457
STIP – deferred	304
LTIP	57

Summary of remuneration for Andy Parsons in respect of 2020



	(£'000)
Salary	415
Benefits	47
Pension	42
STIP – cash	299
STIP – deferred	199

This chart excludes buy-out awards, as those relate to compensation for awards lost on leaving a former employer and do not relate to 2020 remuneration at Just Group.

IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2021

For the reasons set out as part of the policy review, the Remuneration Committee considers that the arrangements remain clear, simple, predictable, proportionate, aligned to culture and mitigate risk (particularly through the emphasis on surplus capital), as required by paragraph 40 of the Corporate Governance Code. This will be kept under periodic review.

The Remuneration Committee agreed that David Richardson and Andy Parsons would not receive a salary increase with effect from 1 April 2021. The salary increase budget available for senior management and the general employee population eligible to be considered for an increase was 0.5%, with individual increases varying within a range, depending on a number of factors.

The maximum STIP opportunity continues to be 150% of base salary for Executive Directors, subject to stretching corporate financial and personal non-financial measures. From 2020 the element of the STIP which is deferred was increased to 40%. 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 are no longer weighted separately within the scorecard. 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 anticipates making awards under the LTIP over shares worth 150% of salary in 2021, although the Committee will take into consideration the prevailing share price at the time of grant when finalising its decision on award levels.

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

The Policy allows the Remuneration Committee some discretion to make adjustments to the performance conditions and weightings from year-to-year but, for awards made in 2021, it is intended that three performance conditions will continue to apply and the associated targets will be disclosed at the time of the LTIP vest. The weightings have been amended for the 2021 LTIP award:

- Organic capital generation (37.5%), with a solvency ratio underpin for this measure.
- Adjusted earnings per share (37.5%).
- Relative TSR (25%) vs FTSE 250.

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

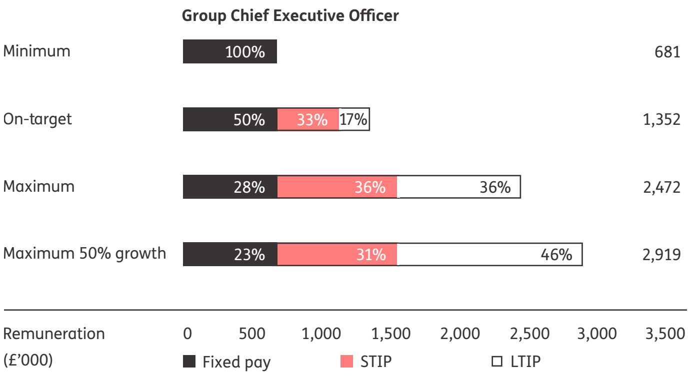
I hope that you will be able to support the resolution to approve the Annual Report on Remuneration at the forthcoming AGM.

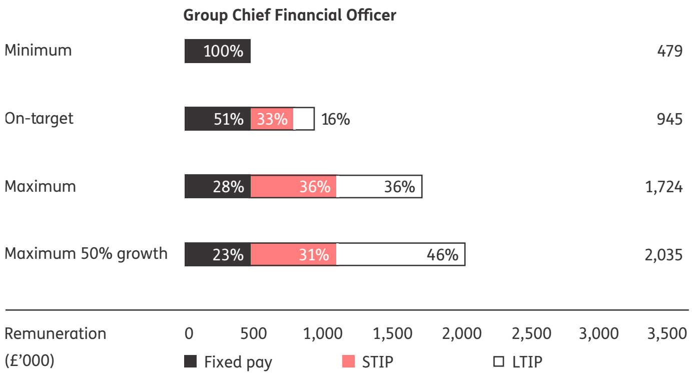
Illustration of how the 2020 Remuneration Policy will be implemented in 2021

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 in 2021





ANNUAL REPORT ON REMUNERATION

This report describes the remuneration for our Executive Directors and Non-Executive Directors and sets out how the remuneration policy has been used and, accordingly, the amounts paid relating to the year ended 31 December 2020.

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, PwC LLP.

Total single figure of remuneration (audited)

	Salary/fees		Benefits		Pension		STIP[5]		LTIP[6,7]		Other[8]		Total fixed remuneration		Total variable remuneration		Total	
£'000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
David Richardson	**594**	545	**24**	23	**59**	62	**761**	680	**57**	130	**–**	–	**677**	630	**818**	810	**1,495**	1,440
Andy Parsons[1]	**415**	–	**47**	–	**42**	–	**498**	–	**–**	–	**459**	–	**504**	–	**957**	–	**1,461**	–
John Hastings-Bass[2]	**93**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**93**	–	**–**	–	**93**	–
Chris Gibson-Smith[3]	**155**	250	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**155**	250	**–**	–	**155**	250
Keith Nicholson	**90**	89	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**90**	89	**–**	–	**90**	89
Clare Spottiswoode	**60**	60	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**60**	60	**–**	–	**60**	60
Paul Bishop	**80**	79	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**80**	79	**–**	–	**80**	79
Ian Cormack	**75**	75	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**75**	75	**–**	–	**75**	75
Steve Melcher	**75**	75	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**75**	75	**–**	–	**75**	75
Michelle Cracknell[4]	**50**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**50**	–	**–**	–	**50**	–

1 Andy Parsons was appointed as Chief Financial Officer with effect from 1 January 2020 and so the 2020 data represents a full year's employment.
2 John Hastings-Bass was appointed Chair of the Company with effect from 13 August 2020 and his remuneration for 2020 represents his fees from this date.
3 Chris Gibson-Smith retired as Chair of the Group with effect from 13 August 2020 and his remuneration for 2020 represents his fees to this date.
4 Michelle Cracknell was appointed as a Non-Executive Director of the Company with effect from 14 May 2020 and her remuneration for 2020 represents her fees from this date.
5 From 2020, 40% of bonus payments (one-third in 2019) have been deferred into awards over shares under the Deferred Share Bonus Plan ("DSBP") and will vest after three years.
6 Awards 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 2020 includes the 2018 LTIP awards. The 2018 LTIP award was earned but did not vest during 2020. For the purposes of valuation, the 2018 LTIP has been estimated based on a share price of £0.5271 (the average share price from 1 October to 31 December 2020) and includes the cash value of dividend equivalent shares. This estimate will be updated to reflect the actual valuation in next year's report. The 2017 LTIP award, which vested in 2019, has been updated to reflect the actual share price at the time of vesting.
7 The estimate of value vesting under the 2018 LTIP shown represents vesting of 19.75% of maximum based on achievement of performance targets together with the cash dividend equivalent due. The share price used for this estimate of £0.5271 represents a decrease of 61% when measured against the original grant price of £1.336.
8 'Other' relates to buy-out awards negotiated as part of Andy Parsons' joining and set out on page 84 and paid to him in 2020.

Benefits include an executive allowance for which the executives can purchase their own benefits, for example private medical cover, together with Company paid benefits of life assurance, permanent health insurance and a health assessment every two years.

DIRECTORS' REMUNERATION REPORT CONTINUED

2020 FIXED PAY (AUDITED)

Base salaries

David Richardson's base salary was increased by 2.05% with effect from 1 April 2020 from £585,000 to £597,000. This increase was lower than the average salary increments paid in April 2020 for the wider workforce of 2.42%.

Andy Parsons was appointed Group Chief Financial Officer with a base salary of £415,000 with effect from 1 January 2020 and this was not reviewed in the year.

Benefits and pension

Benefits include an executive allowance for which the executives can purchase their own benefits, for example private medical cover. The Company also provides permanent health insurance, life assurance and biennial health screening benefits.

In addition, Andy Parsons received a travel allowance of £25,000 in 2020 as part of his first year's remuneration package.

The Executive Directors each received a cash payment in lieu of the Company pension of 10% of salary, in line with the contribution rate offered to the majority of the wider workforce.

Non-Executive Directors' fees

The fees for the Non-Executive Directors in 2020 are as detailed in the table below:

£'000	Fee
Board Chair	200
Basic fee	60
Additional fee for Senior Independent Director	10
Additional fee for Committee Chair, Risk and Audit Committees	20
Additional fee for Committee Chair, all other Committees	15

The Board Chair receives a single, all-inclusive fee for the role.

2020 EXECUTIVE DIRECTORS' SHORT TERM INCENTIVE PLAN (AUDITED)

The 2020 bonus outturn was calculated on corporate financial performance measures, split across four measures, and moderated by non-financial performance measures. The bonus is distributed on personal performance based on objectives agreed with the Remuneration Committee each year. In line with our policy, 40% of the 2020 STIP award will be deferred into nil cost options (DSBP), subject to continued employment and clawback/malus provisions.

	Bonus (balanced scorecard)	Cash STIP (£'000)	Deferred STIP (£'000)	Estimated number of shares deferred under DSBP[1]
David Richardson	85% of maximum	£457	£304	577,632
Andy Parsons	80% of maximum	£299	£199	377,916

1 The estimated number of shares deferred under the DSBP were determined using the average closing share price between 1 October 2020 and 31 December 2020, being £0.5271. The actual number of shares will be confirmed in the RNS at the time of grant and updated in next year's Directors' Remuneration Report.

The performance outcome against the targets set for the 2020 STIP was as follows:

Core bonus (balanced scorecard)

	Weighting	Threshold (25%)	On-target (50%)	Maximum (100%)	Actual	% achieved
Organic capital generation	50%	£20m	£65m	£110m	£221m	50.0%
Cost base reduction	20%	£8m	£13m	£18m	£17m	17.4%
IFRS new business profit	15%	£170m	£200m	£230m	£199m	7.4%
IFRS operating profit	15%	£140m	£185m	£220m	£239m	15.0%
Total		–	–	–	–	89.8%

As explained earlier in the report, the strategic measures reduced the financial outturn by 2.5% to a corporate outturn of 87.3%. The corporate outturn was then adjusted to reflect personal achievement. Both Executives were assessed to have substantially met all of their objectives and their individual outturns were modestly moderated to 85% (-2.3%) for the Chief Executive and 80% (-7.3%) for the Chief Financial Officer.

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 Group 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 provisions.

Taking into account the risk assessment and the wider context in the year, including the experience of customers, employees and shareholders, the Committee was satisfied that the STIP awards should be paid.

Personal performance

Strategic personal objective	85%
David Richardson	Key achievements
• Deliver a combination of actions over 2020, which transforms the business and delivers the actions required to improve the capital position of the Company • Engage with the Board on building the strategic direction of the Company and the key initiatives to support future growth • Ensure the organisation remains focused on key regulatory issues and continue to build closer relationships with the PRA • Maintain focus on customers during the business transformation • People leadership: increase engagement and gender diversity and promote and embed a healthy risk culture across the Company.	David has shown strong leadership in all areas, in particular: • Capital self-sufficiency has been achieved more than a year in advance of the original target • A strong foundation has been established on which the Company is able to pursue progressive growth plans over the next five years • David's relationship with the regulators has continued to strengthen through the delivery of key initiatives and his collaborative approach • Targeted investment has been made to develop new propositions that will support growth in the medium term including an extended deferred proposition in the DB market, SLI and Destination Retirement • In an exceptionally difficult year, employee engagement has improved significantly as David has led a comprehensive engagement strategy with employees, which has included a significant focus on employee wellbeing • The gender diversity target to increase female employees at Global Grade 14+ by 5% has been achieved • A healthy risk culture continues to be embedded at all levels of the business.

Strategic personal objective	80%
Andy Parsons	Key achievements
• Deliver key actions during 2020 to transform the business by improving the capital position and addressing property risk • Together with the CEO, identify and implement the key initiatives to support future growth • Build internal profile and relationships; focus on leadership and engagement of the team and assess future talent and succession for key functions • Promote and embed a healthy risk culture through role modelling • Deliver transformation plan to deliver cost and process efficiencies.	Andy has shown strong leadership in all areas, in particular: • Capital self-sufficiency has been achieved more than a year in advance of the original target • A strong foundation has been established on which the Company is able to pursue progressive growth plans over the next five years • Invested significant time in fostering strong relationships with external stakeholders • Built his profile and relationships internally, proactively engaging with key stakeholders and has strengthened the talent in his key functions • Has delivered stretching cost and process efficiencies across all areas of the business.

VESTING OF LTIP AWARDS WITH A PERFORMANCE PERIOD ENDING IN 2020 (AUDITED)

2018 awards

The 2018 LTIP award performance period ended on 31 December 2020. The award is forecast to vest at 19.75% on 29 March 2021 based on earnings per share growth and relative TSR performance over the three year period ending 31 December 2020.

	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[1]
David Richardson	29 March 2018	Nil-cost options	520,958	19.75%	£2,624	102,889	£54,233

1 The 2018 LTIP is due to vest on 29 March 2021. The value shown is based on the three month average share price to the year end, being £0.5271. This value will be trued up to reflect the actual share price at vesting in next year's single total figure table.

Summary of performance

Measure	Weighting	Target	Vesting
Adjusted earnings per share growth[1]	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: 7.2% p.a.	39.5%
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	–	–	19.75%

1 Adjusted EPS is calculated as adjusted operating profit before tax divided by the weighted average number of shares in issue by the Group for the period.

Consistent with past practice, the adjustment to the interest and number of shares reduced the reinsurance and bank financing costs by £42m, thereby increasing operating profit to £272m and the number of shares to 933m, resulting in an adjusted EPS of 29.2 pence.

DIRECTORS' REMUNERATION REPORT CONTINUED

Buy-out awards

In line with the disclosure in the 2019 Directors' Remuneration Report, cash buy-out awards of £265,428 and £238,680, and share buy-out awards with a value of £1,191,528 were granted to Andy Parsons and the following were paid to him in 2020.

- A cash payment of £8,768 was made on appointment together with a cash payment of £150,208 in March 2020 in respect of certain deferred bonus awards forfeited on joining the Company.
- A cash payment made in respect of the forfeited 2019 bonus at LV= of £238,680 was paid in April 2020.
- The first tranche of share buy-out awards vested on 1 April and 123,605 shares were released.

2020 LTIP AWARDS GRANTED (AUDITED)

The following awards were made to the Executive Directors in 2020:

	Date of grant	Type of award	Face value of award	Number of shares[1]	End of performance period
David Richardson	23 March 2020	Nil-cost options	£895,500 (150% of salary)	1,708,317	31 December 2022
Andy Parsons	23 March 2020	Nil-cost options	£622,500 (150% of salary)	1,187,523	31 December 2022

1 The actual share price calculated as the average price over the five days preceding the grant was £0.5242.

Performance measures and targets applying to the 2020 LTIP awards

Measure	Weighting	Target	Vesting
Solvency capital ratio	25%	Below 145%	0%
		Threshold: 145%	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: 150%	100%
Organic capital generation	25%	Below £80m	0%
		Threshold: £80m	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: £230m	100%
Adjusted earnings per share growth	25%	Below 2% p.a.	0%
		Threshold: 2% 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	25%	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 (and are exercised), net of tax and national insurance contributions ("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 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 NIC, are included.

Director	Beneficially owned shares at 31 December 2020	Interest in share awards – subject to performance measures	Interest in share awards – not subject to performance conditions	Interest in share awards – vested but unexercised	Shareholding guideline (% of salary)	Shareholding guideline met[1] (% of salary)
David Richardson[3]	1,058,306	2,923,842	974,247	3,030	200%	139%
Andy Parsons	123,605	1,805,547	877,598	0	200%	75%
John Hastings-Bass	210,200	–	–	–	n/a	n/a
Chris Gibson-Smith[2]	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
Michelle Cracknell	–	–	–	–	n/a	n/a

1 Based on the average closing price of £0.5271 between 1 October 2020 and 31 December 2020.
2 Chris Gibson-Smith retired as Chair of the Group with effect from 13 August 2020. The beneficial shareholding shown is as at that date.
3 As referred to in the Committee Chair's statement, 334,172 of David Richardson's shares owned outright were financed by way of a company loan, of which £389k was outstanding as at 31 December 2020. This loan accrues interest at 4% p.a. and will be repaid out of any sale proceeds on such shares. To the extent a shortfall remains, the Company will write off the balance and settle any taxes due on a grossed-up basis.

There have been no changes in the Directors' interests in shares in the Company between the end of the 2020 financial year and the date of this report.

DIRECTORS' OUTSTANDING INCENTIVE SCHEME INTERESTS (AUDITED)

The below tables summarise the outstanding awards made to David Richardson and Andy Parsons. All awards under the LTIP schemes are granted under options with performance conditions. Awards granted under the DSBP schemes are granted under options with no performance conditions.

The table below summarises the outstanding awards made to David Richardson:

Date of grant	Exercise price	Interest as at 31/12/19	Granted in the year	Dividend shares accumulating at vesting	Vesting in the year	Lapsed in the year	Exercised in the year[1]	Interest as at 31/12/20	Vesting date	Expiry date
LTIP										
23 Mar 2020	Nil	–	1,708,317	–	–	–	–	1,708,317	23 Mar 2023	23 Mar 2030
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	–	–	260,879	260,880	260,879	Nil	17 May 2020	16 May 2027
28 Sep 2016	Nil	3,030	–	–	–	–	–	3,030	28 Sep 2019	27 Sep 2026
DSBP										
23 Mar 2020	Nil	–	501,548	–	–	–	–	501,548	23 Mar 2023	23 Mar 2030
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	–	6,354	153,355	–	153,355	Nil	17 Mar 2020	16 Mar 2027

1 153,335 shares exercised on 17 March 2020 at a price of £0.5620 and 260,879 shares exercised on 17 May 2020 at a price of £0.5792.

The table below summarises the outstanding awards made to Andy Parsons:

Date of grant	Exercise price	Interest as at 31/12/19	Granted in the year	Dividend shares accumulating at vesting	Vesting in the year	Lapsed in the year	Released in the year[2]	Interest as at 31/12/20	Vesting date	Expiry date
LTIP										
23 Mar 2020	Nil	–	1,187,523	–	–	–	–	1,187,523	23 Mar 2023	23 Mar 2030
BUY-OUT AWARDS[1]										
20 March 2020 (I)	Nil	–	370,816	–	123,605	–	123,605	247,211	31 Mar 2020-22	n/a
20 March 2020 (II)	Nil	–	630,387	–	–	–	–	630,387	31 Mar 2021-23	n/a
20 March 2020 (III)	Nil	–	618,024	–	–	–	–	618,024	16 May 2022	n/a

1 As detailed in the 2019 Directors' Remuneration Report, Andy Parsons' buy-out awards (20 March 2020 (I) and (II)) are conditional share awards with no performance conditions, whereby the Company will release the shares to Andy as soon as reasonably practicable after the vesting of the awards. Award 20 March 2020 (III) is a conditional share award with performance conditions.
2 The first tranche of award 20 March 2020 (I) vested on 31 March 2020 and 123,605 shares were released to Andy on 1 April 2020 at a price of £0.539. He kept all the 123,605 shares and settled the tax liability from his own funds.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 2020 was 3.2% of the total issued 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. Andy Parsons' buy-out awards are to be satisfied by existing shares only, therefore those awards do not count towards the dilution limit.

PAYMENTS FOR LOSS OF OFFICE MADE DURING 2020 (AUDITED)

No payments were made for loss of office to Directors during 2020.

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Executive Directors are on rolling service contracts with no fixed expiry date. The contract dates and notice periods for each Executive Director are as follows:

	Date of contract	Notice period by Company	Notice period by Director
David Richardson	27 November 2019	6 months	6 months
Andy Parsons	1 January 2020	6 months	6 months

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.

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.

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.

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. Non-Executive 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.

STATEMENT OF VOTING AT THE ANNUAL GENERAL MEETING (UNAUDITED)

At the Just Group AGM held on 14 May 2020, shareholders were asked to vote on both the Directors' Remuneration Report (other than the part containing the Directors' remuneration policy) for the year ended 31 December 2019 and the new Directors' remuneration policy. The resolutions 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 policy	782,674,741	89.5%	92,145,984	10.5%	70,000
To approve the Directors' Remuneration Report	796,632,603	91.1%	78,258,122	8.9%	0

EXTERNAL ASSISTANCE PROVIDED TO THE COMMITTEE

FIT Remuneration Consultants ("FIT") is retained as the independent adviser to the Remuneration Committee. They were appointed by the Committee in 2020, following a tendering exercise and replaced the Executive Compensation practice of Aon ("Aon"). FIT has no other connection with the Company or its Directors. Directors may serve on the Remuneration Committee of other companies for which FIT acts as Remuneration Consultants. The Committee is satisfied that all advice was objective and independent. FIT is a member of the Remuneration Consultants Group and subscribes to its Code of Conduct.

Fees paid for services to the Committee in 2020 to Aon were £79,503 and to FIT were £30,281 and were charged on a "time spent" basis in accordance with the terms of engagement.

REMUNERATION FOR EMPLOYEES BELOW THE BOARD (UNAUDITED)

General remuneration policy

In setting Executives' 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. Deferral is greater for Executive Directors than for other regulated employees. This ensures the remuneration of the Executive Directors is aligned with the performance of the Group and therefore the interests of shareholders.

In the 2020 remuneration policy renewal, the structure of the STIP for Executive Directors was aligned with the balanced scorecard approach established for the wider workforce in 2019.

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, this will also be included.

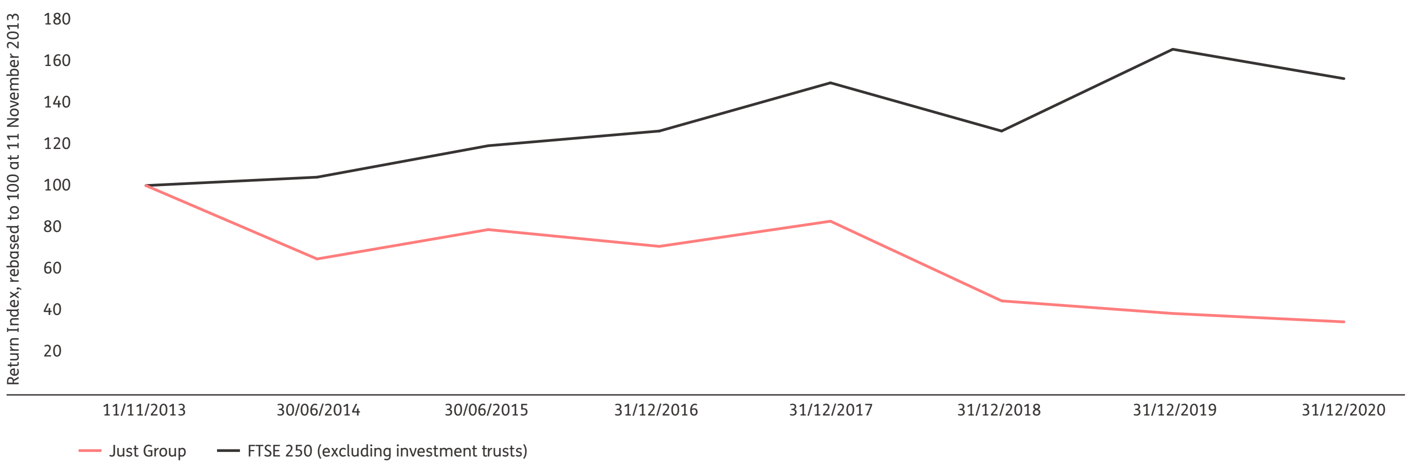
Summary of the remuneration structure for employees below Executive Director

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 market comparative data. For 2020, the average salary increase for all employees awarded in April 2020 was 2.42%. This is an average figure, with individual increases varying within a range depending on the factors above.
BENEFITS	All employees participate in the permanent health insurance and life assurance schemes. They can choose to participate in the private medical cover scheme and the health cash plan.
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. New members of the executive team are provided with a Company contribution of 10% of salary, in line with the wider workforce. 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 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 2020, fewer than 40 individuals were granted awards, under the LTIP.
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.



DIRECTORS' REMUNERATION REPORT CONTINUED

Total remuneration of the CEO during the same period (unaudited)

The total remuneration of the CEO over the last eight 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]	2020
Chief Executive	RC	RC	RC	RC	RC	RC	RC	DR	DR
Total remuneration (£'000)	1,052	1,196	1,357	2,630	2,369	2,507	438	1,440	1,495
STIP (% of maximum)	86%	63%	89%	97.5%	95.0%	91.2%	0%	83.1%	85%
LTIP (% of maximum)	n/a	n/a	n/a	39.5%	50.0%	50.0%	50.0%	50.0%	19.75%

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 in 2019 represents four months to 30 April 2019 and the full vesting value of the 2017 LTIP and for David Richardson represents 8/12ths of his pay in 2019.

CEO pay ratio

This is the second year in which Just Group has been required to publish its CEO pay ratio.

Year	Method[1]	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2020	Option A	42 : 1	26 : 1	16 : 1
2019[2,3]	Option A	44 : 1	28 : 1	17 : 1

1 Option A was selected as it provided a full picture of pay across the Group. The Company determined the single figure remuneration for all UK employees on a FTE basis by reference to the financial year ended 31 December 2020 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.
2 The total pay and benefits for the role of CEO in 2019 was 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.
3 The calculation has been updated to reflect the actual share price of the 2017 LTIP at vest and to correct a calculation error.

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 in 2020.

£'000	Total pay and benefits	Salary component of total pay
25th percentile	35	28
50th percentile	57	42
75th percentile	94	70
Group Chief Executive	1,495	594

The Group Chief Executive Officer was paid 26 times the median employee in 2020. 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.

Comparison with 2019 ratio

The movement in the ratio is attributable to a reduction in CEO remuneration between 2019 and 2020. The 2019 data included Rodney Cook's remuneration for the first four months of 2019 and David Richardson's remuneration for the remainder of 2019.

Percentage annual change in remuneration of Directors and employees of Just Group plc (unaudited)

The table below shows the percentage change in salary, taxable benefits and STIP in respect of each Director earned between 2019 and 2020, compared to that for the average employee of the Group (on a per capita basis).

		Percentage change between 2019 and 2020		
		Base salary	Benefits	Annual bonus
	Average employee[1]	4.62%	4.79%	0.48%
Executive Directors	David Richardson[2]	8.91%	2.69%	11.94%
	Andy Parsons[3]	n/a	n/a	n/a
Non-Executive Directors	John Hastings-Bass[4]	n/a	n/a	n/a
	Chris Gibson-Smith[5]	0%	n/a	n/a
	Keith Nicholson	1.4%	n/a	n/a
	Clare Spottiswoode	0%	n/a	n/a
	Paul Bishop	1.6%	n/a	n/a
	Ian Cormack	0%	n/a	n/a
	Steve Melcher	0%	n/a	n/a
	Michelle Cracknell[6]	n/a	n/a	n/a

1 All permanent employees of the Company in the UK who were in employment during the two calendar year periods of 2019 and 2020 were selected as the most relevant comparator.
2 David Richardson undertook the role of CEO from 1 May 2019 and so 2019 remuneration includes a portion of the year where he undertook the role of Deputy CEO and Interim CFO.
3 Andy Parsons joined Just Group with effect from 1 January 2020.
4 John Hastings-Bass joined Just Group with effect from 13 August 2020.
5 Chris Gibson-Smith retired from Just Group with effect from 13 August 2020. In order to compare his remuneration year on year, his fees for 2020 have been adjusted to reflect a full-year appointment to the Board.
6 Michelle Cracknell joined Just Group with effect from 14 May 2020.

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 2020	Year ended 31 December 2019	% difference
Total personnel costs (£m)	**107.5**	108.1	-0.6%
Dividends paid (£m)	**0**	0	0%

Implementation of the remuneration policy in 2021 for Executive Directors (unaudited)

BASE SALARY	• David Richardson, CEO: £597,000 • Andy Parsons, CFO: £415,000 David Richardson and Andy Parsons' salaries will not increase from 1 April 2021, compared to 0.35% for the wider workforce.
BENEFITS AND PENSIONS	The Executive Directors will receive a benefits allowance of £20,000 for 2021 and a Company pension contribution or cash in lieu of 10% of salary. 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 2021 will be determined by a balanced scorecard of performance against financial and strategic measures, being: • 50% based on organic capital generation (25% pre management actions and 25% post management actions) • 25% based on new business profit measures • 15% based on adjusted operating profit • 10% based on management expenses. 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 2021 to both the CEO and CFO. The awards made in 2021 will be subject to the measures below, calculated over the three financial years to 31 December 2023, and will be subject to a further two year post-vesting holding period. Targets will be confirmed in next year's Annual Report on Remuneration. Measures will be as follows: • 37.5% based on organic capital generation including management actions with a solvency ratio underpin for this measure • 25% on relative TSR – subject to TSR performance relative to FTSE 250 companies, excluding investment trusts • 37.5% on adjusted EPS - calculated as adjusted operating profit before tax divided by the weighted average number of shares in issue by the Group for the period.

DIRECTORS' REMUNERATION REPORT CONTINUED

SUMMARY OF THE DIRECTORS' REMUNERATION POLICY

The Directors' remuneration policy was 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 2020 AGM.

Components of remuneration

The tables below summarise the Directors' remuneration policy for Executive Directors and Non-Executive Directors. The full Directors' remuneration policy, as approved by shareholders, is available on the Company website.

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. Compulsory deferral of a proportion into Group shares provides alignment with shareholders.	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 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. 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. 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].	The on-target bonus payable to Executive Directors is 75% of base salary, with 150% of base salary the maximum payable. 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. 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.
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. Facilitates share ownership to provide further alignment with shareholders. Granting of annual awards aids retention.	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. 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. 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].	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. 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.
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.

DIRECTORS' REMUNERATION REPORT CONTINUED

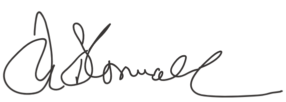
Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
SHAREHOLDING GUIDELINES	Encourages Executive Directors to build a meaningful shareholding in the Group so as to further align interests with shareholders.	Each Executive Director must build up 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 extends post-cessation shareholding, 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.

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.

APPROVAL
This report was approved by the Board of Directors on 15 March 2021 and signed on its behalf by:



IAN CORMACK
Chair, Remuneration Committee
15 March 2021

DIRECTORS' REPORT

The Directors present their report for the financial year ended 31 December 2020.

The Strategic Report, the Governance Report and the Remuneration Report include information that would otherwise be included in the Directors' Report.

The Annual Report contains forward-looking statements, which 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

Principal activities and performance
Just Group is a specialist UK financial services group focusing on attractive segments of the UK retirement income market. Just Group plc is a public company limited by shares and was incorporated in England and Wales with the registered number 8568957. The Company is a holding company. Details of the Company's subsidiaries are set out in note 36.

Commentary on the Group's performance in the financial year ended 31 December 2020 and likely future developments is included in the Strategic Report on pages 24 to 31. Our approach to stakeholder engagement, including our Section 172 statement, can be found on pages 44 to 50.

Corporate governance statement
The FCA's Disclosure Guidance and Transparency Rules require a corporate governance statement in the Directors' Report to include certain information. You can find information that fulfils this requirement in this Directors' Report, the Corporate Governance Report, Committee Reports, and the Directors' Remuneration Report on pages 78 to 92, all of which is incorporated in the Director's Report by reference.

Listing Rule LR 9.8.4C
In accordance with LR 9.8.4C, the table below sets out the location of the information required to be disclosed, where applicable.

Listing Rule Description	Location
Interest capitalised by the Group	Not applicable
Publication of unaudited financial information	Not applicable
Long-term incentive schemes involving one director only	Not applicable
Waiver of emoluments by a director	Not applicable
Waiver of future emoluments by a director	Not applicable
Non pre-emptive issues of equity for cash	Not applicable
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	Not applicable
Parent participation in a placing by a listed subsidiary	Not applicable
Contracts of significance involving a director	Not applicable
Contracts of significance involving a controlling shareholder	Not applicable
Shareholder waivers of dividends	Refer to Share Plans on page 95
Shareholder waivers of future dividends	Refer to Share Plans on page 95
Agreements with controlling shareholders	Not applicable

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 S4(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 of Association 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 Company and 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 the longer-term viability of the Group in accordance with Provision 31 of the Code.

The 2020 Viability Statement is contained within the Strategic Report and can be found on page 33.

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 benefit of £250m new Tier 2 capital raised during 2020, £75m of which was used to repurchase part of the Group's Tier 3 loan notes, via a tender offer;
- steps taken over the last two years to improve capital efficiency, including during the current period: increasing the level of reinsurance for GIfL contracts, launching new more capital-efficient products, such as our defined benefit de-risking partnering deals; additional no-negative equity guarantee hedging to further protect against property risk; reductions in new business volumes; and cost saving initiatives;
- the projected liquidity position of the Company and 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 reduced new business volumes;
- the findings of the Group's Own Risk and Solvency Assessment ("ORSA");
- risks arising from the UK's withdrawal from the European Union;
- scenario testing to consider the possible impacts of the COVID-19 pandemic on the Group's business, including stresses to property prices, house price inflation, credit quality of assets, and risk-free rates, together with a reduction in new business levels. In addition, the results of extreme property stress tests were considered, including a property price fall in excess of 40% and a sensitivity analysis was performed to assess the impact from falling interest rates, including an assessment of the impact of negative interest rates. The possible impact on liquidity from the pandemic was considered through applying significant stresses to exchange rates and interest rates, and assessing the impact this would have on the Group's cash collateral requirements;
- scenarios, including those in the ORSA, where the Group 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;
- a regulatory intervention scenario; and
- the Group business plan, which was approved by the Board in November 2020, and in particular the forecast regulatory solvency position for the period to 2022 calculated on a Solvency II basis, which includes scenarios setting out possible adverse trading and economic conditions as a result of the COVID-19 pandemic.

DIRECTORS' REPORT CONTINUED

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.

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 85 of the Directors' Remuneration Report and details of the Directors' long-term incentive awards are also set out on page 85.

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 Group 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 ("AGM") in respect of the 2020 financial year will be held at the Company's registered office, Enterprise House, Bancroft Road, Reigate, Surrey RH2 7RP. More information about the 2021 AGM can be found in the Notice of Meeting which will be made available to shareholders separately.

Results and dividends

The financial statements set out the results of the Group for the year ended 31 December 2020 and are shown on page 107.

Whilst the Group has made significant progress to build its capital base to accommodate the regulations on equity release mortgages and to start to grow its underlying capital generation, the external environment as we emerge from the pandemic continues to be uncertain. The Board therefore considers that it would not be appropriate to recommend recommencing dividend payments (total 2019 dividend: nil).

SHARE CAPITAL

Ordinary share capital

As at the date of this report, the Company had an issued share capital of 1,038,132,850 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.

The holders of the ordinary shares are entitled to receive notice of, attend and speak at general meetings including the AGM, to appoint proxies and to exercise voting rights. The shares are not redeemable.

The share price on 31 December 2020 was 69.90 pence.

Further information relating to the Company's issued share capital can be found in note 21 on page 137.

Restricted Tier 1 bonds

The Company has £300m of Restricted Tier 1 bonds ("Bonds") in issue. 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 Prudential Regulation Authority 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. On a change of control, the Bonds may also be convertible into equity in an entity other than the Company where the acquiror is an approved entity (being an entity which has in issue ordinary share capital which is listed or admitted to trading on a regulated market) and the new conversion condition (as set out therein) is satisfied. Otherwise the Bonds may be written-down to zero.

Authority to allot

The Company's Articles of Association 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 of Association 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 AGM held on 14 May 2020, the Directors were (i) authorised to allot ordinary shares in the Company up to a maximum aggregate nominal amount of £69,006,904 and (ii) empowered to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £5,175,518 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 103,510,357 ordinary shares, representing approximately 10% of the Company's issued ordinary share capital as of 9 April 2020. No shares were purchased by the Company during the year. The Directors propose to renew these authorities at the 2021 AGM 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 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 Regulation ("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 of Association should be consulted if further information is required.

Share plans
The Group operates a number of share-based incentive plans that provide 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 124 to 127.

Exercises of share options under the LTIP and DSBP 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 2020, 3,046,892 ordinary shares of 10 pence each were issued to employees and the EBT in satisfaction of the exercise of share options under the terms of these employee share plans (2019: nil).

Major shareholders
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 share capital. The information below was correct at the date of notification.

Shareholder	Ordinary shareholdings at 31 December 2020	% of capital	Ordinary shareholdings at 15 March 2021[1]	% of capital
Standard Life Aberdeen plc	84,646,819	8.15	84,646,819	8.15
Fidelity International	57,253,643	5.51	57,253,643	5.51
Credit Suisse Group AG	50,103,223	4.84	40,054,845	3.85
Norges Bank	39,399,214	3.81	39,399,214	3.81

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 an employee were to become 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 all colleagues to feel proud to work at Just and communication and engagement 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, "town hall" business updates and focus group sessions.

We consistently monitor the engagement of our colleagues and their views on things that are important to them, including their views on the leadership team, their wellbeing and opportunities for personal growth. This is achieved through the formal methods of an annual survey and quarterly pulse checks, as well as informal approaches which include gathering feedback via word of mouth.

During 2020, and in light of the majority of our colleagues working remotely, we increased our engagement focus on supporting the wellbeing of our employees and enabling them to be there for our customers. Our approach was to take people challenges and turn them into great opportunities to successfully engage and develop colleagues in ways that we would not have envisaged 12 months previously. We have also taken important steps in the critical areas of building a modern workplace so that we have an environment in which our people can thrive now and in the future.

Performance-related pay rewards colleagues for the achievement of strategic business objectives and upholding our cultural, conduct and behavioural expectations. In addition, alignment with shareholder interest is provided through the use of employee share plans for all employees.

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
We have increased gender diversity at senior levels (global grade 14+, which includes approximately 10% of the most senior employees) by five percentage points from 19% to 24%. We are on track to achieve the "33 by 23" target in line with our pledge as a signatory to the Women in Finance Charter that 33% of our senior leaders will be female by 2023.

	Female	Male	Total	Female %	Male %
Group Executive Committee members	1	7	8	12.50	87.50
Senior management[1] (global grade 14-16)	27	84	111	24.32	75.68
All other employees (global grade 1-13)	449	470	919	48.86	51.14
Grand total	477	561	1,038	49.95	54.05

1 Of these 111 senior managers, 42 directly report to members of the Group Executive Committee, and of these, 8 (19%) are women.

Further information on employee communications, development and diversity is given on page 40.

AUDITOR

Disclosure of information to the auditor
Each 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 external 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 external 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.

Auditor appointment
PwC has expressed its willingness to continue in office as the external auditor. A resolution to reappoint PwC will be proposed at the forthcoming AGM. An assessment of the effectiveness and recommendation for reappointing PwC in the Audit Committee report can be found on page 74.

ENVIRONMENT AND EMISSIONS

Information on the Group's greenhouse gas emissions is set out in the Environment report on pages 38 to 39.

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. All the reinsurance treaties previously disclosed, which could have been terminated by the Company on a change of control, have been recaptured.

DIRECTORS' REPORT CONTINUED

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 28 to the financial statements. Disclosure with respect to financial risk is included on pages 34 to 37 of the Strategic Report and in note 34 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

4,294 ordinary shares of 10 pence were allotted out of the block listing in respect of exercises of share options under the Group SAYE share scheme.

The Directors' Report has been approved by the Board and is signed on its behalf by:

SIMON WATSON
Group Company Secretary
15 March 2021

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
15 March 2021

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF JUST GROUP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION
In our opinion, Just Group plc's consolidated financial statements and Company financial statements (the "financial statements"):
- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise:
- the Consolidated statement of financial position and Statement of financial position of the Company as at 31 December 2020;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of changes in equity and the Statement of changes in equity of the Company for the year then ended;
- the Consolidated statement of cash flows and the Statement of cash flows of the Company for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

SEPARATE OPINION IN RELATION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED PURSUANT TO REGULATION (EC) NO 1606/2002 AS IT APPLIES IN THE EUROPEAN UNION
As explained in note 1 to the consolidated financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the consolidated financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

BASIS FOR OPINION
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Group in the period under audit.

EMPHASIS OF MATTER – CAPITAL
In forming our opinion on the consolidated financial statements, which is not modified, we draw attention to note 35, which explains 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 35 also explains that the Group is enhancing its investment strategy in part to respond to the Prudential Regulation Authority's expectations of firms' compliance with the Prudent Person Principle, that the Group continues to engage in discussions with the Prudential Regulation Authority ("PRA") around a major model change application for Just Retirement Limited's internal model and that uncertainty remains as to how the introduction of an Effective Value Test in stress will ultimately be implemented by the Group. Note 35 further explains 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.

OUR AUDIT APPROACH
Context
Following the recommendation of the Audit Committee, we were appointed by the members on 14 May 2020. In planning for our first year audit of Just Group plc, we met with the Audit Committee and members of management across the business to discuss and understand significant changes during the year, and to understand their perspectives on associated business risks. We used this insight, in addition to our assessment of the previous auditors' approach, when forming our own views regarding the business, as part of developing our audit plan and when scoping and performing our audit procedures.

Due to the COVID-19 pandemic, the audit for the year ended 31 December 2020 has been carried out remotely; we have utilised virtual technologies and collaborative workflow tools to obtain sufficient, appropriate audit evidence whilst working in this environment. The impact of COVID-19 has also been part of our risk assessment and incorporated into the "Key Audit Matters" included below, where relevant.

Overview
Audit scope
- Our audit scope has been determined to provide coverage of all material financial statement line items.
- Three reporting components were subject to full scope audits and we performed a limited scope audit covering specific financial statement line items for a further four components.

Key audit matters
- Valuation of insurance contract liabilities (Group)
- Valuation of insurance contract liabilities – Annuitant mortality assumptions (Group)
- Valuation of insurance contract liabilities – Credit default assumptions (Group)
- Valuation of insurance contract liabilities – Expense assumptions (Group)
- Valuation of investments classified as Level 3 under IFRS 13, including Lifetime Mortgages (Group)
- Impact of uncertainties related to COVID-19 (Group and Company)
- Recoverability of Company's investment in subsidiaries (Company)

Materiality

- Overall Group materiality: £24.9 million based on 1% of Total equity.
- Overall Company materiality: £13.0 million based on 1% of Total equity.
- Performance materiality: £18.7 million (Group) and £9.8 million (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgemental areas as shown in our Key Audit Matters. Audit procedures performed by the engagement team included:

- Discussions with the Board, management, Internal Audit, senior management involved in the Risk and Compliance functions and the Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the Group's whistleblowing register and the results of management's investigation of such matters where applicable;
- Reviewing correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Meeting with the PRA supervisory team to discuss matters in relation to compliance with laws and regulations;
- Attendance at Audit Committee and Group Risk and Compliance Committee meetings;
- Reviewing relevant meeting minutes including those of the Board of Directors, Audit, Group Risk and Compliance, Investment and Remuneration Committees;
- Reviewing data regarding policyholder complaints, the Group's register of litigation and claims, Internal Audit reports, and Compliance reports in so far as they related to non-compliance with laws and regulations and fraud;
- Procedures relating to the valuation of life insurance contract liabilities, in particular annuitant mortality, credit default and expense assumptions, and the valuation of investments classified as Level 3 under IFRS 13, including Lifetime Mortgages, described in the related Key Audit Matters;
- Validating the appropriateness of journal entries identified based on our fraud risk criteria;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Assessing the impact of COVID-19 on the inherent risk of fraud, including potential opportunities for fraud with more remote working and where internal controls may not be operating the way they usually do.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT CONTINUED

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities (Group) Refer to Audit Committee Report, Accounting policy 1.22 Insurance liabilities and note 23 Insurance contracts and related reinsurance.	
The inherent uncertainty involved in setting the assumptions used to determine the insurance liabilities represents a significant area of management judgement for which small changes in assumptions can result in material impacts to the valuation of these liabilities. As part of our consideration of the entire set of assumptions we focused particularly on longevity assumptions, credit default risk assumptions and expense assumptions given they are the most significant and judgemental assumptions.	The work to address the valuation of the insurance contract liabilities included the following procedures: • Validated the design and operating effectiveness of controls related to the completeness and accuracy of policyholder data used in the valuation of insurance contract liabilities; • For a sample, agreed data used in the actuarial model to source documentation; • Using our actuarial specialist team members, we applied our industry knowledge and experience to assess the appropriateness of the methodology, models and assumptions used against recognised actuarial practices; • Performed detailed audit testing of the actuarial model calculations or 'model baselining' as part of our first year audit. For the most material products, we used our own modelling tools to replicate the liability cash flows for a sample of policies in order to validate that the models' calculations are operating as intended; • Tested the derivation of the valuation interest rate used to discount the insurance contract liabilities; • Used the results of an independent PwC annual benchmarking survey of assumptions to further challenge the assumption setting process by comparing certain assumptions used relative to the Group's industry peers; • Understood the process and tested controls in place over the determination of the insurance contract liabilities, including those relating to model inputs, model operation and extraction and consolidation of results from the actuarial models; and • Assessed the disclosures in the financial statements. Further testing was also conducted on the annuitant mortality, credit default and expense assumptions as set out below.
Valuation of insurance contract liabilities – Annuitant mortality assumptions (Group) Refer to Audit Committee Report, Accounting policy 1.22 Insurance liabilities and note 23 Insurance contracts and related reinsurance.	
Annuitant mortality assumptions are an area of significant management judgement, due to the inherent uncertainty involved. Whilst the Group manages the extent of its exposure to annuitant mortality risk through reinsurance, we consider these assumptions underpinning gross insurance contract liabilities to be a key audit matter given the Group's exposure to a large volume of annuity business. The annuitant mortality assumption has two main components: *Base mortality assumption* This part of the assumption is mainly driven by internal experience analyses, but judgement is also required. For example, in determining the most appropriate granularity at which to carry out the analysis; the time window used for historic experience, or whether data should be excluded from the analysis; and in selecting an appropriate industry mortality table to which management overlays the results of the experience analysis. *Rate of mortality improvements* This part of the assumption is more subjective given the lack of data and the uncertainty over how life expectancy will change in the future. The allowance for future mortality improvements is inherently subjective, as improvements develop over long timescales and cannot be captured by analysis of internal experience data. The Continuous Mortality Investigation Bureau (CMIB) provides mortality projection models which are widely used throughout the industry and contain a standard core set of assumptions including initial rates of improvement, calculated by the CMIB based on the most recent available population data. In addition, a margin for prudence is applied to the annuitant mortality assumptions.	We performed the following to test the annuitant mortality assumptions (including base mortality assumptions, future mortality improvements and IFRS prudential margins): • Validated the appropriateness of the methodology used to perform the annual experience studies. This involved the assessment of key judgements with reference to relevant rules, actuarial guidance and by applying our industry knowledge and experience; • Tested the controls in place around the performance of annuitant mortality experience analysis studies, approval of the proposed assumptions and implementation within actuarial models; • Validated the appropriateness of areas of expert judgments used in the development of the mortality improvement assumptions, including the selection and parameterisation of the CMI model including the choice of the smoothing parameter, initial rate, long term rate and tapering at older ages. In particular we considered the alignment of bases for improvements between Just Retirement Limited and Partnership Life Assurance Company Limited; • Assessed the appropriateness of the IFRS prudence margin and its consistency over time; • Compared the annuitant mortality assumptions selected by management against those used by peers using our annual survey of the market; • In respect of COVID-19, assessed management's considerations and any allowances made for changes in current and future expected rates of annuitant mortality; and • Assessed the disclosure of the annuitant mortality assumptions and the commentary to support the profit arising, if any, from changes in these assumptions over 2020. Based on the work performed and the evidence obtained, we consider the assumptions used for annuitant mortality to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities – Credit default assumptions (Group) Refer to Audit Committee Report, Accounting policy 1.22 Insurance liabilities and note 23 Insurance contracts and related reinsurance.	
The Group's portfolio consists of annuities in payment or deferral and therefore the credit default assumptions have a significant impact on the insurance contract liabilities and requires expert judgement. The Group's asset portfolio also includes a material amount of illiquid assets, including Lifetime Mortgages.	We performed the following to test the credit default assumptions: • Assessed the methodologies used to derive the assumptions (including prudential margin) with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience; • Validated significant assumptions used by management against market observable data (to the extent available and relevant) and our experience of market practices (including developments from the Prudential Regulation Authority in the context of holdings in illiquid assets); • Considered the impact of COVID-19, including whether recent defaults and downgrades are appropriately allowed for in data used by management, and whether any changes in future expected levels are appropriately reflected; • Compared the assumptions selected against those adopted by peers using our annual survey of the market (to the extent available); • Assessed the appropriateness of the IFRS prudence margin for each asset class individually and its consistency over time; and • Assessed the disclosure of the credit default risk assumptions and the commentary to support the profit arising, if any, from changes in these assumptions over the period. Based on the work performed and the evidence obtained, we consider the assumptions used for credit default risk to be appropriate.
Valuation of insurance contract liabilities – Expense assumptions (Group) Refer to Audit Committee Report, Accounting policy 1.22 Insurance liabilities and note 23 Insurance contracts and related reinsurance.	
Future maintenance expenses and expense inflation assumptions are used in the measurement of the insurance contract liabilities. The assumptions reflect the expected future expenses that will be required to maintain the in-force policies at the balance sheet date, including an allowance for unavoidable project costs and a margin for prudence. The assumptions used require judgement, particularly with respect to the allocation of expenses to future maintenance.	We performed the following to test the expense assumptions: • Validated the completeness and accuracy of the total cost base and allocation of expenses to the appropriate cost centre; • Assessed the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience; • Assessed the appropriateness of significant judgements in application of the methodology, including excluded costs (for example, due to costs either not relating to the insurance business or being non-recurring in nature), the split of expenses between acquisition and maintenance costs and the allocation of costs to products; • Assessed the appropriateness of the IFRS prudence margin and its consistency over time; • Tested the policy counts used in the derivation of per policy expense assumptions and considered whether any adjustments are required to reflect changes in future expected policy volumes, for example, to allow for diseconomies of scale; and • Assessed the disclosure of the maintenance assumptions and the commentary to support the profit arising, if any, from changes in these assumptions over 2020. Based on the work performed and the evidence obtained, we consider the expense assumptions to be appropriate.

INDEPENDENT AUDITORS' REPORT CONTINUED

Key audit matter	How our audit addressed the key audit matter
Valuation of investments classified as Level 3 under IFRS 13, including Lifetime Mortgages (Group) Refer to Audit Committee Report, Accounting policy 1.18 Financial investments and note 17 Fair value.	
The valuation of investments classified as Level 3 is typically based on either inputs into a valuation model or observable prices for proxy positions. This is inherently complex and requires the use of significant management judgement. Furthermore, the balances are material to the financial statements. This comprises investments in certain illiquid debt instruments, commercial mortgages and Lifetime Mortgages.	We performed the following procedures to tests the valuation of the investments classified as level 3 (excluding Lifetime Mortgages): • Validated the design adequacy and operating effectiveness of management's controls, including the dual pricing control; • Obtained independent confirmations from third party asset managers (where relevant); For a sample of positions, we performed the following procedures: • Engaged our valuation experts to assess the reasonableness and appropriateness of the internal or external valuation methodology applied; • Performed an independent revaluation and investigated any variances outside of our tolerable threshold; and • Tested inputs into the valuation to external sources, where possible. For Lifetime Mortgages, we performed the following procedures: • Validated the design and operating effectiveness of controls related to the accuracy and completeness of data used in the modelling of Lifetime Mortgages; • For a sample of mortgages, agreed data used in the modelling of Lifetime Mortgages to policyholder documentation; • Understood the process and tested controls in place over the determination of the valuation of loans secured by residential mortgages, including those relating to model inputs, model operation and extraction and consolidation of results from the valuation models; • Using our actuarial specialists, applied our industry knowledge and experience to assess the appropriateness of the methodology, models and assumptions used against recognised actuarial practices; • Performed detailed audit testing of the model calculations or 'model baselining' as part of our first year audit. We used our own modelling tools to replicate the asset cash flows for a sample of policies in order to validate that the models calculations are operating as intended; • Evaluated the appropriateness of significant economic assumptions, including the property price inflation assumption and property price volatility assumptions used within the valuation process, with reference to market data and industry benchmarks where available; • Assessed the appropriateness of current property prices by obtaining management's recent external surveyor reports for a sample of properties and recomputing the application of the ONS indices to property data; • Tested the key judgements involved in the preparation of the manually calculated components of the asset balance, and the accuracy of the calculations; • Evaluated the Group's historic redemptions data used to prepare the Group's mortality, morbidity and voluntary redemptions experience analysis, together with industry data on expectations of future mortality improvements and assessed whether this supports the assumptions adopted; and • Used the results of an independent PwC benchmarking survey on the valuation of Lifetime Mortgages to further challenge the assumptions and modelling approach adopted, relative to the Group's industry peers. We also considered the adequacy of the Group's disclosures in relation to the valuation of those assets designated Level 3, in particular the sensitivity of the valuations adopted to alternative outcomes and details of the sale of a tranche of mortgages during the year. Based on the work performed and the evidence obtained, we consider the valuation of level 3 assets to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Impact of uncertainties related to COVID-19 (Group and Company) Refer to Strategic Report, Going Concern and Viability Statement in the Directors' Report, Audit Committee Report, note 17 Fair value and note 23 Insurance contracts and related reinsurance.	
The impacts of the global pandemic due to the Coronavirus COVID-19 continue to cause significant social and economic disruption up to the date of reporting. In our audit we have identified the following key impacts of COVID-19: *Ability of the entity to continue as a going concern* There are a number of potential matters in relation to COVID-19 which could impact on the going concern status of the Group and Company. Using downside scenarios driven by the required Own Risk and Solvency Assessment (ORSA) process, the Directors have considered the ability of the Group and the Company to remain solvent with sufficient liquidity to meet future obligations. The Directors have also considered its requirements in respect of regulatory capital under Solvency II, including performing reverse stress testing on property exposure. The Directors have concluded that the Group and Company is a going concern. *Impact on Estimation Uncertainty in the Financial Statements* The pandemic has increased the level of estimation uncertainty in the financial statements. The Directors have therefore considered how COVID-19 has impacted the key estimates that determine the valuation of material balances, particularly insurance contract liabilities and financial investments. *Qualitative Disclosures in the Annual Report and Financial Statements* In addition, the Directors have considered the qualitative disclosures included in the Annual Report in respect of COVID-19 and the impact that the pandemic has had, and continues to have, on the Group and Company.	In assessing management's consideration of the impact of COVID-19 on the Group and Company we have performed the following procedures: • Obtained management's updated going concern assessment and challenged the rationale for the downside scenarios adopted and material assumptions made using our knowledge of performance, review of regulatory correspondence and obtaining further corroborating evidence; • Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of the impact of COVID-19; • Inquired and understood the actions taken by management to mitigate the impacts of COVID-19, including attendance at all Audit Committee and Group Risk and Compliance Committee meetings; • Assessed the impact of COVID-19 on the design and operating effectiveness of the control environment; • Challenged management's judgements in the valuation of the insurance contract liabilities, including annuitant mortality, credit default and expense assumptions, in light of the emerging COVID-19 experience and by comparing these relative to industry peers; and • Reviewed the appropriateness of disclosures within the Annual Report with respect to COVID-19 and, where relevant, considered the material consistency of this other information to the audited financial statements and the information obtained in the audit. Based on the work performed, we consider the impact of COVID-19 has been appropriately reflected in the Annual Report.
Recoverability of investment in subsidiaries (Company) Refer to Audit Committee Report, Company accounting policy 1.4 Investments in Group undertakings and note 2 to the Company's financial statements – Investments in Group undertakings.	
The carrying amount of the Company's investments in subsidiaries are significant and in excess of the market capitalisation of the Group. This gives rise to an indicator of impairment. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in forecasting trading conditions and discounting future cash flows 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.	We performed the following procedures related to the recoverability of the Company's investment in subsidiaries: • Assessed the reasonableness and appropriateness of the assumptions used in the cash flows included in the budgets based on our knowledge of the Group and the markets in which the subsidiaries operate; • Assessed the reasonableness of the budgets by considering the historical accuracy of the previous forecasts; • Evaluated 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; • Reviewed the methodology used in determining the discount rate applied, including engaging our valuation experts to assess the appropriateness of the inputs into the discount rate; and • Assessed the adequacy of the Company's disclosures in respect of the associated impairment. Based on the work performed and the evidence obtained, we consider the carrying amount of the Company's investment in subsidiaries to be appropriate.

INDEPENDENT AUDITORS' REPORT CONTINUED

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Decisions regarding scoping require a significant degree of professional judgement based on quantitative and qualitative considerations, including the size and nature of business activities in each operating entity.

The Group is predominantly based in the United Kingdom and writes business across four main product lines, being Defined Benefit risk transfers, Individual Annuities, Lifetime Mortgages and Long-term Care Plans. The Group consists of the parent Company, Just Group plc, and a number subsidiary companies, of which the most significant are Just Retirement Limited and Partnership Life Assurance Company Limited, which conduct substantially all the insurance business on behalf of the Group.

We have determined three components which were subject to full scope audits. This included Just Group plc, Just Retirement Limited and Partnership Life Assurance Company Limited. In addition, we performed a limited scope audit covering specific financial statement line items for a further four components. 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. Our scoping resulted in 90% coverage of consolidated Total assets, 98% coverage of consolidated Total liabilities and 93% coverage of consolidated Profit before tax.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows

	Financial statements – Group	Financial statements – Company
Overall materiality	£24.9 million	£13.0 million
How we determined it	1% of Total equity	1% of Total equity
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, we consider total equity to be the most appropriate benchmark for our materiality. It represents the residual interest that can be ascribed to shareholders after policyholder assets and corresponding liabilities have been accounted for and is aligned to the primary focus of the business and users of the financial statements, being the capital position of the Group. We compared our materiality against other relevant benchmarks, such as total assets, total revenue and profit before tax to ensure the materiality selected was appropriate for our audit.	In determining our materiality, we considered financial metrics which we believed to be relevant and concluded that total equity was the most appropriate benchmark. The primary use of the financial statements is to determine the entity's ability to pay dividends and the users will therefore be focussed on distributable reserves, a balance captured using a total equity benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £5.7 million and £17.8 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £18.7 million for the consolidated financial statements and £9.8 million for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.25 million (Group audit) and £0.7 million (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:
- Obtained the directors' going concern assessment and challenged the rationale for downside scenarios adopted and material assumptions made using our knowledge of the Group's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considered management's assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered;
- Assessed the impact of severe, but plausible, downside scenarios which removed certain actions which are not necessarily within management's control;
- Assessed the impact of the factors outlined in note 35, which could erode the Group's capital resources and / or the quantum of risk to which the Group is exposed;
- Assessed liquidity of the Group and Company, including the Group's ability to pay policyholder obligations, suppliers and creditors as amounts fall due;
- Assessed the ability of the Group and the Company to comply with covenants;

- Enquired and understood the actions taken by management to mitigate the impacts of COVID-19, including attendance at all Audit Committee and Group Risk and Compliance Committee meetings; and
- Reviewed the disclosures included in the financial statements, including the Basis of Preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance Report, is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report and Accounts that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

INDEPENDENT AUDITORS' REPORT CONTINUED

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit Committee, we were appointed by the members on 14 May 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Lee Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Gross premiums written	7	**2,147.8**	1,921.0
Reinsurance premiums ceded		**(232.0)**	2.8
Reinsurance recapture		**940.0**	436.8
Net premium revenue		**2,855.8**	2,360.6
Net investment income	3	**1,777.7**	1,451.7
Fee and commission income	7	**11.7**	12.7
Total revenue		**4,645.2**	3,825.0
Gross claims paid		**(1,321.1)**	(1,247.5)
Reinsurers' share of claims paid		**320.9**	386.4
Net claims paid		**(1,000.2)**	(861.1)
Change in insurance liabilities:			
Gross amount		**(2,116.6)**	(1,730.6)
Reinsurers' share		**73.5**	(70.4)
Reinsurance recapture		**(940.0)**	(436.8)
Net change in insurance liabilities		**(2,983.1)**	(2,237.8)
Change in investment contract liabilities	24	**(1.8)**	92.2
Acquisition costs	4	**(44.5)**	(35.2)
Other operating expenses	5	**(219.9)**	(227.8)
Finance costs	6	**(159.0)**	(186.7)
Total claims and expenses		**(4,408.5)**	(3,456.4)
Profit before tax	7	**236.7**	368.6
Income tax	8	**(44.2)**	(66.2)
Profit for the year		**192.5**	302.4
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of land and buildings	8,15	(1.1)	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(0.6)**	(0.2)
Other comprehensive loss for the year, net of income tax		**(1.7)**	(0.2)
Total comprehensive income for the year		**190.8**	302.2
Profit attributable to:			
Equity holders of Just Group plc		**193.6**	302.6
Non-controlling interest	35	**(1.1)**	(0.2)
Profit for the year		**192.5**	302.4
Total comprehensive income attributable to:			
Equity holders of Just Group plc		**191.9**	302.4
Non-controlling interest	36	**(1.1)**	(0.2)
Total comprehensive income for the year		**190.8**	302.2
Basic earnings per share (pence)	12	**16.06**	28.37
Diluted earnings per share (pence)	12	**15.89**	28.00

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

Year ended 31 December 2020	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 2020		**103.5**	**94.5**	**348.4**	**597.1**	**4.4**	**(6.0)**	**885.9**	**2,027.8**	**294.0**	**(0.8)**	**2,321.0**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**193.6**	**193.6**	**–**	**(1.1)**	**192.5**
Other comprehensive loss for the year, net of income tax		**–**	**–**	**–**	**–**	**(1.1)**	**–**	**(0.6)**	**(1.7)**	**–**	**–**	**(1.7)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**(1.1)**	**–**	**193.0**	**191.9**	**–**	**(1.1)**	**190.8**
Contributions and distributions												
Shares issued	21	**0.3**	**–**	**–**	**–**	**–**	**–**	**–**	**0.3**	**–**	**–**	**0.3**
Dividends	13	**–**	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**	**–**	**–**	**(0.1)**
Interest paid on Tier 1 notes	22	**–**	**–**	**–**	**–**	**–**	**–**	**(28.1)**	**(28.1)**	**–**	**–**	**(28.1)**
Share-based payments		**–**	**–**	**–**	**–**	**–**	**0.6**	**5.9**	**6.5**	**–**	**–**	**6.5**
Total contributions and distributions		**0.3**	**–**	**–**	**–**	**–**	**0.6**	**(22.3)**	**(21.4)**	**–**	**–**	**(21.4)**
At 31 December 2020		**103.8**	**94.5**	**348.4**	**597.1**	**3.3**	**(5.4)**	**1,056.6**	**2,198.3**	**294.0**	**(1.9)**	**2,490.4**

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	21	9.4	–	–	64.4	–	–	–	73.8	–	–	73.8
Tier 1 notes issued (net of costs)	22	–	–	–	–	–	–	–	–	294.0	–	294.0
Dividends	13	–	–	–	–	–	–	(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

1 Includes currency translation reserve.

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	**31 December 2020 £m**	31 December 2019 Restated (note 2) £m	1 January 2019 Restated (note 2) £m
Assets				
Intangible assets	14	**133.5**	154.4	171.0
Property, plant and equipment	15	**20.5**	26.8	21.4
Financial investments	16	**23,269.8**	21,606.0	19,252.5
Investment in joint ventures and associates		**–**	–	0.3
Reinsurance assets	23	**3,132.6**	3,860.6	4,350.8
Deferred tax assets	18	**11.5**	11.5	18.6
Current tax assets		**2.9**	–	42.1
Prepayments and accrued income		**74.3**	70.6	67.9
Insurance and other receivables	19	**32.0**	25.5	18.9
Cash and cash equivalents	20	**1,496.3**	267.0	113.9
Total assets		**28,173.4**	26,022.4	24,057.4
Equity				
Share capital	21	**103.8**	103.5	94.1
Share premium	21	**94.5**	94.5	94.5
Reorganisation reserve		**348.4**	348.4	348.4
Merger reserve	21	**597.1**	597.1	532.7
Revaluation reserve	15	**3.3**	4.4	4.4
Shares held by trusts		**(5.4)**	(6.0)	(6.2)
Accumulated profit		**1,056.6**	885.9	596.5
Total equity attributable to owners of Just Group plc		**2,198.3**	2,027.8	1,664.4
Tier 1 notes	22	**294.0**	294.0	–
Non-controlling interest	36	**(1.9)**	(0.8)	(0.6)
Total equity		**2,490.4**	2,321.0	1,663.8
Liabilities				
Insurance liabilities	23	**21,118.4**	19,003.7	17,273.8
Reinsurance liabilities	23	**267.1**	128.6	111.6
Investment contract liabilities	24	42.8	54.0	197.8
Loans and borrowings	25	**773.5**	660.0	573.4
Lease liabilities	26	**6.8**	12.4	–
Other financial liabilities	27	**3,305.1**	3,678.9	4,063.3
Deferred tax liabilities	18	**22.8**	26.3	32.2
Other provisions	30	**1.0**	1.8	0.7
Current tax liabilities		**–**	10.2	3.5
Accruals and deferred income		**53.9**	52.9	59.0
Insurance and other payables	31	**91.6**	72.6	78.3
Total liabilities		**25,683.0**	23,701.4	22,393.6
Total equity and liabilities		**28,173.4**	26,022.4	24,057.4

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 15 March 2021 and were signed on its behalf by:

ANDY PARSONS
Director

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Cash flows from operating activities			
Profit before tax		**236.7**	368.6
Property revaluation loss through profit and loss	15	**1.2**	–
Depreciation of property, plant and equipment	15	**3.9**	4.5
Amortisation of intangible assets	14	**19.9**	19.9
Impairment of property, plant and equipment	15	**–**	**4.0**
Impairment of intangible assets	14	**1.1**	–
Loss on disposal of associated undertaking	36	**–**	0.3
Share-based payments		**6.5**	4.2
Interest income	3	**(631.7)**	(663.0)
Interest expense	6	**159.0**	186.7
Realised and unrealised gains on financial investments		**(1,039.7)**	(1,404.0)
Decrease in reinsurance assets		**866.5**	507.2
Increase in prepayments and accrued income		**(3.7)**	(2.7)
Increase in insurance and other receivables		**(6.1)**	(4.2)
Increase in insurance liabilities		**2,114.7**	1,729.9
Decrease in investment contract liabilities		**(11.2)**	(143.8)
Decrease in deposits received from reinsurers		**(775.3)**	(489.5)
Increase/(decrease) in accruals and deferred income		**3.3**	(5.7)
Increase/(decrease) in insurance and other payables		**19.0**	(5.7)
Decrease in other creditors		**(162.7)**	(44.3)
Interest received		**314.5**	364.3
Interest paid		**(107.7)**	(139.1)
Taxation paid		**(60.6)**	(14.9)
Net cash inflow from operating activities		**947.6**	272.7
Cash flows from investing activities			
Additions to internally generated intangible assets	14	**(0.1)**	(3.3)
Acquisition of property and equipment	15	**(2.3)**	(1.4)
Net cash outflow from investing activities		**(2.4)**	(4.7)
Cash flows from financing activities			
Issue of ordinary share capital (net of costs)	21	**0.3**	73.8
Proceeds from issue of Tier 1 notes (net of costs)	22	**–**	292.7
Increase in borrowings (net of costs)	25	**110.6**	83.9
Dividends paid	13	**(0.1)**	(0.2)
Coupon paid on Tier 1 notes	13	**(28.1)**	(16.8)
Interest paid on borrowings		**(49.8)**	(43.7)
Payment of lease liabilities – principal	26	**(4.1)**	(2.8)
Payment of lease liabilities – interest	26	**(0.2)**	(0.3)
Net cash inflow from financing activities		**28.6**	386.6
Net increase in cash and cash equivalents		**973.8**	654.6
Cash and cash equivalents at 1 January		**1,651.0**	996.4
Cash and cash equivalents at 31 December		**2,624.8**	1,651.0
Cash available on demand		**1,496.3**	267.0
Units in liquidity funds		**1,128.5**	1,384.0
Cash and cash equivalents at 31 December	20	**2,624.8**	1,651.0

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 Enterprise House, Bancroft Road, Reigate, Surrey, RH2 7RP.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

As part of their assessment of going concern, the Directors are required to undertake an assessment of the Company and the Group's ability to continue to adopt the going concern basis of accounting, and to disclose any material uncertainties identified. Having completed this assessment, which included consideration of the possible impacts on the Group's business from the COVID-19 pandemic, the Directors are satisfied that the Group has adequate resources to continue to operate as a going concern for a period of not less than 12 months from the date of this report, and that there is no material uncertainty in relation to going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Directors have considered the following in their assessment:

- The benefit of £250m new Tier 2 capital raised during 2020, £75m of which was used to repurchase part of the Group's Tier 3 loan notes, via a tender offer.
- Steps taken over the last two years to improve capital efficiency, including during the current period: increasing the level of reinsurance for GIfL contracts, launching new more capital-efficient products, such as our Defined Benefit De-risking partnering deals; additional NNEG hedging and the sale of a portion of our lifetime mortgages portfolio to further protect against UK residential property risk; reductions in new business volumes; and cost saving initiatives.
- The projected liquidity position of the Company and 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 reduced new business volumes.
- The findings of the Group Own Risk and Solvency Assessment ("ORSA").
- Risks arising from the UK's withdrawal from the European Union.
- Scenario testing to consider the possible impacts of the COVID-19 pandemic on the Group's business, including stresses to UK residential property prices, house price inflation, credit quality of assets, and risk-free rates, together with a reduction in new business levels. In addition, the results of extreme property stress tests were considered, including a property price fall in excess of 40%, and a sensitivity analysis was performed to assess the impact from falling interest rates, including an assessment of the impact of negative interest rates. The possible impact on liquidity from the pandemic was considered through applying significant stresses to exchange rates and interest rates, and assessing the impact this would have on the Group's cash collateral requirements.
- Scenarios, including those in the ORSA and potential regulatory intervention, where the Group 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 Business Plan, which was approved by the Board in November 2020, and in particular the forecast regulatory solvency position for the period to 31 December 2022 calculated on a Solvency II basis, which includes scenarios setting out possible adverse trading and economic conditions as a result of the COVID-19 pandemic.

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.

There are no new accounting standards or amendments to existing accounting standards effective from 1 January 2020 that have an impact on the Group.

The following new accounting standards, interpretations and amendments to existing accounting standards in issue are being assessed but have not yet been adopted by the Group:

- IFRS 9, Financial Instruments.

Amendments to IFRS 4, Insurance Contracts, published in September 2016 and adopted by the Group with effect from 1 January 2018, allowed the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2021. This was intended to align with the effective date of IFRS 17, the replacement insurance contracts standard. In June 2020, the IASB issued a further amendment to IFRS 4 to extend the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2023, to align with the amended effective date of IFRS 17 also issued in June 2020. The option to defer the application of IFRS 9, which the Group has continued to adopt for 2020, is subject to meeting criteria relating to the predominance of insurance activity. Eligibility for the deferral approach was based on an assessment of the Group's liabilities as at 31 December 2016, the end of the annual period during which the acquisition of Partnership Assurance Group plc took place and the most recent period of significant change in the magnitude of the Group's activities. At this date the Group's liabilities connected with insurance exceeded 90% of the carrying amount of the Group's total liabilities. The Group's total liabilities were £22,283.9m and liabilities connected with insurance in the statement of financial position at this date primarily included insurance contracts within the scope of IFRS 4 of £15,748.0m, investment contract liabilities of £222.3m, and certain amounts within other financial liabilities and insurance payables which arise in the course of writing insurance business of £5,527.4m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.1 Basis of preparation continued

If the Group had adopted IFRS 9 it would continue to classify financial assets at fair value through profit or loss. Therefore, under IFRS 9 all financial assets would continue to be recognised at fair value through profit or loss and the fair value at 31 December 2020 would be unchanged at £23,269.8m. As well as financial assets, the Group also holds Insurance and other receivables and Cash and cash equivalent assets, with contractual terms that give rise to cash flows on specified dates; the fair value of these investments is considered to be materially consistent with their carrying value, as disclosed in notes 19 and 20.

IFRS 9 information relating to non-insurance entities within the Group which have applied IFRS 9 can be found in the entities' publicly available individual financial statements.

- IFRS 17, Insurance Contracts (effective 1 January 2023, not yet endorsed by the EU).

IFRS 17 was issued in May 2017 with an effective date of 1 January 2021. In June 2020, the IASB issued an amended standard which delayed the effective date to 1 January 2023. The amendments issued in June 2020 aimed to assist entities implementing the standard.

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 features of the standard applicable to annuities is the deferment of premium revenues on the balance sheet and with revenue recognition in the profit or loss account 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.

- UK-adopted IFRS

As part of its exit from the European Union, the UK has been in a transition period up to 31 December 2020. From 1 January 2021, the Group is required to apply UK-adopted IFRS. In the short term, UK and EU-adopted IFRS are expected to be identical as all existing EU-adopted IFRS are brought into UK law and become UK-adopted IFRS as at 31 December 2020. Going forwards any changes to IFRS will be applied once adopted by the UK.

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. Where relevant the impact of COVID-19 has been considered and detail included in the relevant note disclosures.

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, 17(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 17 under 'Loans secured by residential mortgages'.
1.19, 23, 27	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, 23(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, and level and inflation of costs of administration. 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. Maintenance expenses are determined from expense analyses and are assumed to inflate at market-implied rates. Further detail can be found in note 23.

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 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 7, 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 issued and associated reinsurance contracts held 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 the 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. PVIF is within the scope of IFRS 4.

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 securities in respect of derivative, reinsurance or other contracts such as securities lending. 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. 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, or option pricing models for derivatives.

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 29 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. This is in accordance with the SORP on Accounting for Insurance Business issued by the ABI in December 2005 (amended in December 2006) and withdrawn with effect for accounting periods beginning on or after 1 January 2015, but which continues to apply to the Group as the grandfathered existing accounting policy under IFRS 4. 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. The assumptions in the valuation are set on a prudent basis.

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 PRIOR YEAR RESTATEMENT

A reclassification has been made regarding the presentation of the Group's longevity reinsurance swaps at 31 December 2019 and 1 January 2019. The longevity swaps relate to DB, GIfL and Care business in Just Retirement Limited. Under the swap arrangements the Group is committed to pay the reinsurer a schedule of fixed payments for each relevant scheme and the reinsurer undertakes to reimburse the actual cost of the claims to the Group. The Group's policy is to recognise claim recoveries on longevity swap contracts as the net amounts due as a result of comparing the actual payments made to policyholders with the fixed contractual payments where settlement of the contract is on a net basis. Reinsurance premium expenses represent swap management fees and are included under Outward reinsurance premiums. Reinsurance assets and Reinsurance liabilities are recognised on a net basis where the Group has legal right of set-off. Amounts receivable from or payable to reinsurers are recognised on a net basis and included under the appropriate heading under Insurance and other receivables or Insurance and other payables. At 31 December 2019 and 1 January 2019 the longevity swaps showed a liability position which was reported as a reduction to reinsurance assets. However, the Group does not have a legal right of set-off against other reinsurance assets in respect of these liabilities, since the longevity reinsurance swaps are held with different counterparties to those of the reinsurance assets. Accordingly, in line with the requirements of IAS 32, Financial instruments: Presentation, these balances have been reclassified to reinsurance liabilities on the face of the Statement of Financial Position at 31 December 2019 and at 1 January 2019. The impact of this reclassification at 31 December 2019 is an increase to reinsurance assets of £128.6m and an increase to reinsurance liabilities of the same amount. There is no impact to total equity or to comprehensive income (1 January 2019: increase to reinsurance assets of £111.6m and increase to reinsurance liabilities of the same amount, no impact to total equity or to comprehensive income).

3 NET INVESTMENT INCOME

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Interest income:		
Assets at fair value through profit or loss	**631.7**	663.0
Movement in fair value:		
Financial assets and liabilities designated on initial recognition at fair value through profit or loss	**818.3**	658.8
Derivative financial instruments (note 28)	**327.7**	129.9
Total net investment income	**1,777.7**	1,451.7

4 ACQUISITION COSTS

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Commission	**14.9**	14.8
Other acquisition expenses	**29.6**	20.4
Total acquisition costs	**44.5**	35.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5 OTHER OPERATING EXPENSES

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Personnel costs (note 10)	**107.5**	108.0
Investment expenses and charges	**17.5**	13.9
Depreciation of property, plant and equipment	**3.9**	4.5
Amortisation of intangible assets	**19.9**	19.9
Impairment of property, plant and equipment	**–**	4.0
Impairment of intangible assets	**1.1**	–
Other costs	**70.0**	77.5
Total other operating expenses	**219.9**	227.8

Other costs include reassurance management fees, professional fees, IT and marketing costs.

Reconciliation of Other operating expenses to Management expenses

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Total other operating expenses	**219.9**	227.8
Investment expenses and charges	**(17.5)**	(13.9)
Reassurance management fees	**(22.2)**	(26.1)
Amortisation of acquired intangible assets	**(18.0)**	(18.8)
Other costs	**(2.9)**	–
Total management expenses	**159.3**	169.0

During the year the following services were provided by the Group's auditor at costs as detailed below:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Fees payable for the audit of the Parent Company and consolidated accounts	**540**	250
Fees payable for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**1,618**	950
Corporate finance services	**–**	95
Audit-related assurance services	**842**	710
Other assurance services	**65**	218
Other non-audit services not covered above	**1**	–
Auditor remuneration	**3,066**	2,223
Fees payable to other audit firms:		
The audit of the Company's subsidiaries pursuant to legislation	**60**	–
Corporate finance services	**146**	–
Total	**3,272**	2,223

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. The fees payable to other audit firms during 2020 noted above relate to £60,000 paid to KPMG in relation to the 2020 audit of the Group's South African subsidiaries and £146,000 paid to KPMG in relation to corporate finance services carried out during 2019.

6 FINANCE COSTS

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Interest payable on deposits received from reinsurers	**107.7**	139.0
Interest payable on subordinated debt	**47.3**	44.0
Other interest payable	**4.0**	3.7
Total finance costs	**159.0**	186.7

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.

7 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, 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.

Segmental reporting and reconciliation to financial information

	Year ended 31 December 2020			Year ended 31 December 2019		
	Insurance £m	**Other £m**	**Total £m**	Insurance £m	Other £m	Total £m
New business operating profit	**199.2**	**–**	**199.2**	182.0	–	182.0
In-force operating profit	**96.8**	**1.0**	**97.8**	82.6	1.8	84.4
Underlying operating profit	**296.0**	**1.0**	**297.0**	264.6	1.8	266.4
Operating experience and assumption changes	**46.2**	**–**	**46.2**	42.2	–	42.2
Other Group companies' operating results	**–**	**(17.1)**	**(17.1)**	–	(13.1)	(13.1)
Development expenditure	**(5.9)**	**(1.4)**	**(7.3)**	(7.1)	(3.2)	(10.3)
Reinsurance and financing costs	**(79.5)**	**–**	**(79.5)**	(61.5)	(5.1)	(66.6)
Adjusted operating profit before tax	**256.8**	**(17.5)**	**239.3**	238.2	(19.6)	218.6
Non-recurring and project expenditure	**(7.1)**	**(5.6)**	**(12.7)**	(3.8)	(4.5)	(8.3)
Implementation of cost saving initiatives	**(7.8)**	**(0.7)**	**(8.5)**	(13.3)	(0.2)	(13.5)
Investment and economic profits/(losses)	**9.4**	**(0.9)**	**8.5**	173.7	0.1	173.8
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**28.1**	**–**	**28.1**	14.0	2.8	16.8
Profit/(loss) before amortisation costs and tax	**279.4**	**(24.7)**	**254.7**	408.8	(21.4)	387.4
Amortisation costs			**(18.0)**			(18.8)
Profit/(loss) before tax			**236.7**			368.6

Segmental revenue

All net premium revenue arises from the Group's insurance segment. Net investment income of £1,777.6m arose from the insurance segment and £0.1m arose from other segments (2019: £1,450.2m and £1.5m respectively). Segmental fee and commission income is presented in the disaggregation of fees and other income below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7 SEGMENTAL REPORTING continued

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 2020 £m	Year ended 31 December 2019 £m
Defined Benefit De-risking Solutions ("DB")	**1,507.9**	1,231.3
Guaranteed Income for Life contracts ("GIfL")	**585.9**	615.7
Care Plans ("CP")	**51.5**	71.1
Protection	**2.5**	2.9
Gross premiums written	**2,147.8**	1,921.0

Drawdown and Lifetime Mortgages ("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 2020 £m	Year ended 31 December 2019 £m
Drawdown deposits and other investment products	**1.0**	26.7
LTM loans advanced	**511.7**	415.8

Reconciliation of gross premiums written to Retirement Income sales

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Gross premiums written	**2,147.8**	1,921.0
Protection sales not included in Retirement Income sales	**(2.5)**	(2.9)
Retirement Income sales	**2,145.3**	1,918.1

Disaggregation of fees and other income

	Year ended 31 December 2020			Year ended 31 December 2019		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
Product/service						
LTM set-up fees	–	–	–	0.2	–	0.2
LTM commission and advice fees	–	**2.1**	**2.1**	–	1.7	1.7
GIfL commission	–	**4.5**	**4.5**	–	4.4	4.4
FPP fees	–	–	–	0.7	0.2	0.9
DB fees	–	–	–	0.6	–	0.6
Other	**2.3**	**2.8**	**5.1**	0.5	4.4	4.9
	2.3	**9.4**	**11.7**	2.0	10.7	12.7
Timing of revenue recognition						
Products transferred at point in time	**2.3**	**9.0**	**11.3**	1.3	10.3	11.6
Products and services transferred over time	–	**0.4**	**0.4**	0.7	0.4	1.1
Revenue from contracts with customers	**2.3**	**9.4**	**11.7**	2.0	10.7	12.7

All revenue from contracts with customers is from the UK.

8 INCOME TAX

Income tax recognised in profit or loss

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Current taxation		
Current year	**46.6**	67.9
Adjustments in respect of prior periods	**1.0**	(2.9)
Total current tax	**47.6**	65.0
Deferred taxation		
Origination and reversal of temporary differences	**(4.0)**	1.8
Adjustments in respect of prior periods	**(0.9)**	(0.5)
Rate change	**1.5**	(0.1)
Total deferred tax	**(3.4)**	1.2
Total income tax recognised in profit or loss	**44.2**	66.2

The current taxation adjustment in respect of prior periods relates to the conclusion of the transfer pricing enquiry with HMRC.

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. The effect of this change is that the net deferred tax balances carried forward increased by £1.5m. On 3 March 2021, the Government announced an increase in the rate of corporation tax rate to 25% from 1 April 2023. The change in rate has yet to be substantively enacted, and the impact of the rate change will not be material for the financial statements.

The deferred tax assets and liabilities at 31 December 2020 have been calculated based on the rate at which they are expected to reverse.

Reconciliation of total income tax to the applicable tax rate

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Profit/(loss) on ordinary activities before tax	**236.7**	368.6
Income tax at 19% (2019: 19%)	**45.0**	70.0
Effects of:		
Expenses not deductible for tax purposes	**2.0**	1.1
Rate change	**1.5**	(0.2)
Higher rate for overseas income	**(0.1)**	(0.3)
Unrecognised deferred tax asset	**1.3**	1.8
Adjustments in respect of prior periods	**0.1**	(3.4)
Relief on Tier 1 interest included in equity	**(5.3)**	(3.2)
Other	**(0.3)**	0.4
Total income tax recognised in profit or loss	**44.2**	66.2

Income tax recognised in other comprehensive income

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Deferred taxation		
Revaluation of land and buildings	**(0.1)**	–
Total deferred tax	**(0.1)**	–
Total income tax recognised in other comprehensive income	**(0.1)**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8 INCOME TAX continued
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 2020 includes profits chargeable to corporation tax arising from amortisation of transitional balances of £2.5m (2019: £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.

9 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 £3.6m (2019: £2.7m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2019: £nil). The aggregate net value of share awards granted to the Directors in the year was £2.2m (2019: £1.1m). 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 (2019: two Directors exercised options with an aggregate gain of £0.3m).

10 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 2020 Number	Year ended 31 December 2019 Number
Directors	**9**	7
Senior management	**119**	118
Staff	**949**	955
Average number of staff	**1,077**	1,080

The aggregate personnel costs were as follows:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Wages and salaries	**87.2**	89.7
Social security costs	**9.2**	8.9
Other pension costs	**4.3**	4.2
Share-based payment expense	**6.8**	5.2
Total personnel costs	**107.5**	108.0

The Company does not have any employees.

11 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 £4.3m (2019: £4.2m).

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.

11 EMPLOYEE BENEFITS continued

The number and weighted-average remaining contractual life of outstanding options under the LTIP are as follows:

	Year ended 31 December 2020 Number of options	Year ended 31 December 2019 Number of options
Outstanding at 1 January	**15,196,343**	17,595,308
Granted	**8,951,149**	4,755,178
Forfeited	**(941,906)**	(2,402,172)
Exercised	**(2,261,267)**	(2,567,282)
Expired	**(1,679,813)**	(2,184,689)
Outstanding at 31 December	**19,264,506**	15,196,343
Exercisable at 31 December	**3,119,248**	3,255,678
Weighted-average share price at exercise (£)	**0.57**	0.54
Weighted-average remaining contractual life (years)	**1.36**	1.15

The exercise price for options granted under the LTIP is nil.

During the year to 31 December 2020, awards of LTIPs were made on 23 March 2020. In addition, one-off awards with similar features to LTIPs were made on 20 March 2020 to the incoming Group Chief Financial Officer to compensate him for incentive awards forfeited on leaving his previous employer. The weighted-average fair value and assumptions used to determine the fair value of the LTIPs and the buy-out options granted during the year are as follows:

Fair value at grant date	**£0.39**
Option pricing models used	**Black-Scholes, Stochastic, Finnerty**
Share price at grant date	**£0.44**
Exercise price	**Nil**
Expected volatility – TSR performance	**53.20-62.82%**
Expected volatility – holding period	**60.44%**
Option life	**2-3 years + 2 year holding period**
Dividends	**Nil**
Risk-free interest rate – TSR performance	**0.05-0.11%**
Risk-free interest rate – holding period	**0.17%**

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 2020 Number of options	Year ended 31 December 2019 Number of options
Outstanding at 1 January	**4,287,693**	3,864,558
Granted	**1,882,472**	1,635,528
Forfeited	**(15,004)**	(503,412)
Exercised	**(1,060,240)**	(708,981)
Outstanding at 31 December	**5,094,921**	4,287,693
Exercisable at 31 December	**1,716,596**	1,656,365
Weighted-average share price at exercise (£)	**0.54**	0.60
Weighted-average remaining contractual life (years)	**1.10**	0.94

The exercise price for options granted under the DSBP is nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11 EMPLOYEE BENEFITS continued

During the year to 31 December 2020, awards of DSBPs were made on 23 March 2020. 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	**£0.44**
Option pricing model used	**Black-Scholes**
Share price at grant date	**£0.44**
Exercise price	**Nil**
Expected volatility	**Nil**
Option life	**3 years**
Dividends	**Nil**
Risk-free interest rate	**Nil**

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 2020		Year ended 31 December 2019	
	Number of options	**Weighted-average exercise price £**	Number of options	Weighted-average exercise price £
Outstanding at 1 January	**9,953,188**	**0.56**	4,556,383	1.12
Granted	**13,031,462**	**0.38**	10,313,555	0.52
Forfeited	**(603,970)**	**0.57**	(366,991)	0.74
Cancelled	**(6,609,575)**	**0.54**	(4,146,082)	0.99
Exercised	**(46,892)**	**0.52**	–	–
Expired	**(208,210)**	**1.03**	(403,677)	1.20
Outstanding at 31 December	**15,516,003**	**0.41**	9,953,188	0.56
Exercisable at 31 December	**58,930**	**0.46**	189,815	0.73
Weighted-average share price at exercise		**0.60**		–
Weighted-average remaining contractual life (years)		**2.56**		2.61

The range of exercise prices of options outstanding at the end of the year are as follows:

	2020 Number of options outstanding	2019 Number of options outstanding
£0.38	**12,476,881**	–
£0.52	**2,870,402**	9,242,042
£1.07	**66,166**	387,498
£1.13	**–**	36,135
£1.18	**102,554**	268,604
£1.27	**–**	12,791
£1.47	**–**	6,118
Total	**15,516,003**	9,953,188

11 EMPLOYEE BENEFITS continued

During the year to 31 December 2020, awards of SAYEs were made on 22 April 2020. 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	**£0.25**
Option pricing model used	**Black-Scholes**
Share price at grant date	**£0.55**
Exercise price	**£0.38**
Expected volatility – 3 year scheme	**51.70%**
Expected volatility – 5 year scheme	**37.48%**
Option life	**3.36 or 5.36 years**
Dividends	**Nil**
Risk-free interest rate – 3 year scheme	**0.10%**
Risk-free interest rate – 5 year scheme	**0.16%**
Saving forfeit discounts	**5%**

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 2020 £m	Year ended 31 December 2019 £m
Equity-settled schemes	**6.8**	5.2
Total expense	**6.8**	5.2

12 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 2020			Year ended 31 December 2019		
	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	**193.6**			302.6		
Coupon payments in respect of Tier 1 notes (net of tax)	**(28.1)**			(16.8)		
Profit attributable to ordinary equity holders of Just Group plc (basic)	**165.5**	**1,030.7**	**16.06**	285.8	1,007.5	28.37
Effect of potentially dilutive share options	**–**	**11.1**	**(0.17)**	–	13.1	(0.37)
Diluted	**165.5**	**1,041.8**	**15.89**	285.8	1,020.6	28.00

13 DIVIDENDS

Dividends paid in the year were as follows:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Dividends paid on the vesting of employee share schemes	**0.1**	0.2
Total dividends paid	**0.1**	0.2
Coupon payments in respect of Tier 1 notes[1]	**28.1**	16.8
Total distributions to equity holders in the period	**28.2**	17.0

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 that it is not appropriate to recommend paying a dividend for 2020 (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14 INTANGIBLE ASSETS

Year ended 31 December 2020	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 2020	**34.9**	**200.0**	**26.6**	**5.6**	**7.9**	**29.4**	**2.0**	**306.4**
Additions	**–**	**–**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
At 31 December 2020	**34.9**	**200.0**	**26.6**	**5.6**	**7.9**	**29.5**	**2.0**	**306.5**
Amortisation and impairment								
At 1 January 2020	**(0.8)**	**(89.7)**	**(26.6)**	**(5.6)**	**(2.6)**	**(24.7)**	**(2.0)**	**(152.0)**
Impairment	**–**	**–**	**–**	**–**	**–**	**(1.1)**	**–**	**(1.1)**
Charge for the year	**–**	**(17.9)**	**–**	**–**	**(0.6)**	**(1.4)**	**–**	**(19.9)**
At 31 December 2020	**(0.8)**	**(107.6)**	**(26.6)**	**(5.6)**	**(3.2)**	**(27.2)**	**(2.0)**	**(173.0)**
Net book value at 31 December 2020	**34.1**	**92.4**	**–**	**–**	**4.7**	**2.3**	**–**	**133.5**
Net book value at 31 December 2019	**34.1**	**110.3**	**–**	**–**	**5.3**	**4.7**	**–**	**154.4**

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

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 2020 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:

	2020	2019
Period on which management approved forecasts are based	**5 years**	5 years
Discount rate (pre-tax)	**11.7%**	10.3%

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 cash flows based on historical experience, expected growth rates and assumptions around market share, customer numbers, expense inflation and mortality rates. The discount rate was determined using a weighted average cost of capital approach, adjusted for specific risks attributable to the business. The outcome of the impairment assessment 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.

Any reasonably possible changes in assumption will not cause the carrying value of the goodwill to exceed the recoverable amounts.

15 PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2020	Freehold land and buildings £m	Computer equipment £m	Furniture and fittings £m	Right-of-use assets £m	Total £m
Cost or valuation					
At 1 January 2020	**17.9**	**7.7**	**6.2**	**11.9**	**43.7**
Acquired during the year	**–**	**2.2**	**0.1**	**–**	**2.3**
Revaluations	**(3.6)**	**–**	**–**	**–**	**(3.6)**
Disposal cost	**–**	**–**	**–**	**(5.8)**	**(5.8)**
At 31 December 2020	**14.3**	**9.9**	**6.3**	**6.1**	**36.6**
Depreciation and impairment					
At 1 January 2020	**(0.7)**	**(6.2)**	**(5.7)**	**(4.3)**	**(16.9)**
Eliminated on revaluation	**1.2**	**–**	**–**	**–**	**1.2**
Disposal	**–**	**–**	**–**	**3.5**	**3.5**
Depreciation charge for the year	**(0.6)**	**(1.0)**	**(0.2)**	**(2.1)**	**(3.9)**
At 31 December 2020	**(0.1)**	**(7.2)**	**(5.9)**	**(2.9)**	**(16.1)**
Net book value at 31 December 2020	**14.2**	**2.7**	**0.4**	**3.2**	**20.5**
Net book value at 31 December 2019	**17.2**	**1.5**	**0.5**	**7.6**	**26.8**

Year ended 31 December 2019	Freehold land and buildings £m	Computer equipment £m	Furniture and fittings £m	Right-of-use assets £m	Total £m
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					
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 for 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

Included in freehold land and buildings is land of value £4.0m (2019: £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 5 October 2020 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 process relies on expert judgement which is heightened due to the macroeconomic related COVID-19 uncertainty. 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 2020 comprise a loss of £1.2m recognised in profit or loss, a loss of £1.2m recognised in other comprehensive income (gross of tax of £0.1m) partially reversing previously recognised gains of £5.3m (gross of tax of £0.9m), and the elimination of depreciation on the revaluations of £1.2m.

If freehold land and buildings were stated on the historical cost basis, the carrying values would be land of £4.3m (2019: £4.3m) and buildings of £10.2m (2019: £10.6m).

Right-of-use assets are property assets leased by the Group (see note 26). Impairments arising in the prior year relate to onerous property leases resulting from the Group's rationalisation of its office locations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16 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	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Units in liquidity funds	**1,128.5**	1,384.0	**1,128.5**	1,384.0
Investment funds	**176.1**	137.3	**175.2**	137.2
Debt securities and other fixed income securities	**11,061.4**	10,387.8	**10,001.9**	9,696.8
Deposits with credit institutions	**99.7**	104.6	**99.7**	104.6
Derivative financial assets	**800.0**	237.0	**–**	–
Loans secured by residential mortgages	**8,261.1**	7,980.5	**4,535.7**	4,778.3
Loans secured by commercial mortgages	**707.0**	494.5	**680.1**	477.8
Other loans	**1,036.0**	880.3	**885.5**	795.0
Total	**23,269.8**	21,606.0	**17,506.6**	17,373.7

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 £97.8m (2019: £103.1m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

17 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.

In determining the assessment of the fair value hierarchy at 31 December 2020, the impact of COVID-19 on market activity and on the availability of actively quoted prices has been taken into consideration, since a lack of availability of quoted prices or other observable market data might necessitate a transfer of assets from Level 1 to Level 2, or from Level 2 to Level 3. Although market disruption was experienced at the end of the first quarter and the beginning of the second quarter of 2020 as a result of the development of the COVID-19 pandemic in the UK and globally, there has subsequently been a return to pre-COVID-19 levels of market activity and therefore we have maintained valuation methodologies. There have been no changes to hierarchy levels at 31 December 2020 as a result of considering the impacts from COVID-19.

All Level 1 and 2 assets continue to have pricing available from actively quoted prices and observable market data.

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.

17 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 2020 (2019: nil).

(b) Analysis of assets and liabilities held at fair value according to fair value hierarchy

	2020				2019			
	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	**1,123.2**	**5.3**	**–**	**1,128.5**	1,378.0	6.0	–	1,384.0
Investment funds	**–**	**37.1**	**139.0**	**176.1**	–	25.5	111.8	137.3
Debt securities and other fixed income securities	**809.3**	**8,995.3**	**1,256.8**	**11,061.4**	984.5	8,674.1	729.2	10,387.8
Deposits with credit institutions	**97.7**	**2.0**	**–**	**99.7**	103.1	1.5	–	104.6
Derivative financial assets	**–**	**796.4**	**3.6**	**800.0**	–	233.0	4.0	237.0
Loans secured by residential mortgages	**–**	**–**	**8,261.1**	**8,261.1**	–	–	7,980.5	7,980.5
Loans secured by commercial mortgages	**–**	**–**	**707.0**	**707.0**	–	–	494.5	494.5
Other loans	**13.1**	**11.8**	**1,011.1**	**1,036.0**	4.1	40.3	835.9	880.3
Total	**2,043.3**	**9,847.9**	**11,378.6**	**23,269.8**	2,469.7	8,980.4	10,155.9	21,606.0
Liabilities held at fair value								
Investment contract liabilities	**–**	**–**	**42.8**	**42.8**	–	–	54.0	54.0
Derivative financial liabilities	**–**	**509.4**	**3.3**	**512.7**	–	248.4	–	248.4
Obligations for repayment of cash collateral received	**351.3**	**26.1**	**–**	**377.4**	62.8	–	–	62.8
Deposits received from reinsurers	**–**	**–**	**2,415.0**	**2,415.0**	–	–	2,417.7	2,417.7
Other financial liabilities								
Loans and borrowings at amortised cost	**–**	**802.0**	**–**	**802.0**	–	690.2	–	690.2
Total	**351.3**	**1,337.5**	**2,461.1**	**4,149.9**	62.8	938.6	2,471.7	3,473.1

(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 there were no transfers from Level 2 to Level 1 (2019: £570.7m). Transfers from Level 2 to Level 3 include debt securities for which there are no longer observable prices and, in 2019, derivative financial assets for which current market values after the initial trade were not available.

(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.

Year ended 31 December 2020	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[2] £m	Investment contract liabilities £m	Derivative financial liabilities £m	Deposits received from reinsurers £m
At 1 January 2020	**111.8**	**729.2**	**4.0**	**7,980.5**	**494.5**	**835.9**	**(54.0)**	**–**	**(2,417.7)**
Purchases/advances/deposits	**27.1**	**418.9**	**–**	**511.7**	**211.1**	**173.0**	**(1.0)**	**5.0**	**(1.4)**
Transfers from Level 2	**–**	**62.2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Sales/redemptions/payments	**–**	**(29.4)**	**–**	**(380.9)**	**(8.7)**	**(68.2)**	**14.0**	**–**	**212.2**
Disposal of a portfolio of LTMs[1]	**–**	**–**	**–**	**(600.8)**	**–**	**–**	**–**	**–**	**–**
Realised gains and losses recognised in profit or loss within net investment income	**(0.2)**	**(0.2)**	**–**	**111.6**	**–**	**–**	**–**	**–**	**–**
Unrealised gains and losses recognised in profit or loss within net investment income	**0.3**	**80.6**	**(0.4)**	**356.3**	**9.3**	**69.1**	**–**	**(8.3)**	**(125.3)**
Interest accrued	**–**	**(4.5)**	**–**	**282.7**	**0.8**	**1.3**	**–**	**–**	**(82.8)**
Change in fair value of liabilities recognised in profit or loss	**–**	**–**	**–**	**–**	**–**	**–**	**(1.8)**	**–**	**–**
At 31 December 2020	**139.0**	**1,256.8**	**3.6**	**8,261.1**	**707.0**	**1,011.1**	**(42.8)**	**(3.3)**	**(2,415.0)**

1 In December 2020 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £600.8m. The transaction is part of the Group's strategy to reduce exposure and sensitivity of the balance sheet to the UK property market following changes in the regulatory environment in 2018.

2 Includes £945.0m of infrastructure loans (2019: £787.3m)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 FAIR VALUE continued

Year ended 31 December 2019	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 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.

For Level 1 and Level 2 assets measured at fair value, unrealised gains during the year were gains of £23.2m and £241.1m respectively (2019: gains of £15.7m and £284.8m 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. There have not been any significant impacts to these investments in relation to COVID-19.

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% (2019: 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 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:

Investment funds net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2020	**(4.9)**
2019	(3.9)

Debt securities and other fixed income securities

Debt securities classified as Level 3 are infrastructure private placement bonds and asset-backed securities. Such securities are valued using discounted cash flow analyses. The impact of COVID-19 has been taken into account in the assessment of the future cash flows default risk at 31 December 2020. Due to the nature of these assets and the sectors in which they operate, being primarily utilities and universities sectors, the Group has assessed that there is no significant impact from COVID-19 on the valuation at 31 December 2020.

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.

17 FAIR VALUE continued

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
2020	**(109.2)**
2019	(52.5)

Derivative financial assets and liabilities

Derivative financial assets and liabilities classified as Level 3 are the put options on property index (also referred to as no-negative equity guarantee ("NNEG") hedges). The value of each NNEG hedge is made up of premiums payable to the counterparty less expected claims back from the option where losses are made. The expected claims are calculated through the Black-Scholes framework, with parameters set such that at outset the fair value of the NNEG hedge is zero.

Principal assumptions underlying the calculation of the derivative financial assets and liabilities 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 and liabilities. The Group has assessed the possible impact of COVID-19 restrictions and economic uncertainty on current property assumptions, and has retained its existing property valuation assumptions at 31 December 2020. Details of the matters considered in relation to property assumptions at 31 December 2020 are noted in the section on Loans secured by residential mortgages further below. The impact on derivative financial assets and liabilities from changes to property assumptions are noted in the sensitivity analysis below.

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 and liabilities. The Group has estimated the impact on fair value to changes to these inputs as follows:

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%
Derivative financial assets				
2020	**(6.5)**	**24.0**	**24.1**	**10.2**
2019	(1.9)	5.9	6.4	2.2
Derivative financial liabilities				
2020	**(1.8)**	**6.3**	**6.8**	**2.8**
2019	n/a	n/a	n/a	n/a

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 regard 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.

Cash flow models are used in the absence of a deep and liquid market for loans secured by residential mortgages. The sale of the portfolio of LTMs represents a single market price but this is insufficient to affect the judgement of the appropriateness of the methodology and assumptions used by the cash flow approach for individual loans.

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 items set out below. 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 23(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 3.6% (2019: 3.9%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 FAIR VALUE continued

Mortality

Mortality assumptions have been derived with reference to England & Wales population mortality using the CMI 2017 data set and model mortality tables for base table rates and improvements for years up to 2019 and CMI 2019 for mortality improvements for calendar year 2020 onwards (2019: 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. The Group has considered the possible impact of the COVID-19 pandemic on its mortality assumptions, but has kept these unchanged at 31 December 2020 save for the change in underlying reference tables to CMI 2019. Further details of the matters considered in relation to mortality assumptions at 31 December 2020 are set out in note 23(b).

Property prices

The COVID-19 pandemic has had a very significant impact on the UK economy during 2020, and has created uncertainty in the UK property market, which was effectively closed to transactions through a period in quarters one and two of the year.

The Group's policy is to calculate the value of a property by taking the latest valuation and indexing this value using the Office for National Statistics ("ONS") monthly index for the property's location. As a result of COVID-19, the publication of these indices was temporarily suspended in the early part of 2020. However, this was resumed in the second half of 2020 such that the approach in place at 31 December 2020 is unchanged from previous periods.

In addition, the Group applies adjustments to allow for potential underperformance of individual properties relative to the indexed valuation.

The appropriateness of this valuation basis is regularly tested on the event of redemption of mortgages. The sensitivity of loans secured by mortgages to a fall in property prices is included in the table of sensitivities below.

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 consumer price inflation, "CPI", plus an allowance for the expectation of house price growth above CPI (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 3.3% (2019: 3.8%), with a volatility assumption of 13% per annum (2019: 13%). The setting 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. As noted above, the Group has considered the uncertainties in relation to the property market as a result of the COVID-19 pandemic. The impact of the pandemic on long-term property prices is uncertain at the current time without consensus that the pandemic will alter the long-term prospects of the housing market. However, in light of the additional short-term uncertainty introduced and having considered the available benchmarking data available over 2020, the Group has reduced its future house price growth assumption by 0.5% at 31 December 2020 compared to previous periods. The property volatility assumption has been maintained at the same level as assumed at 31 December 2019. The sensitivity of loans secured by mortgages to changes in future property price growth, and to future property price volatility, are included in the table of sensitivities below.

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 in JRL (2019: 0.5% and 4.1%) and between 0.6% and 6.8% for loans in PLACL (2019: 0.6% and 6.8%). No changes are assumed with regard to the COVID-19 experience.

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 average liquidity premium for loans held within JRL is 2.87% (2019: 2.85%) and for loans held within PLACL is 3.20% (2019: 3.21%). The movement over the period observed in JRL is driven by new loan originations more than offsetting the sold portfolio, both 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
2020	**(5.9)**	**34.3**	**15.6**	**(136.1)**	**(103.7)**	**(64.5)**	**(13.2)**	**(93.1)**
2019	(6.6)	28.7	14.0	(110.4)	(86.6)	(57.7)	(11.7)	(91.5)

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 be noted that some of these sensitivities are non-linear and larger or smaller impacts should not be simply interpolated or extrapolated from these results. For example, the impact from a 5% fall in property prices would be slightly less than half of that disclosed in the table above.

17 FAIR VALUE continued

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 rate used to determine liabilities. For these sensitivities, the impact on the value of insurance liabilities and hence profit before tax is included in note 23(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

Loans secured by commercial mortgages are valued using discounted cash flow analysis using assumptions based on the repayment of the underlying loan.

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 derived from the assumptions for the Group's bond portfolio. The impact of COVID-19 on the timing of future cash flows, and on expected defaults, has been taken into account in the calculation of fair value at 31 December 2020, with no significant impacts noted to fair values.

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 sensitivity of the valuation of commercial mortgages to changes in interest rates is determined by reference to the movement in credit spreads. 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)	Credit spreads +100bps
2020	**(52.9)**
2019	(22.9)

Other loans

Other loans classified as Level 3 are infrastructure loans and commodity trade finance loans. These are valued using discounted cash flow analyses.

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. Due to the nature of these assets and the sectors in which they operate, being primarily local authorities, renewable energy generation and housing associations sectors, the Group has assessed that there is no significant impact from COVID-19 on the valuation at 31 December 2020.

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
2020	**(91.5)**
2019	(75.7)

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

Principal assumptions underlying the calculation of investment contract liabilities

Valuation discount rates

The valuation model discounts the expected future cash flows using a contractual discount rate derived from the assets hypothecated to back the liabilities. The discount rate used for the fixed term annuity product treated as investment business is 2.34% (2019: 3.01%).

Sensitivity analysis

The sensitivity of fair value to changes in the discount rate assumptions in respect of investment contract liabilities is not material.

Deposits received from reinsurers

Deposits from reinsurers which have been unbundled from their reinsurance contract and recognised at fair value through profit or loss 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 2.21% and 0.06% respectively (2019: 2.89% and 0.92% respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 FAIR VALUE continued

Credit spreads

The valuation of deposits received from reinsurers includes a credit spread derived from the assets hypothecated to back these liabilities. A credit spread of 205bps (2019: 181ps) 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 27 (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
2020	**(80.1)**	**(218.6)**
2019	(81.2)	(200.9)

18 DEFERRED TAX

	2020			2019		
	Asset £m	**Liability £m**	**Total £m**	Asset £m	Liability £m	Total £m
Transitional tax	**–**	**(4.2)**	**(4.2)**	–	(6.0)	(6.0)
Intangible assets	**–**	**(17.8)**	**(17.8)**	–	(19.0)	(19.0)
Land and buildings	**–**	**(0.8)**	**(0.8)**	–	(0.9)	(0.9)
Other provisions	**11.5**	**–**	**11.5**	11.5	(0.4)	11.1
Total deferred tax	**11.5**	**(22.8)**	**(11.3)**	11.5	(26.3)	(14.8)

The transitional tax liability of £4.2m (2019: £6.0m) 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 2020 £m	Year ended 31 December 2019 £m
Net balance at 1 January	**(14.8)**	(13.6)
Recognised in profit or loss	**3.4**	(1.2)
Recognised in other comprehensive income	**0.1**	–
Net balance at 31 December	**(11.3)**	(14.8)

The Group has unrecognised deferred tax assets of £5.3m (2019: £3.9m).

19 INSURANCE AND OTHER RECEIVABLES

	2020 £m	2019 £m
Receivables arising from insurance and reinsurance contracts	**21.0**	11.1
Finance lease receivables	**3.8**	2.7
Other receivables	**7.2**	11.7
Total insurance and other receivables	**32.0**	25.5

Finance lease receivables are due as follows:

	2020 £m	2019 £m
Less than one year	**1.6**	0.8
Between one and two years	**1.6**	0.8
Between two and three years	**0.7**	0.8
Between three and four years	**–**	0.4
Total undiscounted lease payments receivable	**3.9**	2.8
Unearned finance income	**(0.1)**	(0.1)
Net investment in leases	**3.8**	2.7

Other than finance lease receivables, insurance and other receivables of £nil (2019: £nil) are expected to be recovered more than one year after the Consolidated statement of financial position date.

20 CASH AND CASH EQUIVALENTS

	2020 £m	2019 £m
Cash available on demand	**1,496.3**	267.0
Units in liquidity funds	**1,128.5**	1,384.0
Cash and cash equivalents in the Consolidated statement of cash flows	**2,624.8**	1,651.0

21 SHARE CAPITAL

The allotted and issued ordinary share capital of the Group at 31 December 2020 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2020	**1,035,081,664**	**103.5**	**94.5**	**597.1**	**795.1**
Shares issued in respect of employee share schemes	**3,046,892**	**0.3**	**–**	**–**	**0.3**
At 31 December 2020	**1,038,128,556**	**103.8**	**94.5**	**597.1**	**795.4**
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

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.

22 TIER 1 NOTES

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
At 1 January	**294.0**	–
Issued in the period	**–**	300.0
Issue costs, net of tax	**–**	(6.0)
At 31 December	**294.0**	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 £28.1m (2019: £16.8m) was paid to noteholders.

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.

23 INSURANCE CONTRACTS AND RELATED REINSURANCE

Insurance liabilities

	2020 £m	2019 £m
Gross insurance liabilities	**21,118.4**	19,003.7
Net reinsurance assets	**(2,865.5)**	(3,732.0)
Net insurance liabilities	**18,252.9**	15,271.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

(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.

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 explained below. This includes any areas sensitive to COVID-19 effects or other economic downturn.

Mortality assumptions

The impact of the COVID-19 pandemic on UK mortality has been significant, and the understanding of excess deaths continues to develop as more data becomes available and is analysed.

The Group experienced mortality levels in 2020 which were around 10% higher than expected. This was broadly in line with the wider UK experience (adjusted for the demographic profile of our customers relative to the population as a whole) and primarily reflects the impact of COVID-19. This contributed to the £21.7m of positive mortality experience variance for GIfL, Care and DB reported in 2020, which was partly offset by the negative mortality experience variance for LTM business.

The total number of registered deaths in the UK in January and February 2021 has been much higher than normal for the time of year. However, we note that the weekly total has reduced significantly in recent weeks and the number of non-COVID deaths has remained relatively low despite the drop in COVID deaths. At this stage, there is considerable uncertainty as to the degree to which mortality rates might exceed current expectations over the course of 2021. The scale of the variance will depend on factors such as the effectiveness of the vaccine programme and the potential emergence of new variants. However, the experience variance noted for 2020 is a reference point for the potential impact of elevated mortality experience in the short-term.

The Group considers that it is still too early to judge the longer-term impact of COVID-19 on mortality and therefore no explicit allowance for the pandemic has been included in future mortality assumptions as at 31 December 2020. The Group will continue to follow closely the actual and potential future impact of COVID-19 on mortality as further information becomes available, and will review its mortality assumptions should credible evidence emerge. In particular, the Group continues to analyse possible direct and indirect impacts of the pandemic, including the possibility there will be enduring influences on the longevity of customers.

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.

	2020	2019
Individually underwritten Guaranteed Income for Life Solutions (JRL)	**Modified E&W Population mortality, with CMI 2019 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 CMI 2019 model mortality improvements**	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements
Defined Benefit (JRL)	**Modified E&W Population mortality, with CMI 2019 model mortality improvements for standard underwritten business; Reinsurer supplied tables underpinned by the Self-Administered Pension Scheme ("SAPS") S1 tables, with modified 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 modified CMI 2009 model mortality improvements for medically underwritten business
Defined Benefit (PLACL)	**Modified E&W Population mortality, with CMI 2019 model mortality improvements**	Modified E&W Population mortality, with modified CMI 2017 model mortality improvements

23 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

	2020	2019
Care Plans and other annuity products (PLACL)	**Modified PCMA/PCFA and with CMI 2019 model mortality improvements for Care Plans; Modified PCMA/PCFA or modified E&W Population mortality with CMI 2019 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

All references to the use of the CMI 2019 model relate to improvements for calendar year 2020 onwards. The modified CMI 2017 model has been used to derive base mortality rates and improvements for years up to and including 2019.

The long-term improvement rates in the CMI 2019 model are 2.0% for males and 1.75% for females (2019: 2.0% for males and 1.75% for females). The period smoothing parameter in the modified CMI 2019 model has been set to 7.00 (2019: 7.25). The addition to initial rates ('A') parameter in the model varies between 0% and 0.25% depending on product (2019: n/a). All other CMI model parameters are the defaults (2019: other parameters set to defaults). For 31 December 2020, full mortality improvements have been applied to all components of the mortality basis for Merica GIfL business in JRL. Previously a proportion of full improvements was applied to excess mortality. This strengthening of the assumption ensures the application of improvements for Merica is aligned with the approach more generally used for other products.

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 17 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, loans secured by commercial mortgages, and other loans based on an expectation of default experience of each asset class and application of a prudent loading. Allowances vary by asset category and by rating. Economic uncertainty surrounding COVID-19 increases the risk of credit defaults. Our underlying default methodology allows for the impact of credit rating downgrades and spread widening and hence we have maintained the same methodology at 31 December 2020. The considerations around COVID-19 for property prices affecting the NNEG and corresponding changed to assumption for the valuation discount rate are as described in note 17.

Valuation discount rates – gross liabilities	2020 %	2019 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	**2.34**	3.01
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	**2.21**	2.89
Defined Benefit (JRL)	**2.34**	3.01
Defined Benefit (PLACL)	**2.21**	2.89
Other annuity products (PLACL)	**0.06**	0.92
Term and whole of life products (PLACL)	**0.28**	0.98

The overall reduction in yield to allow for the risk of defaults from all non-LTM assets (to include gilts, corporate bonds, infrastructure loans, private placements and commercial mortgages) and NNEG from LTMs was a reduction in yield of 69bps in JRL and 65bps in PLACL (2019: 58bps and 60bps respectively).

Future expenses
Assumptions for future policy expense levels are determined from the Group's recent expense analyses. The JRL GIfL maintenance expense assumption used at 31 December 2020 was £28.58 per plan (2019: £28.50), whilst the JRL DB maintenance assumption used at 31 December 2020 was £111.64 per scheme member (2019: £112.71). The PLACL GIfL maintenance expense assumption used at 31 December 2020 was £32.70 per plan (2019: £28.50), whilst the PLACL DB maintenance assumption used at 31 December 2020 was £220.70 per scheme member (2019: £175.40). The assumed future policy expense levels incorporate an annual inflation rate allowance of 3.85% (2019: 4.4%) derived from the expected retail price and consumer price indices implied by inflation swap rates and an additional allowance for earnings inflation. The assumption change includes the revision to the proportions assumed to increase at each RPI, CPI and earnings and reduction in the prudent margin applied.

(c) Movements
The following movements have occurred in the insurance contract balances for Retirement Income products during the year.

Year ended 31 December 2020	Gross £m	Reinsurance £m	Net £m
At 1 January 2020	**19,003.7**	**(3,732.0)**	**15,271.7**
Increase in liability from premiums	**1,803.0**	**14.1**	**1,817.1**
Release of liability due to recorded claims	**(1,397.5)**	**323.9**	**(1,073.6)**
Unwinding of discount	**565.6**	**(103.0)**	**462.6**
Changes in economic assumptions	**1,360.3**	**(252.8)**	**1,107.5**
Changes in non-economic assumptions	**(142.2)**	**96.9**	**(45.3)**
Other movements[1]	**(74.5)**	**787.4**	**712.9**
At 31 December 2020	**21,118.4**	**(2,865.5)**	**18,252.9**

1 Includes the impact of reinsurance recapture (see note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

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

1 Includes the impact of reinsurance recapture (see note 29).

Reinsurance in the tables above is the net position of reinsurance assets and reinsurance liabilities. There is no impact on the analysis above of the restatement of reinsurance asset and reinsurance liability comparatives discussed in note 2.

Effect of changes in assumptions and estimates during the year

Economic assumption changes

The principal economic assumption changes impacting the movement in insurance liabilities during the year relates to discount rates and inflation 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 arising on backing assets held over the course of the year. This includes the effect of the reduced property growth rate assumed for lifetime mortgages. The movement of the discount rate includes purchases to support new business and trading for risk management purposes. For the year to 31 December 2020, the contribution from the decrease in discount rate of £1,189m was largely due to falls in the risk free rate and changes to the backing asset portfolio including the lifetime mortgage portfolio sale.

Inflation

Insurance liabilities for inflation-linked products, most notably Defined Benefit business and expenses on all products are impacted by changes in future expectations of RPI, CPI and earnings inflation. For the year to 31 December the contribution was £(81)m from changes in market-implied inflation. A fall in inflation reduces the carrying value of the Group's insurance liabilities.

Non-economic assumption changes

The principal non-economic assumption changes impacting the movement in insurance liabilities during the year relate to mortality and maintenance expenses assumptions for both JRL and PLACL. Note that impacts quoted below relate specifically to the liability cash flow impact of these changes; any resulting change to the discount rate is captured above.

Mortality

The mortality bases applied are outlined above in note 23(b). For the year to 31 December 2020, this resulted in a net reduction in insurance liabilities of £(27)m. A decrease in future expectations of longevity reduces the carrying value of the Group's insurance liabilities.

Maintenance expenses and inflation methodology

This item primarily includes a reduction in the expense inflation arising from the changes to the calculation method of expense inflation, which included a reduction in the margin over the best estimate. For the year to 31 December 2020 this resulted in a net reduction in insurance liabilities of £(19)m. A decrease in maintenance expense assumptions decreases the carrying value of the Group's insurance liabilities.

(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)					
2020	**Within 1 year £m**	**1-5 years £m**	**5-10 years £m**	**Over 10 years £m**	**Total £m**	**Carrying value (discounted) £m**
Gross	**1,356.5**	**5,139.3**	**5,893.8**	**15,250.4**	**27,640.0**	**21,118.4**
Reinsurance	**(211.6)**	**(766.6)**	**(818.8)**	**(1,815.6)**	**(3,612.6)**	**(2,865.5)**
Net	**1,144.9**	**4,372.7**	**5,075.0**	**13,434.8**	**24,027.4**	**18,252.9**

	Expected cash flows (undiscounted)					
2019	Within 1 year £m	1-5 years £m	5-10 years £m	Over 10 years £m	Total £m	Carrying value (discounted) £m
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

23 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

(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 17. 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 necessarily be interpolated or extrapolated from these results. The extent of non-linearity grows as the severity of any sensitivity is increased. For example, in the specific scenario of property price falls, the impact on IFRS profit before tax from a 5% fall in property prices would be slightly less than half of that disclosed in the table below. Furthermore, in the specific scenario of a mortality reduction, a smaller fall than disclosed in the table below or a similar increase in mortality may be expected to result in broadly linear impacts. However, it becomes less appropriate to extrapolate the expected impact for more severe scenarios. 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
2020	Assets	**(2,471.3)**	**2,955.9**	**(5.9)**	**35.3**	**15.6**	**(105.8)**	**(72.8)**	**(51.5)**	**(14.5)**	**–**
	Liabilities	**1,974.6**	**(2,369.9)**	**(50.5)**	**(149.6)**	**(109.4)**	**(88.0)**	**(83.8)**	**(43.9)**	**(83.8)**	**(150.6)**
	Total	**(496.7)**	**586.0**	**(56.4)**	**(114.3)**	**(93.8)**	**(193.8)**	**(156.6)**	**(95.4)**	**(98.3)**	**(150.6)**
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)

24 INVESTMENT CONTRACT LIABILITIES

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
At 1 January	**54.0**	197.8
Deposits received from policyholders	**1.0**	26.7
Payments made to policyholders	**(14.0)**	(78.3)
Change in contract liabilities recognised in profit or loss	**1.8**	(92.2)
At 31 December	**42.8**	54.0

During 2019 the Group closed its Flexible Pension Plan product to new business and completed the transfer of the business to an external provider.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24 INVESTMENT CONTRACT LIABILITIES continued

(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 17 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.

Valuation discount rates	**2020 %**	2019 %
Investment contracts	**2.34**	3.01

25 LOANS AND BORROWINGS

	Carrying value		Fair value	
	2020 %	2019 %	**2020 %**	2019 %
£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	**–**	67.2
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	**249.1**	248.9	**260.0**	255.8
£125m 8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Group plc	**121.8**	121.4	**127.0**	127.5
£250m 7.0% 10.5 year subordinated debt 2013 non-callable 5.5 years (Green Tier 2) issued by Just Group plc	**248.2**	–	**253.9**	–
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	**154.4**	229.0	**161.1**	239.7
Total loans and borrowings	**773.5**	660.0	**802.0**	690.2

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 arrears. The proceeds of the issue have been used to refinance the £100m 9.5% Partnership Life Assurance Company Limited subordinated notes due 2025 ("PLACL notes"), a proportion of which were tendered for and subsequently cancelled in October 2019, the remainder being called at the first call option date in March 2020.

On 15 October 2020, the Group completed the issue of £250m Green Tier 2 capital via a 7.0% sterling denominated BBB rated 10.5 year, non-callable 5.5 year bonds issue, interest payable semi-annually in arrears. The bonds have a reset date of 15 April 2026 with optional redemption any time from 15 October 2025 up to the reset date. The proceeds of the issue have been used in part to finance the purchase of £75m of the £230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by the Group in 2018.

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 2020 £m	Year ended 31 December 2019 £m
At 1 January	**660.0**	573.4
Proceeds from issue of Just Group plc Tier 2 subordinated debt	**250.0**	125.0
Issue costs	**(1.9)**	(3.6)
Repayment of Partnership Life Assurance Company Limited Tier 2 subordinated debt	**(62.5)**	(37.5)
Repayment of Just Group plc Tier 3 subordinated debt	**(75.0)**	–
Financing cash flows	**110.6**	83.9
Amortisation of issue costs	**2.9**	2.7
Non-cash movements	**2.9**	2.7
At 31 December	**773.5**	660.0

26 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 2020 £m	Year ended 31 December 2019 £m
At 1 January	**12.4**	–
Recognition of lease liabilities on initial application of IFRS 16	**–**	9.6
Lease payments	**(4.3)**	(3.1)
Financing cash flows	**(4.3)**	(3.1)
New lease	**–**	5.6
Disposal	**(1.5)**	–
Interest	**0.2**	0.3
Non-cash movements	**(1.3)**	5.9
At 31 December	**6.8**	12.4

Lease liabilities are payable as follows:

	Future minimum lease payments £m	Interest £m	Present value of minimum lease payments £m
At 31 December 2020			
Less than one year	**3.4**	**(0.1)**	**3.3**
Between one and five years	**3.6**	**(0.1)**	**3.5**
Total	**7.0**	**(0.2)**	**6.8**
At 31 December 2019			
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

27 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	**2020 £m**	2019 £m
Fair value through profit or loss			
Derivative financial liabilities	(a)	**512.7**	248.4
Obligations for repayment of cash collateral received	(a)	**377.4**	62.8
Deposits received from reinsurers	(b)	**2,415.0**	2,417.7
Liabilities measured using insurance rules under IFRS 4			
Deposits received from reinsurers	(b)	**–**	772.6
Reinsurance finance	(c)	**–**	14.5
Reinsurance funds withheld	(d)	**–**	162.9
Total other liabilities		**3,305.1**	3,678.9

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 £2,213.4m (2019: £3,068.0m).

(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 either unbundled from their reinsurance contract and recognised at fair value through profit or loss in accordance with IAS 39, Financial instruments: measurement and recognition; or they are recognised in accordance with IFRS 4, Insurance contracts. All 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. During the year the Group recaptured all of the business recognised in accordance with IFRS 4 resulting in a nil balance at the end of the year (see note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27 OTHER FINANCIAL LIABILITIES continued

(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. During the year the Group repaid all of the outstanding loan obligation under the reinsurance financing arrangements (see note 29).

(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. During the year the Group recaptured all of the business reinsured on a funds withheld basis resulting in a nil balance at the end of the year (see note 29).

28 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.

	2020			2019		
Derivatives	**Asset fair value £m**	**Liability fair value £m**	**Notional amount £m**	Asset fair value £m	Liability fair value £m	Notional amount £m
Foreign currency swaps	**267.7**	**194.5**	**4,557.5**	54.8	96.3	2,035.1
Interest rate swaps	**484.3**	**76.8**	**6,798.5**	157.3	30.7	3,644.8
Inflation swaps	**25.6**	**228.2**	**3,238.4**	10.7	120.6	2,165.8
Forward swaps	**8.9**	**0.1**	**93.8**	10.1	0.8	612.4
Put option on property index (NNEG hedge)	**3.6**	**3.3**	**730.0**	4.0	–	80.0
Total return swaps	**9.9**	**9.8**	**–**	0.1	–	66.9
Total	**800.0**	**512.7**	**15,418.2**	237.0	248.4	8,605.0

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 2020, the Company had pledged collateral of £97.8m (2019: £103.1m) of which £nil were gilts and European Investment Bank bonds (2019: £nil) and had received cash collateral of £377.4m (2019: £62.8m).

Amounts recognised in profit or loss in respect of derivative financial instruments are as follows:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Movement in fair value of derivative instruments	**298.7**	85.2
Realised losses on interest rate swaps closed	**29.0**	44.7
Total amounts recognised in profit or loss	**327.7**	129.9

29 REINSURANCE

The Group uses reinsurance as an integral part of its risk and capital management activities. New business is reinsured via longevity swap arrangements for DB small schemes and GIfL business and quota share for DB partnering business, as follows:

- DB was reinsured at 75% for underwritten schemes, and 90% for non-underwritten schemes during 2020. From 1 January to 30 June 2019, DB was initially reinsured at 55% for underwritten schemes, and 75% for non-underwritten schemes and was part of a subsequent increase in reinsurance on 1 July 2019, as detailed below. From 1 July 2019 the DB reinsurance share for new business was increased to 75% for underwritten schemes, and 90% for non-underwritten schemes.
- DB partnering: The Group completed its first DB partnering transaction during 2020 which was 100% reinsured.
- GIfL was reinsured at 90% during 2020. New business in 2019 was reinsured at 75% but was part of a subsequent increase in reinsurance on 30 June 2020, as detailed below.
- Care new business was not reinsured in 2020 or 2019.

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. During 2020 the Group increased the reinsurance on certain JRL GIfL business written between 1 January 2016 and 31 December 2019 from 75% to 100%. The increased cover was effective from 30 June 2020. In 2019 the Group increased the reinsurance on JRL DB in-force business 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 retained 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 27(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 made additional repayments so as to fully repay all financing loans and trigger the recapture of all remaining financing treaties. In aggregate, recaptures during the year (including those occurring as a result of these additional repayments) resulted in a decrease of reinsurance assets of £940.0m and a reduction of equal amount in the deposits received from reinsurers recognised within other financial liabilities.

29 REINSURANCE continued

In addition to the deposits received from reinsurers recognised within other financial liabilities (see note 27(b)), certain reinsurance arrangements 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.
- The Group has an agreement with one reinsurer whereby assets equal to the reinsurers full obligation under the treaty are either deposited into a ringfenced collateral account if corporate bonds or held under a funds withheld structure if Lifetime Mortgages. The latter are legally and physically held by 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 returns on the assets are paid to reinsurers. Consequently, the lifetime mortgages are not recognised as assets of the Group and the investment income they produce does not accrue to the Group. The reinsurer also deposits cash into a bank account held legally by the Group to fund future lifetime mortgages but as this cash is ringfenced for issued lifetime mortgage quotes agreed by the reinsurer, it is also not recognised as an asset by the Group.

	2020 £m	2019 £m
Deposits managed by the Group	**249.0**	194.5
Deposits held in trust	**492.0**	283.4
Total deposits not included in the Consolidated statement of financial position	**741.0**	477.9

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 2020, this reserve totalled £3.6m (2019: £2.5m) and largely relates to the Hannover Re and Pacific Life Re reinsurance treaties in PLACL.

30 OTHER PROVISIONS

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
At 1 January	**1.8**	0.7
Amounts utilised	**(1.1)**	(1.7)
Amounts charged to profit and loss	**0.3**	2.8
At 31 December	**1.0**	1.8

The amount of provisions that is expected to be settled more than 12 months after the Consolidated statement of financial position date is £0.5m (2019: £1.2m).

31 INSURANCE AND OTHER PAYABLES

	2020 £m	2019 £m
Payables arising from insurance and reinsurance contracts	**24.6**	22.4
Other payables	**67.0**	50.2
Total insurance and other payables	**91.6**	72.6

Other payables includes unsettled investment purchases. Insurance and other payables due in more than one year are £nil (2019: £nil).

32 COMMITMENTS

Capital commitments

The Group had no capital commitments as at 31 December 2020 (2019: £nil).

33 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2020.

34 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

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.

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 strategy is to actively hedge the interest rate risk to which its Solvency II balance sheet is exposed; some exposure remains on an IFRS basis.

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.

2020	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	1,128.5	–	–	–	–	1,128.5
Investment funds	37.0	139.1	–	–	–	176.1
Debt securities and other fixed income securities	789.3	1,823.4	2,322.7	6,126.0	–	11,061.4
Deposits with credit institutions	99.7	–	–	–	–	99.7
Derivative financial assets	11.1	35.0	84.9	669.0	–	800.0
Loans secured by residential mortgages	–	–	–	–	8,261.1	8,261.1
Loans secured by commercial mortgages	36.0	270.5	221.2	179.3	–	707.0
Other loans	0.4	81.7	157.1	796.8	–	1,036.0
Total	**2,102.0**	**2,349.7**	**2,785.9**	**7,771.1**	**8,261.1**	**23,269.8**

34 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

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

A sensitivity analysis of the impact of interest rate movements on profit before tax is included in note 23(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. Further mitigation is through management of the volume of lifetime mortgages in the portfolio and the establishment of the NNEG hedges.

A sensitivity analysis of the impact of property price movements is included in note 17 and note 23(e). These notes also discuss the Group's consideration of the impact of COVID-19 on property assumptions at 31 December 2020.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34 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:

2020	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	–	1,123.2	–	–	–	5.3	–	1,128.5
Investment funds	–	–	–	–	–	–	176.1	176.1
Debt securities and other fixed income securities	205.6	838.8	1,519.3	3,030.5	5,124.4	342.8	–	11,061.4
Deposits with credit institutions	–	–	–	58.6	39.2	1.9	–	99.7
Derivative financial assets	–	–	–	594.2	205.8	–	–	800.0
Loans secured by residential mortgages	–	–	–	–	–	–	8,261.1	8,261.1
Loans secured by commercial mortgages	–	–	–	–	–	–	707.0	707.0
Other loans	–	87.2	125.8	176.0	509.4	58.4	79.2	1,036.0
Reinsurance	–	–	273.0	309.1	6.2	–	0.5	588.8
Insurance and other receivables	–	–	–	–	–	–	32.0	32.0
Total	205.6	2,049.2	1,918.1	4,168.4	5,885.0	408.4	9,255.9	23,890.6

2019	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
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

The credit rating for Cash and cash equivalents assets at 31 December 2020 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 the COVID-19 pandemic or 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.

34 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. Cash flow forecasts have been updated to take into account the possible impacts from COVID-19 on the Group's liquidity position and include assessing the impact of a 1 in 200 year event on the Group's liquidity. Updates to cash flow forecasting include amending projected inflows based on revised GIfL and DB volumes, reducing LTM volumes and redemptions, and increasing the minimum cash and cash equivalent levels to cover enhanced stresses. Derivative stresses have been revised to take into account the market volatility caused by COVID-19, and focus on the worst observed movements in shorter periods up to and including one month.

Market volatility in the second half of March 2020, in reaction to the developing COVID-19 pandemic situation in the UK, led to a significant temporary increase in the Group's collateral requirements, which have subsequently reversed. The Group experienced collateral calls for an additional c.£500m, which it was able to meet from existing available liquidity balances and facilities.

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:

2020	**Within one year or payable on demand £m**	**One to five years £m**	**More than five years £m**	**No fixed term £m**
Subordinated debt	**66.2**	**674.9**	**595.8**	**–**
Derivative financial liabilities	**53.3**	**189.0**	**1,408.6**	**–**
Obligations for repayment of cash collateral received	**377.4**	**–**	**–**	**–**
Deposits received from reinsurers	**201.7**	**712.0**	**2,073.3**	**–**
Reinsurance finance	**–**	**–**	**–**	**–**
Reinsurance funds withheld	**–**	**–**	**–**	**–**

2019	Within one year or payable on demand £m	One to five years £m	More than five years £m	No fixed term £m
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	–

35 CAPITAL

The net assets of the Group at 31 December 2020 on an IFRS basis were £2,490.4m (2019: £2,321.0m). 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. These include scenarios and shocks due to possible impacts from the COVID-19 pandemic. 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.

The Group has a significant investment in LTMs, in particular in JRL. The regulatory environment for LTMs has evolved since the adoption of Solvency II, primarily through the publication of SS3/17 "Solvency II: Equity Release Mortgages" in July 2017 (and subsequent revisions in December 2018, December 2019 and April 2020). SS3/17 introduced the Effective Value Test ("EVT"), 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 Matching Adjustment ("MA") for liabilities that are matched with restructured LTMs. In 2019 JRL updated the LTM note valuation and rating methodology and restructured the internal LTM securitisation to better meet the revised regulatory expectations. The restructure was effected on 31 December 2019. The internal securitisation was restructured at 31 December 2020 to remove the sold block of LTMs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35 CAPITAL continued

At 31 December 2020, Just passed the PRA EVT with a buffer (0.63%) (unaudited) (2019: 0.67%) over the current minimum deferment rate of zero (allowing for a volatility of 13%, in line with the requirement for the EVT). From 31 December 2021, when SS3/17 is fully phased-in, firms will be expected to meet the EVT with a deferment rate above 0%, as specified by the PRA and reviewed twice a year. The minimum deferment rate (to apply from 31 December 2021) was 0.5% at 31 December 2020 (as published by the PRA on 30 September 2020). As at the end of February, we estimate that Just passed the PRA EVT with a buffer of more than 1% (unaudited) over a deferment rate of zero. The increase in buffer from year end is driven by the increase in long-term rates since 31 December 2020. We note that the increase in real rates could lead the PRA to increase the minimum deferment rate when it is reviewed. JRL received PRA approval for an updated MA application in December 2020. The updated approval captures changes since our original application in 2015 and provides greater flexibility to invest a wider range of asset classes going forward.

The Group is exploring ways to reduce its exposure to UK residential property risk, with hedging transactions and a sale of a portfolio of LTMs completed during 2020 and further action anticipated in the future.

There are remaining areas of uncertainty that could impact the capital position of the Firm:
- The PRA has published PS 14/20 and SS 1/20 which confirms their expectations of firms' compliance to the Prudent Person Principle with regard to managing investment risk. The proposals took effect on 27 May 2020. The Group has reviewed and is further enhancing its investment strategy, including taking steps to reduce exposure to property risk through LTMs.
- The minimum deferment rate within the EVT, published by the PRA, could increase from 0.5%. The PRA reviews the minimum deferment rate every six months and publishes the result of the review in March and September. Increasing JRL's deferment rate by 0.5% would lead to a c.6 percentage point (unaudited) reduction in the solvency coverage ratio.
- JRL is preparing a major model change application for updates to its internal model. We plan to submit this to the PRA for approval in 2021. The purpose of model change is to ensure that the capital requirement produced from the model remains appropriate for the risk profile of the business and is in line with latest regulatory expectations and emerging best practice. At this stage, we do not expect that the internal model change will have a significant impact on the capital requirement. However, we note there is uncertainty on the final outcome. In particular, the approach to assessing the EVT in stress, as required from 31 December 2021, and agreeing appropriate treatment of NNEG risk transfer transactions remain uncertain.
- The PRA issued CP 1/21 – Solvency II: Deep, liquid and transparent assessments, and GBP transition to SONIA, on 7 January 2021. This proposes that the change in the reference rate used for valuing liabilities, from LIBOR to SONIA, is implemented on 31 July 2021. Any difference between the risk-free curves on this date will have an impact on Excess Own Funds.
- The PRA published a Dear Chief Actuary letter in February 2021 setting out the application of the EVT, in particular setting expectations of current balance sheet values of property and allowance for other risks. The recommendations should be incorporated by 31 December 2021.

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.

The Group has completed a number of actions in relation to capital during the year:
- Continued reduction in new business strain through a planned reduction in new business volumes, re-pricing and cost reductions.
- Launch of DB partner business which is much less capital intensive.
- Completion of additional reinsurance of existing GIfL business to release risk margin and SCR in respect of that business, and to increase resilience to future variations in longevity experience.
- Completion of the second and third NNEG hedges in March and December 2020 and a sale of £540m of LTMs to increase the firm's resilience to adverse property market events.
- Increased interest rate hedging early in 2020, helping to protect the Group from the adverse impact of falling interest rates, particularly the impact on the value of MA derived from LTMs given the EVT's sensitivity to nominal interest rates.
- In October 2020, the Group raised £175m of net new capital, through the issue of £250m 7% Tier 2 loan notes (before issue costs) and tender for £75m of its existing £230m 3.5% Tier 3 loan notes.

The Group has planned actions to improve the resilience of the balance sheet. These include:
- On-going cost savings with a target to eliminate expense overruns by the end of 2021.
- Further NNEG hedging transactions and continuing review of opportunities to dispose of blocks of LTMs, aligned to the strategy to increase the resilience of the Solvency II balance sheet to property risk.
- Additional reinsurance or longevity swaps on the Group's existing book of GIfL business.
- New business strain could be further reduced by limiting 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.

The Board recognises that the successful implementation of some of these potential or planned actions are not wholly within the control of the Group.

In June 2020, the Government announced that it would review certain features of Solvency II. The review will ensure that Solvency II properly reflects the specific features of the UK insurance sector. The call for evidence to support the review, issued by HM Treasury in October 2020, states that "The Government intends to work with the PRA to reform the risk margin. Reform could reduce the volatility and pro-cyclicality of insurance firms' balance sheets". The PRA has indicated that the risk margin is too sensitive to interest rates and higher than needed in the current interest rate environment (letter from Sam Woods to the Chair of the Treasury Committee, June 2018, reiterated in Anna Sweeney's speech given at the Westminster Business Forum, February 2021). Any reduction in magnitude or volatility in the risk margin would be expected to support the Group's capital position. The Group's risk margin was £846m (unaudited) at 31 December 2020, of which £762m (unaudited) is backed by TMTP.

Further information on the matters considered by the Directors at 31 December 2020 in relation to capital and going concern is included in note 1.1, Basis of preparation.

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 ensure that in all reasonable foreseeable circumstances, the Group is able to fulfil its commitment over the short term and long term to pay policyholders' benefits;
- 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.

35 CAPITAL continued

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 2020, which is unaudited, was as follows:

	Solvency Capital Requirement		Minimum Group Solvency Capital Requirement	
	2020[1] £m	2019[2] £m	**2020 £m**	2019 £m
Eligible Own Funds	**3,009**	2,562	**2,262**	1,928
Solvency Capital Requirement	**(1,938)**	(1,814)	**(476)**	(444)
Excess Own Funds	**1,071**	748	**1,786**	1,484
Solvency coverage ratio	**155%**	141%	**475%**	434%

1 Estimated regulatory position. These figures do not allow for any notional recalculation of TMTP as at 31 December 2020. The estimated solvency coverage ratio including a notional recalculation of TMTP as at 31 December 2020 is 156%.
2 As reported in the Group's Solvency and Financial Condition Report as at 31 December 2019.

36 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	Reigate	100%
Indirect subsidiary			
HUB Acquisitions Limited[1,5]	Holding company	Reigate	100%
HUB Financial Solutions Limited	Distribution	Reigate	100%
HUB Pension Solutions Limited	Software development	Belfast	100%
Just Re 1 Limited[5]	Investment activity	Reigate	100%
Just Re 2 Limited[5]	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	Reigate	100%
Partnership Holdings Limited	Holding company	Reigate	100%
Partnership Home Loans Limited	Provision of lifetime mortgage products	Reigate	100%
Partnership Life Assurance Company Limited	Life assurance	Reigate	100%
Partnership Life US Company	Management services	USA	100%
Partnership Services Limited[5]	Management services	Reigate	100%
The Open Market Annuity Service Limited[5]	Software solutions	Reigate	100%
TOMAS Online Development Limited[5]	Software development	Belfast	100%
Enhanced Retirement Limited	Dormant	Reigate	100%
HUB Digital Solutions Limited	Dormant	Reigate	100%
HUB Online Development Limited	Dormant	Belfast	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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

36 GROUP ENTITIES continued

	Principal activity	Registered office	Percentage of nominal share capital and voting rights held
Just Incorporated Limited	Dormant	Reigate	100%
Just Management Services (Proprietary) Limited	Dormant	South Africa	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%
PASPV Limited	Dormant	Reigate	100%
PayingForCare Limited	Dormant	Reigate	100%
PLACL RE 1 Limited	Dormant	Reigate	100%
PLACL RE 2 Limited	Dormant	Reigate	100%
TOMAS Acquisitions Limited	Dormant	Reigate	100%
Corinthian Group Limited	Holding company	Reigate	75%
HUB 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.

5 The financial statements of these subsidiary undertakings have not been audited for the year ended 31 December 2020. These subsidiary undertakings are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of Section 479A of the Companies Act 2006.

Registered offices

Reigate office:	Belfast office:	South Africa office:
Enterprise House	3rd Floor, Arena Building	Office G01, Big Bay Office Park
Bancroft Road	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 25 November 2020 the Parent Company invested in a cell of a Protected Cell Company, White Rock Insurance (Gibraltar) PCC Limited. Financial support provided by the Group is limited to amounts required to cover transactions between the cell and the Group. At 31 December 2020 the Group had provided £10m financial support in the form of a letter of credit.

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.

37 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 2020 £m	Year ended 31 December 2019 £m
Short-term employee benefits	**3.6**	2.2
Share-based payments	**1.2**	1.0
Total key management compensation	**4.8**	3.2
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.

38 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY
The Company is the ultimate Parent Company of the Group and has no controlling interest.

39 POST BALANCE SHEET EVENTS
There are no material post balance sheet events that have taken place between 31 December 2020 and the date of this report.

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2020

Year ended 31 December 2020	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 2020	**103.5**	**93.3**	**501.2**	**(6.0)**	**247.1**	**939.1**	**294.0**	**1,233.1**
Profit for the year	**–**	**–**	**–**	**–**	**89.1**	**89.1**	**–**	**89.1**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**89.1**	**89.1**	**–**	**89.1**
Contributions and distributions								
Shares issued	**0.3**	**–**	**–**	**–**	**–**	**0.3**	**–**	**0.3**
Dividends	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**
Interest paid on Tier 1 notes	**–**	**–**	**–**	**–**	**(28.1)**	**(28.1)**	**–**	**(28.1)**
Share-based payments	**–**	**–**	**–**	**0.6**	**6.1**	**6.7**	**–**	**6.7**
Transfer from merger reserve	**–**	**–**	**(13.7)**	**–**	**13.7**	**–**	**–**	**–**
Total contributions and distributions	**0.3**	**–**	**(13.7)**	**0.6**	**(8.4)**	**(21.2)**	**–**	**(21.2)**
At 31 December 2020	**103.8**	**93.3**	**487.5**	**(5.4)**	**327.8**	**1,007.0**	**294.0**	**1,301.0**

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

STATEMENT OF FINANCIAL POSITION OF THE COMPANY
AS AT 31 DECEMBER 2020

Company number: 08568957	Note	2020 £m	2019 £m
Assets			
Non-current assets			
Investments in Group undertakings	2	**1,024.7**	942.5
Loans to Group undertakings	3	**1,000.0**	825.0
		2,024.7	1,767.5
Current assets			
Financial investments	4	**45.0**	101.8
Prepayments and accrued income		**0.6**	1.1
Amounts due from Group undertakings		**15.7**	24.2
Cash and cash equivalents		**10.4**	4.4
		71.7	131.5
Total assets		**2,096.4**	1,899.0
Equity			
Share capital	5	**103.8**	103.5
Share premium	5	**93.3**	93.3
Merger reserve		**487.5**	501.2
Shares held by trusts		**(5.4)**	(6.0)
Accumulated profit		**327.8**	247.1
Total equity attributable to ordinary shareholders of Just Group plc		**1,007.0**	939.1
Tier 1 notes		**294.0**	294.0
Total equity		**1,301.0**	1,233.1
Liabilities			
Non-current liabilities			
Subordinated debt	6	**777.5**	602.3
		777.5	602.3
Current liabilities			
Financial liabilities	7	**–**	45.9
Other payables		**17.9**	17.7
		17.9	63.6
Total liabilities		**795.4**	665.9
Total equity and liabilities		**2,096.4**	1,899.0

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 profit arising in the year amounts to £89.1m (2019: loss of £96.3m).

The financial statements were approved by the Board of Directors on 15 March 2021 and were signed on its behalf by:

ANDY PARSONS
Director

STATEMENT OF CASH FLOWS OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Cash flows from operating activities		
Profit/(loss) before tax	**85.5**	(101.0)
Impairment of investments in Group undertakings	**13.7**	95.9
Share-based payments	**0.8**	(1.0)
Income from shares in and loans to Group undertakings	**(118.1)**	(14.1)
Interest income	**(48.1)**	(34.3)
Interest expense	**47.1**	35.5
Decrease in prepayments and accrued income	**0.1**	3.6
Decrease in other payables	**(73.9)**	(6.0)
Taxation paid	**6.4**	–
Net cash outflow from operating activities	**(86.5)**	(21.4)
Cash flows from investing activities		
Decrease in financial assets	**4.5**	70.3
Capital injections in subsidiaries	**(90.0)**	(90.0)
Loans to subsidiaries	**(175.0)**	(425.0)
Dividends received	**90.0**	–
Net cash outflow from investing activities	**(170.5)**	(444.7)
Cash flows from financing activities		
Issue of ordinary share capital (net of costs)	**0.3**	73.8
Proceeds from issue of Tier 1 notes (net of costs)	**–**	292.7
Increase in borrowings (net of costs)	**249.4**	124.5
Dividends paid	**(0.1)**	(0.2)
Coupon paid on Tier 1 notes	**–**	(2.8)
Net interest received/(paid) on borrowings	**2.6**	(3.0)
Net cash inflow from financing activities	**252.2**	485.0
Net increase/(decrease) in cash and cash equivalents	**(4.8)**	18.9
Cash and cash equivalents at start of year	**60.2**	41.3
Cash and cash equivalents at end of year	**55.4**	60.2
Cash available on demand	**10.4**	4.4
Units in liquidity funds	**45.0**	55.8
Cash and cash equivalents at end of year	**55.4**	60.2

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 accounting standards in conformity with the requirements of the Companies Act 2006. The accounting policies followed in the Company financial statements are the same as those in the consolidated accounts with the exception that the Company applies IFRS 9 in its separate financial statements. Values are expressed to the nearest £0.1m.

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 2020	**942.5**
Additions	**95.9**
Provision for impairment	**(13.7)**
At 31 December 2020	**1,024.7**
At 1 January 2019	943.3
Additions	95.1
Provision for impairment	(95.9)
At 31 December 2019	942.5

Details of the Company's investments in the ordinary shares of subsidiary undertakings are given in note 36 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 2020, the market capitalisation of the Group was less 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

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 2020. 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 2020 was £513m. 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 2020 was £474m. The recoverable amount was calculated as £460m. Accordingly, a provision for impairment of £14m in respect of the investment in PLACL has been recognised at 31 December 2020.

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 2020, an amount of £14m 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 11.7% for JRL and 9.3% 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 £132m and £36m 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 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 14 to the Group's consolidated financial statements). No impairment was required to the carrying value of the goodwill relating to JRL at 31 December 2020.

3 LOANS TO GROUP UNDERTAKINGS

	Loans to Group undertakings £m
At 1 January 2020	**825.0**
Additions	**175.0**
At 31 December 2020	**1,000.0**
At 1 January 2019	400.0
Additions	425.0
At 31 December 2019	825.0

Details of the Company's loans to Group undertakings are as follows:

	2020 £m	2019 £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**	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**	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**	25.0
8.2% 10 year subordinated debt 2030 (Tier 2) issued by Just Retirement Limited in May 2020	**100.0**	–
7.0% 10.5 year subordinated debt 2031 (Tier 2) issued by Just Retirement Limited in November 2020	**75.0**	–
8.125% 10 year subordinated debt 2029 (Tier 2) issued by Partnership Life Assurance Company Limited in October 2019	**100.0**	100.0
7.0% 10.5 year subordinated debt 2031 (Tier 2) issued by Partnership Life Assurance Company Limited in November 2020	**100.0**	–
3.519% 7 year subordinated debt 2025 (Tier 3) issued by Just Retirement Limited in May 2018	**–**	100.0
5.0% 7 year subordinated debt 2025 (Tier 3) issued by Just Retirement Limited in December 2018	**50.0**	50.0
Total	**1,000.0**	825.0

4 FINANCIAL INVESTMENTS

	Fair value		Cost	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Units in liquidity funds	**45.0**	55.8	**45.0**	55.8
Deposits with credit institutions	**–**	0.1	**–**	0.1
Derivative financial assets	**–**	45.9	**–**	–
Total	**45.0**	101.8	**45.0**	55.9

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 derivative financial assets, are all classified as Level 2. There have been no transfers between levels during the year.

5 SHARE CAPITAL

The allotted and issued ordinary share capital of the Company at 31 December 2020 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2020	**1,035,081,664**	**103.5**	**93.3**	**501.2**	**698.0**
Shares issued	**3,046,892**	**0.3**	**–**	**–**	**0.3**
Provision for impairment in investment in Group undertakings (see note 2)	**–**	**–**	**–**	**(13.7)**	**(13.7)**
At 31 December 2020	**1,038,128,556**	**103.8**	**93.3**	**487.5**	**684.6**
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

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.

6 SUBORDINATED DEBT

Details of the Company's subordinated debt are shown in note 25 to the Group financial statements.

7 FINANCIAL LIABILITIES

The Company had a cash flow swap derivative financial liability with subsidiary undertaking, Just Retirement Limited, which was closed out in 2020.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

8 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 2020 £m	Year ended 31 December 2019 £m
Staff costs, Directors' remuneration, operating expenses and management fees charged by Just Retirement Management Services Limited	**18.1**	15.9
Loan advances to Just Retirement Limited	**175.0**	275.0
Loan advances to Partnership Life Assurance Company Limited	**100.0**	150.0
Interest on loan balances charged to Just Retirement Limited	**58.3**	38.1
Interest on loan balances charged to Partnership Life Assurance Company Limited	**13.5**	3.9
Dividends from Partnership Assurance Group Limited	**90.0**	–

The following balances in respect of related parties were owed by the Company at the end of the year:

	2020 £m	2019 £m
Just Retirement Limited	**(0.2)**	(0.7)
Just Retirement Management Services Limited	**(4.6)**	(7.7)

The following balances in respect of related parties were owed to the Company at the end of the year:

	2020 £m	2019 £m
HUB Financial Solutions Limited	**0.3**	–
Just Retirement Group Holdings Limited	**0.1**	–
Partnership Life Assurance Company Limited	**0.7**	–
TOMAS Online Development Limited	**–**	0.1
Loan to Just Retirement Limited (including interest)	**759.2**	681.9
Loan to Partnership Life Assurance Company Limited (including interest)	**251.8**	151.6
Amounts owed for Group corporation tax	**3.6**	9.8

(b) Key management compensation

Key management personnel comprise the Directors of the Company.

Key management compensation is disclosed in note 37 to the Group financial statements.

ADDITIONAL FINANCIAL INFORMATION

The following additional financial information is unaudited.

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 2020 of £1,076m.

The core surplus generation assumes that future property growth is in line with the best estimate assumption of 3.8%. The cash flow amounts shown are before the interest and principal payments on all debt obligations.

The projection does not allow for the impact of future new business, and return on surplus assets held or dividends from 31 December 2020. This is a change from prior year disclosure that had any surplus emerging assumed to roll up and earn an investment return, contributing to further surplus, which reduces the surplus emerging presented below.

Year	Core surplus generation £m	TMTP amortisation £m	Surplus generation £m
2021	319	(155)	164
2022	319	(157)	162
2023	303	(157)	146
2024	283	(157)	126
2025	273	(157)	116
2026	270	(157)	113
2027	253	(157)	96
2028	245	(157)	88
2029	242	(157)	85
2030	227	(157)	70
2031	222	(157)	65
2032	210	-	210
2033	199	-	199
2034	194	-	194
2035	180	-	180
2036	177	-	177
2037	162	-	162
2038	152	-	152
2039	144	-	144
2040	135	-	135
2041 – 2045	498	-	498
2046 – 2050	265	-	265
2051 – 2055	92	-	92

ADDITIONAL FINANCIAL INFORMATION CONTINUED

SOLVENCY II SURPLUS GENERATION continued

New business contribution

The table below shows the expected future emergence of Solvency II surplus arising from 2020 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 2020. The amounts are shown undiscounted.

Year	Surplus generation £m
Point of sale	(48.0)
Year 1	15.3
Year 2	14.9
Year 3	14.5
Year 4	14.4
Year 5	13.1
Year 6	12.9
Year 7	12.3
Year 8	12.2
Year 9	12.0
Year 10	12.2
Year 11	10.7
Year 12	10.8
Year 13	10.5
Year 14	10.1
Year 15	9.6
Year 16	10.3
Year 17	9.9
Year 18	9.5
Year 19	8.8
Year 20	8.5
Years 21 to 25	35.4
Years 26 to 30	20.0
Years 31 to 35	6.5

FINANCIAL INVESTMENTS CREDIT RATINGS

The sector analysis of the Group's financial investments portfolio by credit rating is shown below:

	Total £m	%	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m
Basic materials	199.9	0.9	–	–	104.7	90.6	4.6	–
Communications and technology	1,188.9	5.1	37.6	82.9	179.6	850.8	38.0	–
Auto manufacturers	385.0	1.7	–	43.3	84.1	234.9	22.7	–
Consumer (staples including healthcare)	976.6	4.2	77.2	261.2	238.7	334.1	43.5	21.9
Consumer (cyclical)	112.8	0.5	–	–	3.1	80.8	0.5	28.4
Energy	462.7	2.0	–	167.4	93.0	132.1	70.2	–
Banks	1,422.5	6.1	158.0	150.3	568.1	455.8	85.4	4.9
Insurance	824.9	3.5	–	109.6	184.9	530.4	–	–
Financial – other	462.5	2.0	80.2	140.9	58.1	111.8	12.7	58.8
Real estate including REITs	771.3	3.3	43.5	18.0	353.9	301.0	54.9	–
Government	1,340.4	5.8	442.2	687.1	132.0	79.1	–	–
Industrial	839.6	3.6	–	35.0	100.7	538.1	24.1	141.7
Utilities	2,029.9	8.7	–	29.3	837.2	1,163.4	–	–
Commercial mortgages	707.0	3.0	148.1	138.1	276.2	144.6	–	–
Infrastructure loans	1,220.5	5.2	87.2	125.8	230.1	730.8	46.6	–
Other	38.0	0.2	–	–	38.0	–	–	–
Corporate/government bond total	12,982.5	55.8	1,074.0	1,988.9	3,482.4	5,778.3	403.2	255.7
Lifetime mortgages	8,261.1	35.5						
Liquidity funds	1,128.5	4.8						
Derivatives and collateral	897.7	3.9						
Total	23,269.8	100.0						

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Tuesday 11 May 2021 at 10am at our registered office, Enterprise House, Bancroft Road, Reigate, Surrey RH2 7RP. More information about the 2021 AGM can be found in the Notice of Meeting. Due to the impact of COVID-19, the exact form of the AGM will not be known until closer to the time. Please look out for regulatory announcements and/or information on the Group website.

SHAREHOLDER PROFILE AS AT 31 DECEMBER 2020

Holdings	No. of holders	% of holders	No. of shares	% of issued share capital
1–5,000	521	50.58	549,957	0.05
5,001–10,000	71	6.89	538,200	0.05
10,001–100,000	167	16.21	6,852,125	0.66
100,001–1,000,000	144	13.98	57,106,601	5.50
1,000,001–10,000,000	98	9.52	321,756,462	30.99
10,000,001–20,000,000	17	1.65	217,861,246	20.99
20,000,001 and over	12	1.17	433,463,965	41.76
Totals	**1,030**	**100.00**	**1,038,128,556**	**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.

ELECTRONIC COMMUNICATIONS

Shareholders are encouraged to elect to receive shareholder documents electronically to receive shareholder information quickly and securely, and to help us save paper, by registering with Shareview at www.shareview.co.uk.

Shareholders who have registered will be sent an email notification whenever shareholder documents are available on the Company's website. When registering, shareholders will need their shareholder reference number which can be found on their share certificate or Form of Proxy.

INVESTOR RELATIONS ENQUIRIES

For all institutional investor relations enquiries about the Group, please contact our Investor Relations department, whose contact details can be found at https://www.justgroupplc.co.uk/investors/investor-contacts. 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.

Copies of our Annual Report and Accounts can be obtained by contacting our Registrar, Equiniti Limited.

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 elect via www.shareview.co.uk or contact our Registrar, Equiniti Limited.

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 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.

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 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

Non-Executive Directors:
John Hastings-Bass, Chair
Keith Nicholson, Senior Independent Director
Paul Bishop
Ian Cormack
Michelle Cracknell
Steve Melcher
Kalpana Shah
Clare Spottiswoode

Executive Directors:
David Richardson, Group Chief Executive Officer and Managing Director, UK Corporate Business
Andy Parsons, Group Chief Financial Officer

GROUP COMPANY SECRETARY

Simon Watson

JUST GROUP REGISTERED OFFICE AND REIGATE OFFICE

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London
SE1 2RT

CORPORATE LAWYERS

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Atlantic House
Holborn Viaduct
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EC1A 2FG

GLOSSARY

Acquisition costs – comprise the direct costs (such as commissions) of obtaining new business.

Adjusted earnings per share (adjusted EPS) – 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 2020), and dividing this result by the weighted average number of shares in issue by the Group for the period. For remuneration purposes (see Directors Remuneration Report), the measure is calculated as adjusted operating profit before tax divided by the weighted average number of shares in issue by the Group for the period.

Adjusted operating profit before tax – an APM and one of the Group's KPIs, this is the sum of the new business operating profit and 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 on page 28 of the Business 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 – 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 – 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 de-risking partnering ("DB partnering") – a DB de-risking transaction in which a reinsurer has provided reinsurance in respect of the asset and liability side risks associated with one of our DB Buy-in transactions.

Defined benefit ("DB") 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 – 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.

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 – 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 – total premiums received by the Group in relation to its Retirement Income and Protection sales in the period, gross of commission paid.

Guaranteed Guidance – see Pensions 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 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 adjusted operating profit before tax on page 27 of the Business Review, and adjusted operating profit before tax is reconciled to IFRS profit before tax on page 28 of the Business Review.

Investment and economic profits – reflect the difference in the period between expected investment returns, based on investment and economic assumptions at the start of the period, 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 Solvency II capital coverage ratio, Organic capital generation, Underlying organic capital generation, Retirement Income sales, New business operating profit, Management expenses, Adjusted operating profit before tax, IFRS profit before tax and IFRS net assets.

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 homeowner has passed away or moved into long-term care.

GLOSSARY CONTINUED

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.

Management expenses – an APM and one of the Group's KPIs, and are business as usual costs incurred in running the business, including all operational overheads. Management expenses are other operating expenses excluding investment expenses and charges; reassurance management fees which are largely driven by strategic decisions; amortisation of acquired intangible assets relating to merger and acquisition activity; and other costs consisting of movements in the value of property owned by the Group and SAYE cancellation charges as both of these are impacted by external factors. Management expenses are reconciled to IFRS other operating expenses in note 5 to the consolidated financial statements.

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 – 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 – 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 – represents the sum of gross premiums written and reinsurance recapture, less reinsurance premium ceded.

New business margin – the new business operating profit divided by Retirement Income sales. It provides a measure of the profitability of Retirement Income 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 prudent reserves and for acquisition expenses. New business operating profit is reconciled to adjusted operating profit before tax on page 27 of the Business Review, and adjusted operating profit before tax is reconciled to IFRS profit before tax on page 28 of the Business Review.

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.

No-negative equity guarantee ("NNEG") hedge – a derivative instrument designed to mitigate the impact of changes in property growth rates on both the regulatory and IFRS balance sheets arising from the guarantees on lifetime mortgages provided by the Group which restrict the repayment amounts to the net sales proceeds of the property on which the loan is secured.

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 period, plus the impact of changes to future operating assumptions applied during the period. It also includes the impact of any expense reserve movements, and other sundry operating items.

Organic capital generation/(consumption) – an APM and one of the Group's KPIs. Organic capital generation/(consumption) is the net increase/(decrease) in Solvency II excess own funds over the year, and includes surplus from in-force, new business strain, costs overruns and other expenses, interest and other operating items. It excludes economic variances, regulatory adjustments, accelerated TMTP amortisation and capital raising or repayment. The Board believes that this measure provides a good insight into our objective to improve our capital position. Organic capital generation/(consumption) is reconciled to Solvency II excess own funds on page 25 of the Business Review, and Solvency II excess own funds is reconciled to shareholders' net equity on an IFRS basis on page 26 of the Business Review.

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 – 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.

Pension Freedoms/Pension Freedom and Choice/Pension Reforms – the UK Government's pension reforms, implemented in April 2015.

Pensions 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 a collective term for GIfL, DB and Care Plan. Retirement Income sales are reconciled to IFRS gross premiums in note 7 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 adjusted operating profit before tax on page 27 of the Business Review, and adjusted operating profit before tax is reconciled to IFRS profit before tax on page 28 of the Business Review.

Underlying organic capital generation/(consumption) – an APM and one of the Group's KPIs. Underlying organic capital generation/(consumption) is calculated in the same way as organic capital generation/(consumption), but also excludes other operating items.

ABBREVIATIONS

ABI – Association of British Insurers

AGM – Annual General Meeting

APM – alternative performance measure

Articles – Articles of Association

CMI – Continuous Mortality Investigation

Code – UK Corporate Governance Code

CP – Care Plans

DB – Defined Benefit De-risking Solutions

DC – defined contribution

DSBP – deferred share bonus plan

EBT – employee benefit trust

EPS – earnings per share

ERM – equity release mortgage

ESG – environment, social and governance

EVT – effective value test

FCA – Financial Conduct Authority

FPP – Flexible Pension Plan

FRC – Financial Reporting Council

GDPR – General Data Protection Regulation

GHG – greenhouse gas

GIfL – Guaranteed Income for Life

Hannover – Hannover Life Reassurance Bermuda Ltd

IFRS – International Financial Reporting Standards

IP – intellectual property

ISA – International Standards on Auditing

JRL – Just Retirement Limited

KPI – key performance indicator

LCP – Lane Clark & Peacock LLP

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

PAG – Partnership Assurance Group

PILON – payment in lieu of notice

PLACL – Partnership Life Assurance Company Limited

PPF – Pension Protection Fund

PRA – Prudential Regulation Authority

PRI – United Nations Principles for Responsible Investment

PVIF – purchased value of in-force

PwC – PricewaterhouseCoopers LLP

RICS – The Royal Institution of Chartered Surveyors

RPI – retail price inflation

SAPS – Self-Administered Pension Scheme

SAYE – Save As You Earn

SCR – Solvency Capital Requirement

SFCR – Solvency and Financial Condition Report

SID – Senior Independent Director

SIP – Share Incentive Plan

SLI – Secure Lifetime Income

SME – small and medium-sized enterprise

STIP – Short Term Incentive Plan

tCO_2e – tonnes of carbon dioxide equivalent

TMTP – transitional measures on technical provisions

TSR – Total shareholder return

NOTES

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