



JUST.

THE RETIREMENT SPECIALIST

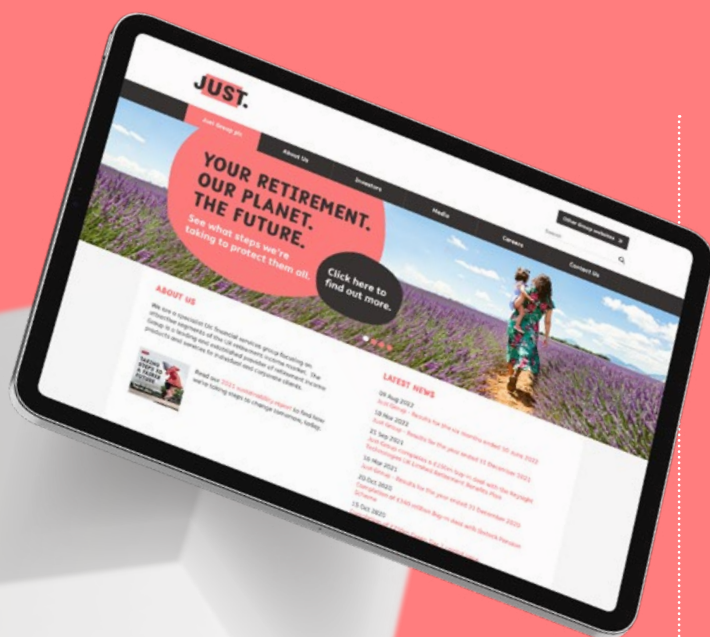
HELPING CUSTOMERS THE JUST WAY

JUST GROUP PLC | ANNUAL REPORT AND ACCOUNTS 2022

OUR PURPOSE

WE HELP PEOPLE ACHIEVE A BETTER LATER LIFE

We believe that every decision we make and every action we take should help us fulfil our purpose.



INDIVIDUALS

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



HOMEOWNERS

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



PENSION SCHEME TRUSTEES

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



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.

FEATURED STORIES



PG.18

CELEBRATING 10 YEARS OF HELPING DEFINED BENEFIT CUSTOMERS



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INVESTING THE JUST WAY

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INVESTMENT CASE

SUSTAINABLE GROWTH, INNOVATION AND DELIVERY

Deploying the capabilities of our highly effective new business franchise to create value from leadership positions in attractive and high-growth segments of the UK retirement income market.

WE HELP PEOPLE ACHIEVE A BETTER LATER LIFE

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

➔ [READ MORE ON PG.5](#)

SUSTAINABLE GROWTH – 15% GROWTH TARGET

Our priority is to deliver profitable and sustainable growth. We are investing the organic capital generated by the existing balance sheet to reward shareholders by using our pricing discipline and risk selection to add value through higher new business volumes at attractive margins to deliver sustainable, profitable growth. Our target is to deliver 15% growth in underlying operating profit, on average, per annum over the medium term.

➔ [READ MORE ON PG.23](#)

GROWING RETIREMENT MARKETS

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

➔ [READ MORE ON PG.10](#)

GROWING SHARE THROUGH INNOVATION AND POSITIVE DISRUPTION

We increase share in these growing markets through constant innovation – seeking to positively disrupt the markets where we choose to participate. By delivering better outcomes for customers, we can also deliver value for shareholders.

➔ [READ MORE ON PG.14](#)

DELIVERY AND DISCIPLINE

We have developed a strong track record of delivering against our commitments. In 2022 we grew underlying operating profit by 19%, exceeding our medium term target of 15%. Over the last four years we have consistently improved both the quality and resilience of our capital base and in 2021, we achieved capital self-sufficiency more than a year earlier than originally planned. Our new business franchise has delivered a strong financial performance and in 2022 our new business strain was again below our 2.5% target.

➔ [READ MORE ON PG.20](#)



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We are increasing organic capital generation to fuel profitable and sustainable growth so we may reward shareholders.

DAVID RICHARDSON
Group Chief Executive Officer

FINANCIAL AND OPERATIONAL HIGHLIGHTS

KEY PERFORMANCE INDICATORS

10.7%

RETURN ON EQUITY¹

8.3% at 31 December 2021

£29_MUNDERLYING ORGANIC
CAPITAL GENERATION¹

£51m at 31 December 2021

£3,131_MRETIREMENT INCOME SALES¹

2021: £2,674m, up 17%

£233_MNEW BUSINESS
OPERATING PROFIT¹

2021: £225m, up 4%

£336_MADJUSTED OPERATING
PROFIT BEFORE TAX¹

2021: £238m, up 41%

£249_MUNDERLYING OPERATING PROFIT¹

2021: £210m, up 19%

£(317)_M

IFRS LOSS BEFORE TAX

2021: £(21)m

£153_MMANAGEMENT EXPENSES¹

2021: £147m, up 4%

£2,178_M

IFRS NET ASSETS

2021: £2,440m, down 11%

199%

SOLVENCY II CAPITAL
COVERAGE RATIO (ESTIMATED)^{1,2}

164% at 31 December 2021

FINANCIAL STRENGTH AND OTHER INDICATORS

A+

FITCH INSURER FINANCIAL
STRENGTH RATINGfor Just Retirement Limited
(2021: A+)

A

FITCH ISSUER DEFAULT RATING

for Just Retirement Limited
(2021: A)

AWARDED FURTHER RECOGNITION FOR OUTSTANDING SERVICE

PENSIONS AGE



RISK MANAGEMENT PROVIDER OF THE YEAR

FINANCIAL ADVISER:

5 STAR SERVICE AWARD
(PENSION & PROTECTION)

FINANCIAL ADVISER:

5 STAR SERVICE AWARD (MORTGAGES)



MORTGAGE SOLUTIONS

BEST PROVIDER FOR ADVISER SUPPORT,
TRAINING AND DEVELOPMENT

1 Alternative performance measure (unaudited, see glossary for definition). Underlying organic capital generation is reconciled to Solvency II excess own funds on page 27. Return on equity, new business operating profit, management expenses, underlying operating profit, and adjusted operating profit are reconciled to IFRS profit before tax on pages 24 and 26.

Retirement Income sales are reconciled to gross premiums written in note 6 to the consolidated financial statements on page 149.

2 Solvency II capital coverage ratios as at 31 December 2021 and 31 December 2022 include a recalculation of transitional measures on technical provisions ("TMTP") as at the respective dates.

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.

>£1 TRILLION

ADDRESSABLE MARKET



HOMEOWNERS: ACCESSING PROPERTY WEALTH

People aged 55+ who want to access wealth locked up in their property.

>£3.5 TRILLION

PROPERTY WEALTH OWNED BY PEOPLE AGED 55+



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.

>£1 TRILLION

MARKET VALUE OF DEFINED CONTRIBUTION
PENSION SAVINGS



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.

RETIREMENT-FOCUSED SOLUTIONS

...WITH PRODUCTS AND SERVICES

Competitive position:

 A leader  Developing


MARKETED PRODUCTS¹

SERVICES

DEFINED BENEFIT DE-RISKING SOLUTIONS (“DB”)

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

BENEFIT AND COMPETITIVE POSITION

Just’s innovative approach and underwriting expertise in this segment delivers competitive prices for trustees.



GUARANTEED INCOME FOR LIFE (“GIFL”)

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

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



SECURE LIFETIME INCOME (“SLI”)

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 (“CP”)

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

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



LIFETIME MORTGAGES (“LTM”)

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

By using our unrivalled intellectual property, Just provides an individually tailored solution providing around six-in-ten customers with a lower interest rate or a higher borrowing amount compared to standard products. Just provides a range of lifetime mortgages, enabling people to meet a variety of needs in later life.



¹ Reported in our Insurance segment.



PROFESSIONAL SERVICES²

SERVICES

HUB GROUP

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

BENEFIT AND COMPETITIVE POSITION

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



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

HELPING CUSTOMERS THE JUST WAY

We are providing certainty to our customers in an uncertain world, delivering profitable and sustainable growth to fulfil our purpose and create value for shareholders.



JOHN HASTINGS-BASS
Chair

ANNUAL GENERAL MEETING 2023
10.00 am
9 May 2023
at Just Group plc
1 Angel Lane
London
EC4R 3AB

I am pleased to introduce Just Group plc's 2022 Annual Report. We have maintained our focus in this period. We have delivered sustainable growth of the business, help to more of our customers and value for shareholders.

HELPING OUR CUSTOMERS

The challenging economic events in the UK and around the world are having profound impacts on the lives of our customers and their families. We help people achieve a better later life, this is our purpose, it's why we exist. In these uncertain times, our solutions provide reassuring certainty to our customers. As the retirement specialist we are doing all we can, during these difficult times to help our customers and their families.

Our customers, existing and prospective, are at the heart of everything we do at Just.

OVERVIEW

The primary focus of our Group in 2022 has been to capture profitable growth opportunities to ensure we meet our medium term profit growth pledge.

It has been a year of continued delivery, with successful strategic execution, ongoing investment and continued growth. This has resulted in a strong balance sheet and financial performance, with continued business momentum.

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

DIVIDEND

Given the Group's performance and strong capital position, the Board has recommended a final ordinary dividend of 1.23 pence per share, in line with our ordinary dividend policy.

BOARD COMPOSITION AND GOVERNANCE

Clare Spottiswoode Independent Non-Executive Director did not seek re-election at last year's AGM and stepped down from the Board on 10 May 2022. Steve Melcher, Independent Non-Executive Director retired from the Board at the end of December. Paul Bishop, Independent Non-Executive Director and Ian Cormack, Senior Independent Director, will step down from the Board and not seek re-election at this year's AGM on 9 May 2023. I'd like to thank them for their long service to Just Group and the predecessor companies. You can read more about the Directors of the Company on pages 68 to 71.

I'd like to welcome Mary Phibbs as Independent Non-Executive Director, who joined the Board on 5 January 2023. You can read her biography on page 70.

I take great pride in leading the Board and the Group's governance function, and my introduction to the Corporate Governance Report on page 66 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 2023.

ACTING SUSTAINABLY

We were encouraged by the government's consultation on the proposed reforms of the Solvency II regime, published in November 2022. When implemented these reforms could unlock billions of pounds of investment from insurers into the UK economy and enable us to provide even more competitive products to our customers.

Our industry has an important role to play in helping the world transition towards a sustainable environment and low carbon global economy. We are making good progress developing our plan to become carbon net zero. You can read our high level transition plan on our Group website and this year's Annual Report provides a better understanding of climate-related risks and opportunities. Our disclosures are consistent with those recommended by the Taskforce on Climate-related Financial Disclosures and you can read more on pages 36 to 43.

Growing the Just Way is a theme our colleagues across the Company are active in shaping and the Board receives input from our colleagues. We are on an exciting journey as a Company, as an industry, as a country and as individuals. You can read more about our sustainability strategy on page 36 and at justgroupplc.co.uk.

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 from across the Group, promote the success of the Company.

PURPOSE DRIVEN

We are a purpose driven Company. We fulfil our purpose by providing competitive products, services, financial advice and guidance to help our customers achieve security, certainty and provide them with peace of mind in retirement. Our purpose remains as relevant today as it did all those years ago when we created it. It's clear, authentic and it acts as a beacon for colleagues across the entire Group to live our purpose every day.

OUTLOOK

There are strong structural drivers of growth which make our markets very attractive, including demographics and the appetite of company directors and pension trustees to transfer the risk of operating defined benefit pension schemes to insurance companies.

We have focused our leadership team on driving long-term profitable growth. The commercial outlook remains favourable for our Group.

On behalf of the Board, I would like to close by thanking David, his team and all of our colleagues across the Group for their commitment to helping our customers and doing such a great job. I'd also like to thank our business partners who have trusted us to provide outstanding service to their clients.

We are helping our customers, building shareholder value through profitable and sustainable growth, fulfilling our purpose and helping contribute to a net zero economy. We are increasingly optimistic about the future.



CHIEF EXECUTIVE OFFICER'S STATEMENT

ACCELERATING GROWTH

We exceeded the promises made over the last four years and we are very optimistic about the future.

£249M

UNDERLYING OPERATING PROFIT¹

2021: £210m, up 19%

£3.1BN

RETIREMENT INCOME SALES¹

2021: £2.7bn, up 17%

1 Alternative performance measure.



DAVID RICHARDSON

Group Chief Executive Officer



I'm pleased to present my Chief Executive Officer's Statement for 2022. We've delivered a strong performance and have increased confidence in meeting our pledge to grow underlying operating profits over the medium term by an average of 15% per annum.

RETIREMENT SALES GROWTH

Sales in 2022 were up 17% at £3.1bn. This was driven by growth in DB sales, which were up 33% to £2.6bn (2021: £1.9bn). Operationally, we were exceptionally busy as we completed 56 DB transactions, almost double the number in 2021 (2021: 29 transactions). The rise in interest rates has improved pension scheme funding levels materially. As a result, DB de-risking market volumes were boosted in the second half of 2022, with that momentum carrying into 2023. Our pipeline of DB business is over £6bn and in March 2023 we announced our largest transaction to date at £513m. We expect that our DB sales in 2023 will continue to show substantial growth over the record levels achieved in 2022.

In our retail market, sales of GifL and Care products at £564m were 24% lower than in 2021. In a year of falling investment markets and a competitive environment, we maintained a disciplined approach to pricing and returns. However rising interest rates has stimulated increased customer appetite for guaranteed income solutions, boosting quotation volumes. This augers well for a return to growth in 2023.

GROWING OUR DEFINED BENEFIT DE-RISKING BUSINESS AND EXPANDING OUR INVESTMENTS IN TANDEM

During the year we were delighted to host two seminars for investors and analysts to develop their understanding of our growth potential.

We showcased our investment capability and explained how the investment strategy delivers competitive customer pricing and shareholder returns. During 2022 our investments in other illiquids, including infrastructure, private placements, social housing, commercial mortgages, ground rents and income strips, amounted to over £1bn (2021: £615m). Growth will continue in 2023 as we access the fast developing investment opportunities in private debt markets through our partnerships with 15 external asset managers. We were pleased with the government's consultation response to the proposed reforms of the Solvency II regime, published in November 2022. When implemented these reforms could unlock billions of pounds of investment from insurers into the UK economy.

In our second seminar we highlighted the enormous growth potential in our DB business.

The development of the DB risk transfer market is relatively immature. To date, only 11% of total DB liabilities have been transferred from sponsors to insurers. This is expected to accelerate in the coming years. Slowing longevity increases and significant employer contributions have led to a steady improvement in DB pension scheme funding levels, and in 2022, this was boosted by rising interest rates. This is translating into more schemes bringing forward their de-risking plans which will further increase our addressable market.

We will drive growth by securing more larger transactions and by expanding our leadership position in the smaller transaction size segment of the DB market.

We are receiving increased enquiries from smaller schemes and to service this demand efficiently we have developed a streamlined quotation service. This service delivers updated quotes each month to over 120 small and mid-sized schemes. In 2022 we completed 28 transactions that originated from our streamlined service.

We have written almost 300 DB transactions since entering the market in 2013 and through these, have gained significant pricing and deal experience to now regularly quote on larger transactions. This is supported by our stronger capital position and expanded panel of reinsurance partners. Combined with the strong outlook for the market in 2023, we expect our participation in the larger deal segment to increase further.

CUSTOMERS AND OUR PURPOSE

As the Chair mentioned in his statement, the challenging economic events in the UK and the volatility in investment markets witnessed by our customers in 2022 has created uncertainty and worry for many who have investments in equities and fixed interest bonds. We provide a guaranteed income for life to customers. This secure income is often purchased to cover the essential expenditure of the household and in these uncertain times, our solutions provide reassurance to customers.

As the retirement specialist we are doing what we can to help people. We help them to discover whether they are entitled to State Benefits and often uncover many missed benefits, that when secured, can make a profound impact on their lives. We provide a range of professional advice and guidance to help our customers. We can't resolve all the challenges faced by our customers, but we are helping where we are able to do so and remain focused on living up to the purpose we set out many years ago: we help people achieve a better later life.

SUSTAINABILITY

We achieve our goals responsibly and are committed to a sustainable strategy that protects our communities and the planet we live on. I am very proud that over the last three years we have reduced our operational carbon intensity per employee by 81%, but the most material impact we can make to reduce carbon emissions will be achieved through the decisions we take with our £20bn investments portfolio (excluding derivatives and collateral).

During 2022, we invested in £279m of eligible green and social assets in accordance with our Sustainability Bond Framework and we have now completed our total £575m green and sustainability bond investment commitments well ahead of schedule.

OUR PEOPLE

Our Just culture is underpinned by our people who are passionate and are committed to making a difference to the lives of those around them. A key business priority is that all of our colleagues feel proud to work at Just. The combination of our strong purpose and having highly engaged teams working the 'Just way', is a competitive advantage which will help drive high performance and our growth strategy.

I would like to thank my colleagues who once again rose to the challenge in 2022, providing support and certainty to our customers when they needed it most. Our people have been energised and inspired by our commitment to be a strong and sustainable purpose-led business for our customers, our colleagues and our planet.

We have continued to maintain excellent levels of employee engagement, with a key priority to build a diverse and inclusive workforce. Further details on all our initiatives in this area can be found in the Colleagues and Culture section.

FINANCIAL PERFORMANCE

Underlying operating profit increased by 19% to £249m in 2022, helped by improved in-force returns and lower financing costs.

Our interest rate hedging programme has successfully protected our solvency capital position during the years of falling interest rates. The continued rise in interest rates in 2022 has resulted in an economic loss, which means we have an overall IFRS loss after tax of £232m for 2022 (2021: £16m).

The strength and resilience of our capital position and our disciplined pricing and risk selection ensures we are capital self-sufficient. This means we can fund our growth ambitions, reward shareholders with a growing dividend and maintain a high buffer of capital in what are uncertain times.

We will pay a final dividend of 1.23 pence per share, giving a total of 1.73 pence for the year – which represents 15% growth over last year's pro forma full year dividend.

IN CONCLUSION

We have never been stronger. We have the capability and opportunities to achieve our ambitious growth plans so that we build substantial value for shareholders and fulfil our purpose to help more people achieve a better later life.

MARKET CONTEXT

HELPING CUSTOMERS STRENGTHEN THEIR FINANCIAL RESILIENCE

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

DEFINED BENEFIT DE-RISKING SOLUTIONS

Defined benefit pension schemes often called final salary schemes, were traditionally used in both the private and public sectors as an important benefit for employees. The employer shared some responsibility for the wellbeing of their former workers when they retired by providing a guaranteed retirement income based on their earnings history and length of employment. However, providing these guaranteed benefits became expensive. Almost 90% of the UK's Defined benefit pension schemes are now closed to new members and/or accrual of future benefits. Continuing to operate these schemes has become more onerous for employers. The DB De-risking business has allowed these employers to alleviate the financial and operational challenges of running these schemes through passing responsibility for the schemes to insurers who can fully or partially de-risk the employer's defined benefit obligations.

Defined benefit de-risking can occur via a Buy-in or Buy-out. In a Buy-in, the pension scheme pays a premium to an insurance company to purchase an income stream that matches its defined benefit obligations to some or all of its members, but retains legal responsibility for those obligations. The risk attached to that portion of the scheme is transferred to the insurer, with schemes often de-risking over a period of time through multiple buy-in tranches. An alternative is a Buy-out, where a pension scheme removes its obligations by purchasing individual insurance policies to pay the benefits of its members, who then become policyholders of the de-risking provider. Subsequently, the pension scheme is wound down as the pension obligation owed to each member has moved to the insurer.

As of 31 March 2022, total UK Defined benefit obligations owed by sponsors were £2.1tn, or roughly the same size as the entire UK economy. There are more than 5,100 defined benefit pension schemes in the UK. To date, we estimate that only 11% of DB liabilities have been transferred to insurers via de-risking transactions. Over the period, March 2017-22, the funding level of the schemes on a full buy out basis has steadily increased from 63% to 79%, driven mainly by sponsor contributions.

CURRENT MARKET

2022 was a year of significant financial change for defined benefit pension schemes which had a major impact on the dynamics of the bulk annuity market.

We estimate that since March 2022, rising gilt yield further improved the funding level of schemes to c.90% on average, with half of all schemes fully funded or better. Whilst many larger schemes will have significant interest rate hedging in place, all schemes benefit to a varying extent from rising interest rates. As interest rates rise the value of the defined benefit liabilities fall more than the value of the assets held against them, which closes the funding gap. Combined with improved pricing for longevity reinsurance and widening credit spreads, Buy-out came into reach for an increasing number of schemes. As a result, demand for de-risking increased, particularly in the second half of 2022, with this strong momentum continuing into 2023.

In 2022 bulk annuity volumes are estimated to around £30bn for the year (source: Just estimates), but with a continued shift towards full scheme transactions.

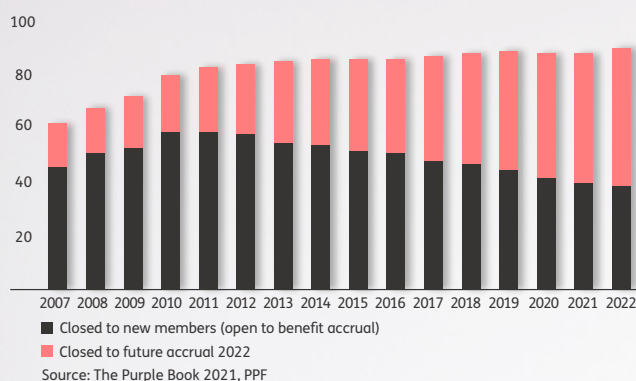
COMPETITIVE FACTORS AND POTENTIAL ALTERNATIVE DE-RISKING SOLUTIONS

At present, there are eight providers of Buy-in and/or Buy-out transactions in the UK defined benefit market. These providers focus on some or all segments of the market according to their preferred transaction size, risk appetite, asset origination or reinsurance arrangements. Following the introduction of the Solvency II capital regime in 2016, longevity reinsurance is widely used to reduce the capital requirements of writing bulk and other annuities.

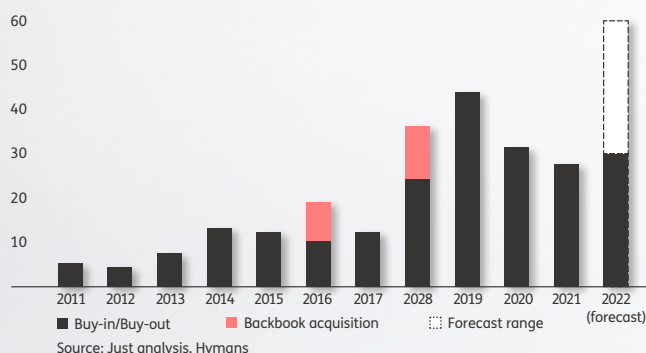
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The structural growth drivers for the defined benefit de-risking market have accelerated and the outlook for 2023 and beyond is exciting.

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



DB DE-RISKING TRANSACTIONS (£BN)



In June 2020 The Pension Regulator (“TPR”) issued guidance for trustees and sponsoring employers considering transacting with alternative defined benefit de-risking solutions. Regulation by TPR is outside of the insurance regime and so these new alternatives including DB consolidators would offer reduced protection for members compared to a fully protected and PRA regulated insurance solution. So far, only one DB consolidator, Clara-Pensions, has completed the TPR assessment process, however at the time of writing have yet to transact. We welcome innovative solutions to the market, but irrespective, we believe the scale of the market and strength of demand for ‘gold standard’ insurance solutions will mean that trustees and their consultants will continue to prioritise the insurer pathway where possible.

WIDENING THE INVESTMENT OPPORTUNITY

Insurers cashflow match liabilities through the origination of a mix of investment grade liquid and illiquid fixed income assets. To offer attractive new business pricing, insurers must have strong capabilities to originate high-yielding, medium and long duration illiquid assets. Illiquid assets are split between the lifetime mortgages that we originate and manage ourselves and other illiquid assets, which includes a diverse range of investments such as infrastructure debt, private placements, commercial real estate mortgages, ground rents and income strips. The government’s consultation response to the proposed reforms of the Solvency II regime, published in November 2022, when implemented will widen asset eligibility criteria. This could unlock billions of pounds of investment from insurers into the UK. Insurer long term capital is particularly suitable for investments to decarbonise the economy, develop affordable and social housing, to make improvements to infrastructure and to support the UK’s world class science and research capabilities.

“

We are continuing to invest in our proposition and service to reduce the impact on scarce human resources and eliminate process friction.

Heightened government, regulatory and fiduciary focus alongside consumer activism has pushed environmental, social and governance (“ESG”) considerations up the agenda for UK defined benefit pension schemes. With new regulations for climate reporting introduced with the Pensions Schemes Act 2021, more trustees considering de-risking have sought assurance that ESG considerations underpin the asset choices in insurers’ investment portfolios.

OUTLOOK

The structural growth drivers for the defined benefit de-risking market have accelerated and the outlook for 2023 and beyond is exciting. The increase in gilt yields has reduced the estimated liabilities of defined benefit pension schemes and dramatically improved funding levels. Employee Benefit Consultants expect that this will translate into rising market volumes and that demand will remain strong over the long term, with c.£600bn expected to transact in the next decade, of which potentially more than £200bn could transact in the three year 2023-25 period (source: LCP). Schemes who ordinarily expected to be fully funded towards the middle of the decade have been able to bring forward their de-risking plans.

Insurance capacity has kept pace with demand but the increased transaction volumes forecast are likely to increase pressure on scarce human resources. When selecting new business, insurers will triage the opportunities available to them. As a result, small and medium size schemes targeting Buy-out must have their governance, data and benefit specifications in good order to secure insurer engagement. Just Group is continuing to invest in its proposition and service to reduce the impact on scarce human resources and eliminate process friction. This will increase the capacity to conduct more business.

MARKET CONTEXT continued

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, GifL products 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, premium size and, prior to 31 December 2012, gender.

An individually underwritten GifL takes into account an individual's medical conditions, personal 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 a comparison to the best income 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 has provided 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 share of the total GifL market for 2022 was 56.3% up from 54.2% in 2021 (source: Association of British Insurers ("ABI")).

Continuing developments are driving growth over the medium term 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;
- 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; and
- following the rise in UK interest rates, the level of income on GifL has risen by around 50% in 2022. This has resulted in the volume of quotations from financial intermediaries and their clients for guaranteed income solutions to increase.

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 the last few years. 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.

In 2020 the FCA announced they intend to complete further work on the suitability of advice and associated disclosure (known as "Assessing Suitability Review 2"). The review aimed focus on initial and ongoing advice to consumers taking an income in retirement. This work was paused. In January 2023 the FCA announced their intention to complete a thematic review assessing the advice consumers are receiving on meeting their income needs in retirement. The review will start in Q1 2023 and the FCA aim to publish a report setting out their findings in Q4 2023.

The FCA will have greater rule making powers under the future regulatory framework legislation. They have already announced that, to get ready for these changes, they intend to carry out a holistic review of the boundary between advice and guidance. Their aim is to understand where existing regulation may carry a disproportionate burden, and to explore ideas to reduce that burden, whilst continuing to provide the right level of consumer protection. This may, over the medium term, result in more people receiving help and guidance in how to use their pension savings, which may increase the size of our addressable market.

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 70 years old, has a house valued at around £345,000 and borrows 30% 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 2022 was 21% and this has attracted new providers to enter the market in the last few years.

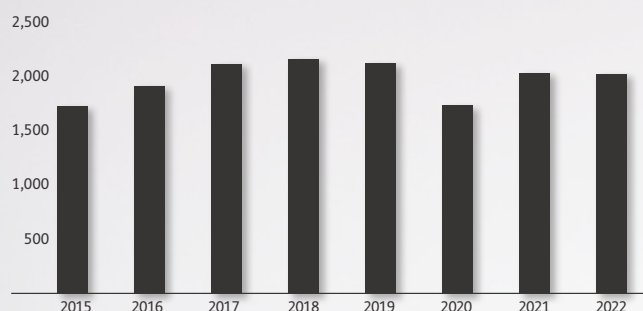
Just Group is a leading product provider of lifetime mortgages. Our HUB Financial Solutions business is a leading distribution business providing consumers with regulated advice on equity release solutions from across the market.

CURRENT MARKET AND OUTLOOK

Just Group expects Lifetime Mortgages to continue to provide an important, but reducing proportion 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 £3.5tn (source: ONS). We estimate that the existing industry loan book including interest is just £43.4bn. In October 2022, following the September 23 UK Growth Plan announced by the Chancellor, a number of product providers adjusted and/or removed their products as the markets faced a period of significant interest rate volatility. This reduced the products available to customers. Since the November 2022 Autumn Statement many providers have returned to the market and the number of products available to customers has increased.

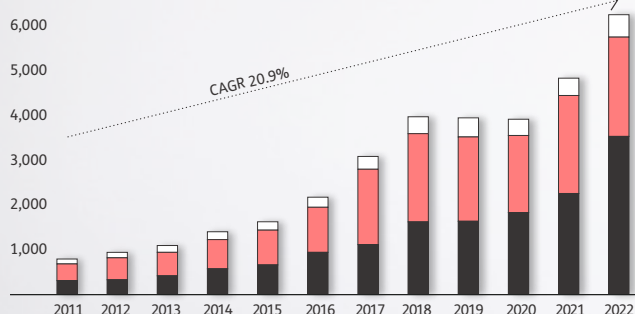
Just Group introduced medical underwriting into a niche segment of the lifetime mortgage market some years ago and in 2021 extended it across the Just for You mortgage range. We estimate by collecting medical information and lifestyle factors from applicants, we are able to provide six-in-ten a lower interest rate, or for those who need it, a higher borrowing amount. This market disruption is revolutionising how lifetime mortgages are advised.

EXTERNAL GFL MARKET (£M)



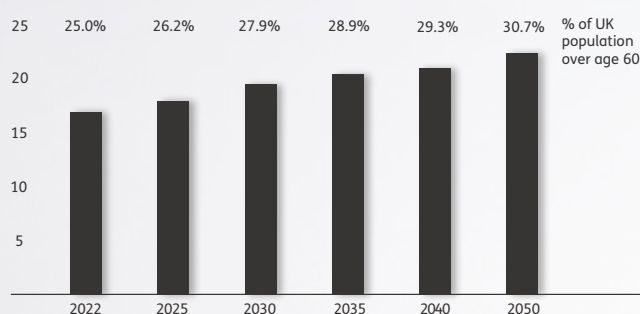
Source: Just analysis, ABI

LIFETIME MORTGAGE MARKET SIZE AND GROWTH RATE (£M)



■ Lump sum mortgage sales
 ■ New drawdown mortgages – initial advance
 □ Existing drawdown mortgages – further advances
 Source: Equity Release Council

NUMBER OF PEOPLE (MILLIONS) AGE 60+



Source: Office for National Statistics

A LEADER IN UK LONG-TERM CARE FINANCIAL SOLUTIONS FOR

22 YEARS

Just is forecasting that the LTM market will experience a period of stagnation and potential decline in 2023, as the market and consumer demand adjusts to increased interest rates and the potential property market impacts of increased inflation. We forecast the market will return to growth in 2024 and will exceed the £6.2bn recorded in 2022. The primary drivers of growth are:

- households wanting to top up their retirement income to improve their, or their family's standard of living in later life;
- 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 13 million today to around 17 million by 2040; and
- strong investment in advertising which results in people becoming aware of LTMs, combined with people becoming more disposed to using some of their housing equity.

In October 2020 the FCA wrote to Chief Executive Officers 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.

The FCA stated they would be engaging with a number of firms across the industry and that phase of work was due to conclude in May 2021. In June 2022 they wrote to firms providing an updated view of their expectations, and 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 ongoing costs of receiving care until their death.

On 7 September 2021, the UK Prime Minister announced plans to substantially increase funding for health and social care over the period (2022-2025), to be funded by a new tax, the Health and Social Care Levy. From October 2023, the government had planned to introduce a new £86,000 cap on the amount anyone in England will have to spend on their personal care over their lifetime. The cap was to apply irrespective of a person's age or income.

The government said that the publication of the November 2021 document marked the start of a period of co-production of the statutory guidance with the sector, building on draft regulations and guidance published in 2015. It added that this would be followed by a public consultation early in 2022 with the intention that the final regulations and guidance will be published in spring 2022.

In the November 2022 Autumn Statement, the government announced a delay to the national rollout of social care charging reforms from October 2023 to October 2025.

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 1.7 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 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.

BUSINESS MODEL

Our business model converts the growth opportunities in our markets to deliver positive outcomes for customers, shareholders and colleagues.

KEY CHARACTERISTICS OF OUR BUSINESS MODEL

SPECIALIST
FOCUS

RISK
SELECTION

PRODUCT
INNOVATION

COST
DISCIPLINE

SCALABLE
OPERATING MODEL

FOCUS ON
ORGANIC CAPITAL
GENERATION

HOW WE CREATE VALUE

We have created a sustainable business model that organically generates capital to support growth. We assess the risks related to the policies we sell and how much income we expect to provide to our customers. We charge a margin on the initial amount received in exchange for accepting the risk over the lifetime of the policy. We invest the margin and our customers' pension savings in high quality assets, including the lifetime mortgages we originate. This generates financial value whilst ensuring we are able to pay policyholder pensions as they fall due.

GROWTH OPPORTUNITIES

We have a growing ageing population with evolving needs. The complexity of retirement and therefore inertia amongst those approaching, at or in-retirement provides us with significant opportunity to help more customers achieve a better later life through the products and propositions we offer via our multi-channel distribution strategy.

Each and every current and future retiree will have a unique set of circumstances and be exposed to a number of risks.

These risks include:

- their defined benefit pension scheme running into financial difficulty;
- running out of money;
- being unable to plan their financial affairs;
- access to affordable financial advice;
- increasing and uncertain care costs;
- not being able to achieve the lifestyle they had expected;
- being invested in inappropriate products and securities; and
- inflation outpacing their savings.

Our solutions service these needs, and our scalable and sustainable business model is built to optimise value from those solutions.

WE CREATE VALUE FOR



SHAREHOLDERS

By managing our resources effectively, we generate returns in excess of our cost of capital. We manage our capital conservatively and are focused on increasing our underlying organic capital generation to grow our business and service capital providers, enabling sustainable dividends.



CUSTOMERS

We use our medical underwriting to fairly optimise the returns for our customers. In addition, we strive to deliver the best experience for our customers, making it as easy for them as possible to navigate the complexities of later life planning and events. In addition, our resilient business model ensures our customers can rely on us to pay claims over the long term.



PARTNERS

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.



COLLEAGUES

We develop, recognise and reward our colleagues to secure a skilled and motivated team, with a focus on high-performance working.



ENVIRONMENT

We help the environment through how we operate and the investment decisions we make, which align with our focused sustainability strategy.

PRODUCTS AND SERVICES

🔍 RISK SELECTION

Selecting the right risks and pricing our products appropriately

Prognosis™ is our powerful proprietary tool for individual medical underwriting that drives pricing and reserving that allows the Group to identify and price for the risks we want and to improve customer outcomes. And because we operate in attractive markets that are growing, this further allows us to be selective in the risks we choose to write.

🏰 INVESTMENT STRATEGY

Continuous evolution of our investment strategy to generate value for shareholders and better value for customers

We invest in infrastructure loans, private placements, commercial property mortgages and social housing, 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. Read about our sustainable investment strategy in the “Sustainable investment strategy” section.

Our products and services are distributed via our multi-channel model.

💡 INNOVATION

Innovatively utilising reinsurance tools to improve our capital position

This includes:

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

STRATEGIC PRIORITIES

Our growth ambitions are underpinned by our financial strength and the nearer term value generated from our defined benefit business.

We continue to grow our business sustainably to achieve our strategic ambitions. We have maintained our focus on capital whilst also strengthening our focus on transformation, customer, growth, and innovation across the Group. We are looking at more ways in which we can help people in later life during times of economic stress.

PRINCIPAL RISKS AND UNCERTAINTIES

Ongoing risks:

- A** Market
- B** Credit
- C** Insurance
- D** Liquidity
- E** Conduct and operational
- F** Strategic

Risk outlook:

- 1** Political and regulatory
- 2** Climate and environmental, social and governance ("ESG")
- 3** Cyber and technology
- 4** Insurance
- 5** Market
- 6** Liquidity
- 7** Strategic

1. GROW SUSTAINABLY

FOCUS

Continue to build profitable and sustainable growth over the medium term to maximise opportunities available to us and build shareholder value through the operation of a sustainable capital model and proposition development.

2022 PROGRESS

- Completion of the property related management actions and exposure materially reduced. We have improved financial strength and resilience.
- We have the investment team, origination capabilities and controls in place to deliver £1bn+ pa of non-LTM illiquid origination to support business growth.
- Our medically underwritten lifetime mortgages are now a material business segment and provide us with a competitive advantage.
- Reflecting the progress made to improve the resilience of the balance sheet, we are broadly economically neutral on interest rate movements up and down.

2023 FOCUS

- Continue to take advantage of the multiple growth opportunities available to us whilst being capital generative and preserving economic value.

LINK TO ONGOING RISKS:

A B C D E F

LINK TO RISK OUTLOOK:

1 2 3 4 5 6 7

2. TRANSFORM HOW WE WORK

FOCUS

We have foundations in place and continue to streamline and automate our operations across the business, evolving our workplace; making it fit for the future and the customers and partners we support.

2022 PROGRESS

- Completion of our key deliverables in retail digitisation and back office.
- Creation of new technology capability supports further development within our process automation ambitions.
- We continue to evolve operations within our business lines and functions to be able to service our customers for the future.
- Our new London property supports our sustainability ambitions and has transformed the hybrid working experience for our colleagues.

2023 FOCUS

- Continuation of our transformation initiatives with a focus on enabling sufficient scalability across the Group.

LINK TO ONGOING RISKS:

A B C D E F

LINK TO RISK OUTLOOK:

1 2 3 4 5 6 7



3. GROW THROUGH INNOVATION

FOCUS

Develop our insight and evolve our customer strategy to position our propositions to achieve long-term success.

2022 PROGRESS

- We have executed and further established our DB partnering proposition through our second deal.
- We have developed a single-tie Guaranteed Annuity Rate proposition to support our strategic partnerships in the marketplace.
- We use customer research and user-centred design techniques to explore the needs of our prospective and current retail customers to determine how we might develop improved customer solutions that solve their needs. This enhanced understanding will further support the intermediaries and partners we work with through the innovative solutions we provide.

2023 FOCUS

- Grow our DB business, enhancing our propositions and scalability. Embed our innovative retail solutions with our partners and intermediaries.

LINK TO ONGOING RISKS:

A B C D E F

LINK TO RISK OUTLOOK:

1 2 3 4 5 6 7

4. GET CLOSER TO OUR CUSTOMERS AND PARTNERS

FOCUS

Invest in our propositions; enhancing our existing services to get closer to our customers and partners.

2022 PROGRESS

- We have introduced customer and partner experience measures across the Group enabling us to efficiently measure and track progress to ultimately improve the experience and interaction with Just.
- Building on the success of the first Just Group Vulnerable Customer Awards, we hosted the 2022 Just Vulnerable Customer Awards, to showcase business leadership and advisers who support vulnerable customers.
- Over 12,000 intermediaries and other colleagues have registered to use our 'Consumer Vulnerability in Later Life' online training module, identified by the Financial Conduct Authority as an example of good practice and supporting our purpose to help people achieve a better later life.

2023 FOCUS

- Maturity of our customer experience framework, setting new standards across the Group. Combining the efforts of regulatory driven and strategic initiatives to add value for the end customer and support our partners.

LINK TO ONGOING RISKS:

A B C D E F

LINK TO RISK OUTLOOK:

1 2 3 4 5 6 7

5. BE PROUD TO WORK AT JUST

FOCUS

Building a solid foundation to support the next phase of our growth transformation.

2022 PROGRESS

- We are a signatory to the Association of British Insurer ("ABI") Making Flexible Work Charter, supporting flexible working, diversity and inclusion in the workplace.
- We successfully launched our sustainability story.
- Our staff moved to a new London office, further supporting our sustainability ambitions as well as employee engagement and wellbeing.
- We have embedded a hybrid working approach, supporting flexibility whilst ensuring colleagues stay connected.
- We have implemented our employee wellbeing strategy incorporating a range of initiatives, with a particular focus on financial wellbeing.

2023 FOCUS

- Continue to drive our purpose led culture. Building and leading high performing teams and developing our capabilities.

LINK TO ONGOING RISKS:

A B C D E F

LINK TO RISK OUTLOOK:

1 2 3 4 5 6 7

DEFINED BENEFIT DE-RISKING MARKET

CELEBRATING 10 YEARS OF HELPING CUSTOMERS



We launched our defined benefit solutions business in 2013 and in this short time we've come a long way.

292

TRANSACTIONS COMPLETED

£12.8^{BN}

VALUE OF TRANSACTIONS
COMPLETED SINCE 2013

1-IN-6

WE'VE COMPLETED 1-IN-6 OF
THE > 1,600¹ TRANSACTIONS
COMPLETED SINCE 2013

¹ Includes Just estimate of
transactions for H2 2022.

We've established a strong reputation with pension scheme trustees, sponsors and professional advisers and established a leading position in the small and medium transaction size segments of the market.

Although we've successfully completed over 290 transactions and invested £12.8bn of members' pension savings, in many ways we're just getting into our stride. We see significant untapped potential to grow our business and extend our franchise into additional segments of the market.

➔ READ MORE IN THE MARKET SECTION

ENTERING THE MARKET – HELPING THE CUSTOMER THE JUST WAY

We've always had strong innovation credentials, right back to the day when we launched the Company. When we entered the defined benefit de-risking market we used this innovation and underwriting expertise to create a point of difference in the market.

When we designed our service we were very clear – the pension scheme member must come first. We knew trustees would demand the best outcome and service for their members. As the retirement specialist, we had deep insight into the needs of customers and a strong track record in delivering outstanding service. This forensic focus on the member has been a major reason why trustees award new and repeat business to Just Group and why we are confident in fulfilling our purpose.

THE EARLY YEARS AND CHANGING SHAPE OF THE MARKET

The majority of the business we completed in our earlier years was for transactions known as a Buy-in. This is an insurance contract that pays a guaranteed stream of income to the pension scheme trustees sufficient to cover the liabilities of a defined group of members. These transactions were for smaller pension schemes to cover the liabilities for members whose pensions were already in payment. More recently, as pension scheme funding has improved and pricing for deferred pensioners has become more attractive, the market has moved towards full scheme Buy-ins. These make up the majority of transactions we won during 2022.

AGILITY – ACCESSING A RANGE OF SOLUTIONS

We have to be agile and flexible to meet the needs of our customers and stakeholders. Because we know two transactions are never the same – we have developed a range of services and transaction structures.

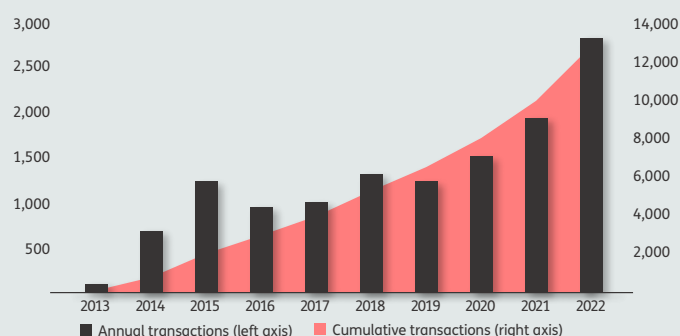
One example is our partnering proposition that we have successfully used to transact larger deals such as those we completed with the sponsors of the AA and Barloworld pension schemes. Through our portfolio of reinsurance partners we utilised funded reinsurance arrangements and this enabled us to optimise our use of capital with our ambition to grow sales.

CONTINUING TO INNOVATE

We're never short of ideas at Just, we are always thinking how we can disrupt markets to deliver better outcomes for our customers. One of the main constraints in DB de-risking is human capital. Of the 5,000 plus defined benefit pension schemes in the UK, almost three quarters have assets of less than £100m, and nearly 1,500 of these have assets less than £10m. The key to increasing access for these smaller schemes to DB de-risking, is to provide a very efficient solution.

Just is leading the way here through our innovative proprietary service. We've developed and implemented a streamlined bulk quotation service.

JUST | DB DE-RISKING TRANSACTION VALUES 2013-2022 (£M)



It's having a material impact in this space, and has really helped to establish our franchise with our target audience.

We receive member and scheme data directly from the trustee, or employee benefit consultant, and we agree a target price. Our streamlined service then monitors our pricing, and when it aligns with the target price, we quickly execute using standard terms. To date, we have completed 61 transactions using this service. Some of these are repeat business, but for many schemes, this will be their first transaction with us.

FOCUSING ON THE MEMBER AND THE CLIENT GENERATES REPEAT BUSINESS

When we transact with a pension scheme – the transaction may be for a small part of their overall scheme. Their de-risking journey often consists of a number of transactions over many years. We've developed a very strong reputation with the schemes we've transacted with, for providing excellent service, demonstrating flexibility, and investing in our relationship with them. This in turn has translated into real commercial benefits, and the trustees of these schemes often develop a preference for doing subsequent, or repeat transactions with us.

We have completed 49 repeat transactions with our existing customers', and in the process we are building real franchise value. To bring that to life, we've written £2.0bn of repeat transaction premiums. Those customers initial transactions were £2.3bn. This is a very strong endorsement from the trustees of our service and the member experience we provide at Buy-out when members become policyholders of Just Group.

INVESTING IN THE UK

The £12.8bn of DB premiums we've secured have been invested to ensure we achieve the predictable cash flow required to pay the pensions of scheme members. We've invested billions of pounds sustainably, across social housing, utilities and infrastructure including offshore wind farms and solar. These investments deliver value for pension scheme members and help to support growth in the economy.

➔ READ MORE ABOUT OUR INVESTMENTS ON PAGE 34

OUTLOOK

We are participating in a highly attractive market with long term growth prospects. We have strong capabilities, an excellent reputation and a clear strategy to achieve profitable growth. We are increasingly optimistic about the future.



OUR DEVELOPMENTS

2013 First deal	2015 First repeat transaction	2018 First deal over £250m	2019 First DB partner deal	2020 Deferred proposition launched	2023 Our largest DB transaction £513m full scheme Buy-in for one of the Melrose Group pension schemes
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KEY PERFORMANCE INDICATORS

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

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

The balance of KPIs across capital, sales, expenses, profit and net assets, reflect the Group's focus on monitoring and controlling its costs and growing capital.

MEASURED AGAINST OUR STRATEGIC PRIORITIES

1. Grow sustainably
2. Transform how we work
3. Grow through innovation
4. Get closer to our customers and partners
5. Be proud to work at Just

SEE PAGE 16 FOR OUR STRATEGIC PRIORITIES

- 1 Alternative performance measure. See glossary on page 196 for definition.
- 2 Solvency II capital coverage ratios as at 31 December 2021 and 31 December 2022 include a recalculation of transitional measures on technical provisions ("TMTP") as at the respective dates.

RETURN ON EQUITY¹ – 10.7%

Return on equity is underlying operating profit after attributed tax for the period expressed as a percentage of the average tangible net asset value over the period, where tangible net asset value is IFRS total equity excluding goodwill and other intangibles, net of tax, and excluding equity attributable to Tier 1 noteholders.



[LINK TO STRATEGIC PRIORITIES 1,3](#)

UNDERLYING OPERATING PROFIT¹ – £249M

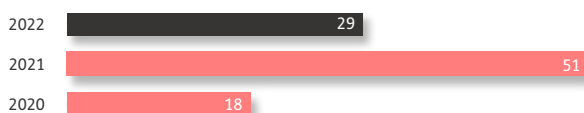
Underlying operating profit is calculated in the same way as adjusted operating profit before tax but excludes operating experience and assumption changes.



[LINK TO STRATEGIC PRIORITIES 1,3](#)

UNDERLYING ORGANIC CAPITAL GENERATION/ (CONSUMPTION)^{1,2} – £29M

Underlying organic capital generation/(consumption) is the net increase/ (decrease) in Solvency II excess own funds over the year, generated from ongoing business activities, and includes surplus from in-force, net of new business strain, cost overruns and other expenses and debt interest. It excludes economic variances, regulatory adjustments, capital raising or repayment and impact of management actions and other operating items. The Board believes that this measure provides good insight into the ongoing capital sustainability of the business.



[LINK TO STRATEGIC PRIORITIES 1,3](#)

RETIREMENT INCOME SALES¹ – £3,131M

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



[LINK TO STRATEGIC PRIORITIES 3,4](#)

NEW BUSINESS OPERATING PROFIT¹ – £233M

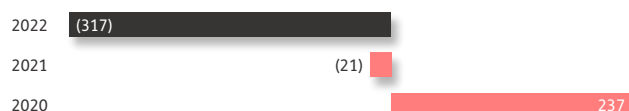
New business operating profit represents the profit generated from new business written in the year after allowing for the establishment of prudent reserves for future expected annuity payments and maintenance expenses and for acquisition expenses. Acquisition expenses include the commission and trading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



[LINK TO STRATEGIC PRIORITIES 1,3](#)

IFRS (LOSS)/PROFIT BEFORE TAX – £(317)M

IFRS (loss)/profit before tax represents the (loss)/profit before tax attributable to equity holders. The Group experienced investment and economic losses of £639m in 2022 driven by £510m of losses from the increase in risk-free rates during the period. The Group takes an active approach to hedging its interest rate exposure. In the second half of 2021 and across 2022, as rates rose and our solvency position strengthened, we gradually reduced the interest rate hedging to a broadly economically neutral position. A reconciliation of the operating profit to statutory IFRS results is shown on page 26 in the Business Review.



[LINK TO STRATEGIC PRIORITIES 1,3](#)

SOLVENCY II CAPITAL COVERAGE RATIO² – 199% (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 PRIORITIES 1](#)

ADJUSTED OPERATING PROFIT BEFORE TAX¹ – £336M

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 the 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 36.



[LINK TO STRATEGIC PRIORITIES 1,3](#)

MANAGEMENT EXPENSES¹ – £153M

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 reinsurance 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 4 on page 147.



[LINK TO STRATEGIC PRIORITIES 1,2](#)

IFRS NET ASSETS – £2,178M

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



[LINK TO STRATEGIC PRIORITIES 1](#)

BUSINESS REVIEW

STRONG AND SUSTAINABLE GROWTH

Our strong capital base and compelling proposition
in the market provide us with a solid foundation
to deliver ongoing sustainable growth.



A handwritten signature in black ink, appearing to read 'A Parsons', located within the red circle overlay.

ANDY PARSONS
Group Chief Financial Officer

£336M

**ADJUSTED OPERATING
PROFIT BEFORE TAX**

2021: £238m, up 41%

199%

**SOLVENCY II CAPITAL
COVERAGE RATIO¹**

2021: 164%, up 35 percentage points

1.73P

DIVIDEND

Annualised 2021: 1.5 pence
per share, up 15%

The Group operates in attractive markets, with solid structural growth drivers. By leveraging our strong capabilities, brand and reputation we are well placed to take advantage of the expected boost in demand for our products following the rise in long term interest rates during 2022. We will continue to innovate, risk select and price with discipline, ensuring our business model delivers long-term value for customers and shareholders.

The Business Review presents the results of the Group for the year ended 31 December 2022, including IFRS and unaudited Solvency II information.

The business continues to benefit from the strong positive progress achieved in previous years, in particular, a transformed, low capital intensity new business model, combined with a strengthened and increasingly resilient capital base. After right sizing the cost base, we continue to maintain strong cost discipline across the business and are investing to enable the business to scale efficiently. We are also diversifying the asset portfolio backing our customer commitments by originating an increasing proportion of illiquid assets to back the new business in line with our investment strategy.

The DB business goes from strength to strength as the £5bn pipeline at the half year stage translated into the strongest six months of DB sales on record for Just. The drivers behind this momentum remain and we expect a very busy 2023, as we execute on small, medium and larger transactions, while maintaining pricing discipline and capital flexibility. The steep rise in interest rates during 2022 has had a positive impact as it further reduces DB scheme funding deficits, thereby making de-risking transactions more affordable. Many schemes are already or approaching fully funded sooner than they had expected, and hence able to accelerate their de-risking plans. Post year end, in February 2023, we completed our largest transaction to date at £513m, and have signed or are exclusive on a number of other medium sized deals.

In July, utilising our DB partnering model, we reinsured the investment as well as longevity risks on just over half of a £484m transaction, our largest deal of the year. After allowing for the upfront origination fee received from our external reinsurance partner, this transaction created £24m of new business profit and was in aggregate marginally capital generative for Just. This capital light transaction is an example of our innovation – it increases our participation in the above £100m transaction size segment, where we have significant opportunity to grow, and generates upfront fee income to offset new business capital strain. This type of transaction is repeatable, scalable and provides optionality going forward, with employee benefit consultants (“EBCs”) supportive as the external capital increases overall market capacity.

During 2022, underlying operating profit was £249m (2021: £210m), a rise of 19%, ahead of our medium term annualised profit growth target. Rising interest rates during 2022 boosted the return on surplus assets, thereby increasing in-force operating profit, up 29% to £116m, while proactive management of our debt profile in September 2021 and November 2022 has materially reduced finance costs. Shareholder funded Retirement Income sales² of £3,131m were 17% higher than 2021, as a 33% increase in DB business was offset by a 24% decline in GfL/Care volumes. New business profit, which includes the DB partner origination fee, was up 4% at £233m (2021: £225m), translating to a new business margin of 7.4% (2021: 8.4%) on shareholder funded premiums. The higher interest rates that benefited the in-force operating profit during the year, also reduces the size of each individual DB transaction as well as reducing the new business margin.

The significant rise, of c.275bps in long term interest rates during 2022 also led to IFRS losses of £510m from hedges used to protect the Solvency II balance sheet. These hedges had produced profits as interest rates fell in

previous years. During the year, we actively reduced the level of interest rate hedging as the capital position strengthened, with the sensitivity at year end 2022 now close to zero (c.£7m of IFRS profit for a 100 basis point increase in long term rates compared to £526m loss at year end 2021). Cumulatively since 2018, we have incurred a net loss of £226m (pre-tax) on interest rate hedging as profits when rates fell in 2019/2020 were more than offset by losses incurred as rates rose more significantly over the past two years. Other economic variances included negatives from widening credit spreads (£112m) and property growth experience (£22m), which at 2% for the year was a little below our long term 3.3% annual growth assumption (2021: 3.3%). We also incurred a £95m loss on asset timing variance, which is expected to reverse as we acquire the desired asset mix during the first half of 2023 and a £49m loss from the third and final LTM portfolio sale in February 2022. Taken together, these investment and economic losses of £639m, when combined with other items led to an overall loss after tax for the year of £232m (2021: loss of £16m).

The Group's Solvency II capital position strengthened significantly during the year, increasing by 35 percentage points to 199% (31 December 2021: 164%¹). Rising rates drove most of the increase, by reducing the solvency capital requirement (“SCR”) and risk margin, although this in turn leads to a smaller unwind subsequently through in-force surplus. Despite reduced unwind of capital following the rise in rates, underlying organic capital generation (“UOCG”) during 2022 was robust at £29m (2021: £51m), marking three years of positive underlying organic capital generation. Within this, capital strain from writing new business increased to £60m, reflecting the significantly higher volumes of business written during the year. New business strain at 1.9% of premium (2021: 1.5% of premium) is based on target asset mix, with any timing differences taken as an investment variance. This low level of new business strain is due to our continued focus on strong pricing discipline, risk selection and business mix. Sustainable growth through a capital self-sufficiency business model continues to be a central pillar of how we run the business. Furthermore, management actions were £15m (2021: £16m) and other, driven by a longevity assumption change, was £90m. When added to the UOCG this leads to a total of £134m of organic capital generation (2021: £93m), which boosted the capital coverage ratio by 5 percentage points. The solvency sensitivity to property was further reduced following completion of our third and final planned LTM portfolio sale in February 2022, and remains within risk appetite. No further portfolio sales are anticipated.

Recognising the resilience and strengthened financial position of the Group, we recommended dividends at FY 2021 and paid a £16m distribution to shareholders during the year.

In 2023, as legislation is finalised within the Financial Services and Markets bill, we expect further clarification from the PRA following HM Treasury's announcement to reform Solvency II and introduce a new Regulatory Framework for financial services following the UK's exit from the European Union. The Chancellor's Autumn Statement in November very positively outlined a 65% reduction in the risk margin (which will help to reduce the size and volatility of the solvency balance sheet), measures to widen eligibility criteria for matching adjustment assets, such as callable bonds or assets with a construction phase where the commencement of cashflows is not exactly certain, and no changes to the fundamental spread of the matching adjustment, which remains a critical component of the Solvency UK regulatory regime. We are very supportive of and keen to see swift progress on the proposed reforms, which will better enable insurers to support the economy and the government's various agendas including “levelling up”, decarbonisation and, increased investment in science and technology. We await further detail on timing and implementation.

¹ Solvency II capital coverage ratios as at 31 December 2021 and 31 December 2022 include a recalculation of TMTP as at the respective dates.

² The retirement income sales included in this new business margin has been calculated based on the July DB partnering premium after deducting the DB partner share.

BUSINESS REVIEW continued

At this time, the outlook for the economy continues to evolve reflecting geopolitical and other macro-economic concerns including the trajectory of interest rates to reduce and control inflation, and associated slowing of the UK and global economies. 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 the financial statements. We expect these macro forces to have a negligible effect on the Group's business model with demand for our products boosted by higher interest rates. We have a low strain new business model that is generating sufficient underlying capital to fund our ambitious growth plans, whilst also paying a shareholder dividend that is expected to grow over time.

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: return on equity, Retirement Income sales, underlying organic capital generation, new business operating profit, adjusted operating profit before tax, underlying operating profit, management expenses, organic capital generation, in-force operating profit, adjusted earnings 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 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. In addition, the return on equity (target 10%) and adjusted earnings per share calculations have been updated to be consistent with the 15% medium term growth metric, based on underlying operating profit. This reflects the Group's focus on profitable and sustainable growth, and provide a balance of KPIs across profit, sales, expenses, capital and net assets. The Group's KPIs are discussed in more detail on the following pages.

The Group's KPIs are shown below:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m	Change
Return on equity¹	10.7%	8.3%	2.4pp
Retirement Income sales¹	3,131	2,674	17%
Underlying organic capital generation¹	29	51	(43)%
New business operating profit¹	233	225	4%
Adjusted operating profit before tax¹	336	238	41%
Underlying operating profit¹	249	210	19%
IFRS loss before tax	(317)	(21)	15x
Management expenses¹	153	147	4%

	31 December 2022 £m	31 December 2021 £m	Change
Solvency II capital coverage ratio²	199%	164%	35pp
IFRS net assets	2,178	2,440	(11)%

1 Alternative performance measure, see glossary. The return on equity (target 10%) calculation has been updated to be consistent with the 15% medium term growth metric.

2 Solvency II capital coverage ratios as at 31 December 2021 and 31 December 2022 include a recalculation of TMTP as at the respective dates.

RETURN ON EQUITY

The return on equity in the year to 31 December 2022 was 10.7% (2021: 8.3%), based on underlying operating profit after attributed tax of £202m (2021: £170m) arising on average tangible net assets of £1,891m (2021: £2,048m).

Tangible net assets are reconciled to IFRS total equity as follows:

	31 December 2022 £m	31 December 2021 £m
IFRS total equity	2,178	2,440
Less intangible assets	(104)	(120)
Less tax on amortised intangible assets	15	17
Less equity attributable to Tier 1 noteholders	(322)	(322)
Tangible net assets	1,767	2,015
Return on equity	10.7%	8.3%

UNDERLYING OPERATING PROFIT AND ADJUSTED OPERATING PROFIT BEFORE TAX

Underlying operating profit is the core performance metric on which we have based our target 15% growth, per annum, on average, over the medium term. Underlying operating profit captures the performance and running costs of the business including interest on the capital structure, but excludes operating experience and assumption changes, which by their nature are unpredictable and can vary substantially from period to period. 2022 underlying operating profit grew by 19% to £249m (2021: £210m), which is a very solid start towards our medium term target, albeit year to year, the trajectory may be influenced by timing differences in relation to larger DB transactions.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m	Change %
New business operating profit	233	225	4
In-force operating profit	116	90	29
Other Group companies' operating results	(15)	(15)	-
Development expenditure	(12)	(7)	71
Reinsurance and finance costs	(73)	(83)	(12)
Underlying operating profit	249	210	19
Operating experience and assumption changes	87	28	211
Adjusted operating profit before tax¹	336	238	41

1 New business operating profit is reconciled to IFRS loss (via adjusting operating profit before tax) further in this Business Review.

New business operating profit

New business operating profit was up 4% at £233m for the year ended 31 December 2022 (2021: £225m), as shareholder funded Retirement Income sales rose 17% to £3,131m (2021: £2,674m). The new business margin achieved on Retirement Income sales during the period was lower at 7.4% (2021: 8.4%). We are achieving similar spreads compared to the prior year, however, due to higher interest rates, the new business profit we recognise is now being discounted at a higher rate than the prior year, and hence the margin is lower.

Management expenses

Management expenses have increased by 4% to £153m for the year ended 31 December 2022 (2021: £147m). Following the end of a formal three year cost reduction programme in 2021, management expenses continue to be contained. We have maintained a sharp focus on cost control, with selective investment in the business, such as the Investments and DB functions as we continue to build in-house capability to write larger DB transactions on a more frequent basis, and investing in the HUB Destination Retirement business. Going forward, premium and business growth is expected to outpace costs, thus further improving operational leverage.

In-force operating profit

In-force operating profit increased by 29% to £116m for the year ended 31 December 2022 (2021: £90m). Aside from the positive impact of credit spread widening, the Group's in-force operating profit also benefited from the impact of rising rates, which has boosted the return on surplus assets.

Other Group companies' operating results

The operating result for other Group companies was a loss of £15m (2021: loss of £15m). These costs arise from the holding company, Just Group plc, and the HUB group of businesses.

Development expenditure

Development expenditure of £12m for the year ended 31 December 2022 (2021: £7m), mainly relates to product development, proposition enhancement and new initiatives. It also includes preparations for the new insurance accounting standard IFRS 17 and distribution improvements such as online capability and digital access.

Reinsurance and finance costs

Finance costs have decreased by 12% to £73m (2021: £83m). These 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 decrease for the period is due to the opportunistic refinancing in September 2021 of the 2019 issued Restricted Tier 1 bond, with a new £325m Sustainability Restricted Tier 1 bond. This discrete bond refinancing reduced the interest costs on the RT1 component of the capital structure by £12m pre-tax per annum, while also lengthening the bond maturity to 2031. In November 2022, the Group tendered for and cancelled £76m of 9% tier 2 debt due in 2026, which will lead to additional interest savings in 2023 as the Group further optimises its capital structure and debt profile.

During the first half of 2022, the Group entered into a new five year revolving credit facility, with improved commercial terms. The facility has increased from £200m to £300m, with flexibility for this to grow as the balance sheet expands over time. This facility has not been drawn upon in 2022.

Operating experience and assumption changes

Over the past two years, the Group has actively continued to assess the potential impact of COVID-19 on longer term mortality and has increasingly incorporated COVID-19 experience data and medical understanding into our pricing and reserving assumptions, as it became available. As usual, the Group carried out a full basis review in December 2022, and has updated its longevity reserving using the CMI 2021 mortality tables (2021: CMI 2019) and reviewing mortality rates experienced over the past three years. The Group continues to allow for future improvements in long-term mortality, but with nearer term mortality also reflecting the heightened mortality being experienced post pandemic. Our assessment of the long-term impact of the pandemic on the population, including the health of those who have recovered from the disease, the future efficacy of the various vaccines and secondary impacts such as delayed diagnosis for other illnesses or behavioural changes continues to evolve. However, these factors, combined with the winter flu season, longer NHS waiting lists and inflation pressures on incomes are undoubtedly contributing to continued elevated deaths across the population, which we have sought to reflect in our year end assumption. There were a number of very minor changes to the Group's other assumptions in 2022. Sensitivity analysis is shown in notes 17 and 23, which sets out the impact on the IFRS results from changes to key assumptions, including mortality and property.

Overall, operating experience and assumption changes were £87m (2021: £28m). The Group reported negative operating experience of £5m in 2022 (2021: positive £33m), as positive annuitant mortality experience and modelling adjustments were more than offset by increased early redemptions within our LTM book, above our redemption assumption, as customers took advantage of the competitive rates on offer to refinance before rates rose and thus reducing interest roll-up. Assumption changes resulted in a £92m release (2021: £5m strengthening), and were almost entirely driven by the mortality assumption change, as per above.

Adjusted operating profit before tax

Adjusted operating profit before tax, was £336m (2021: £238m). Adjusted operating profit before tax is the sum of underlying operating profit and operating experience and assumption changes.

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 a finance cost on an adjusted operating profit basis.

RETIREMENT INCOME SALES

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m	Change %
Defined Benefit De-risking Solutions ("DB")	2,567	1,935	33
Guaranteed Income for Life Solutions ("Gifl") and Care Plans ("CP")	564	739	(24)
Retirement Income sales	3,131	2,674	17

The structural growth drivers that underpin our markets are unchanged. Shareholder funded Retirement Income sales for the year ended 31 December 2022 rose 17% to £3,131m (2021: £2,674m).

In early 2021, we expanded our proposition in the DB de-risking market to meet fully the needs of schemes and trustees by adding DB deferred capability, which enabled us to increase our access to the c.£1.5tn DB market opportunity. Prior to 2022, scheme funding levels across the industry had been steadily improving primarily due to increased contributions from sponsors, and therefore more schemes were able to afford full scheme de-risking and buyout (with deferreds) as opposed to pensioner only de-risking. During 2022, rising interest rates accelerated the funding gap closure, which means that more schemes will commence the process to be "transaction ready" and hence bring business forward into the 2023 and medium term pipeline from ordinarily expecting to transact in the second half of the decade. Our efforts in 2021 were recognised by being named "Risk Management Provider of the Year" at the Pensions Age awards in February 2022.

Shareholder funded DB sales were £2,567m, an increase of 33%. Activity levels were significantly ahead of the comparable period as we closed 56 transactions (2021: 29 transactions) aided by our proprietary bulk quotation service and repeat business. This level of transaction activity is estimated to reflect over a quarter of all transactions in the market – a very strong endorsement of our DB new business franchise. In July, we completed a £484m deal utilising our DB partnering model. Adding the £259m DB partner premium to Just's shareholder funded DB sales led to total DB market volumes of £2,826m, up 46% on prior year.

We expect industry volumes for 2022 to be c.£30bn (2021: £27.7bn), and therefore our market volume share to be close to 10%. Our confidence in substantial market growth in 2023 is underpinned by Lane Clark Peacock ("LCP") who anticipate that DB market volumes could exceed the record £44bn achieved in 2019, while Willis Towers Watson expect in excess of £40bn of Buy-in/Buy-out DB transactions. Our near term actively quoting pipeline is over £6bn, and we expect a busy year with a greater number of medium and large transaction opportunities coming to market. However, the long-term growth opportunity is very substantial with LCP forecasting up to £600bn of DB Buy-in and Buy-out transactions over the decade to 2032, as funding deficits in the largest schemes are closed. Indeed, over the next three years, more than £200bn could transact, similar to the amount that transacted during the last decade. We will take advantage of this very strong

BUSINESS REVIEW continued

market backdrop through our low strain new business model, which enables us to fund our ambitious growth plans through underlying organic capital generation, and utilising various forms of reinsurance through DB partnering. When combined with our proven ability to originate high quality illiquid assets, shareholder capital invested in new business adds substantially to increasing the existing shareholder value.

GIFL sales fell by 24% to £520m (2021: £688m), due to a competitive market and a decrease in the value of pension pots, which resulted in smaller case sizes. Falling equity and bond markets, and economic uncertainty demonstrate to customers the importance and security of a guaranteed income. We maintained pricing discipline and used our insight to select the most profitable risks in a competitive market, while deploying the available capital budget towards the heightened activity in the DB market. The rise in long term interest rates has translated into increased customer rates which has stimulated interest in guaranteed income relative to other forms of retirement income. Year to date, quotation volumes are substantially higher than 2022, which provides us with further optionality to deploy available capital. We continue to invest in our distribution capability, with online applications now available, which contributed towards our 18th consecutive Five Stars at November's Financial Advisor Service Awards. Care sales were down 14% at £44m (2021: £51m) and remain subdued due to customer behaviour changes post pandemic, with a further delay to October 2025 in relation to proposed government initiatives on health and social care funding.

Other new business sales

2022 internally funded lifetime mortgage advances were £519m (2021: £488m), an increase of 6%, with these in part used to replace an increased level of back book LTM early redemptions. Going forward, our target LTM backing ratio for new business has been revised downwards to 10-15%. Relative to the spreads available on other illiquid assets, LTMs remain an attractive asset class, however, in a higher interest rate environment, the capital charge attaching to the NNEG risk becomes onerous.

We continue to be selective in the mortgages we originate, as we use our market insight and distribution to target certain sub-segments of the market. During 2021, we introduced medical underwriting across the entire lifetime mortgage range and also signed an exclusive distribution agreement with Saga, both of which are contributing to increasing volumes within the mix. Increased investment in LTM digital capabilities and proposition has been well received by financial advisers.

ADJUSTED EARNINGS PER SHARE

Adjusted EPS (based on underlying operating profit after attributed tax) has increased to 19.6 pence (2021: 16.4 pence).

	Year ended 31 December 2022	Year ended 31 December 2021
Adjusted earnings (£m)	202	170
Weighted average number of shares (million)	1,032	1,034
Adjusted EPS ¹ (pence)	19.6	16.4

1 Alternative performance measure, see glossary for definition. The adjusted earning calculation has been updated to be consistent with the 15% medium term growth metric, based on underlying operating profit.

EARNINGS PER SHARE

	Year ended 31 December 2022	Year ended 31 December 2021 ¹
Earnings (£m)	(245)	(82)
Weighted average number of shares (million)	1,032	1,034
EPS (pence)	(23.7)	(8.0)

1 Restated as explained in note 1.

RECONCILIATION OF OPERATING PROFIT TO STATUTORY IFRS RESULTS

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

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Adjusted operating profit before tax	336	238
Non-recurring and project expenditure	(12)	(15)
Investment and economic losses	(639)	(251)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	16	25
Amortisation costs	(18)	(18)
IFRS loss before tax	(317)	(21)

Non-recurring and project expenditure

Non-recurring and project expenditure was £12m for the year ended 31 December 2022 (2021: £15m). This included the business process transformation and increasing efficiency by investing in automation and new systems, across DB, retail and finance, which will lead to improved customer service and long-term cost and control benefits. This also includes the support for Group internal model updates and other items.

Investment and economic losses

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Change in interest rates	(510)	(226)
(Wider)/narrower credit spreads	(112)	57
Property growth experience	(22)	56
Sale of LTM portfolio	(49)	(161)
Asset timing variance	(95)	51
Other	149	(28)
Investment and economic losses	(639)	(251)

Investment and economic losses for the year ended 31 December 2022 were £639m (2021: £251m loss). Losses from the increase in risk-free rates during the period contributed £510m. The Group takes an active approach to hedging its interest rate exposure. In the second half of 2021 and across 2022, as rates rose and our solvency position strengthened, we gradually reduced the interest rate hedging to a broadly economically neutral position. Our modified approach will allow the solvency position to fluctuate as interest rates move, but minimise the economic cost should rates rise further. As noted above, the cumulative net interest rate loss from hedging the Solvency II balance sheet since 2018 has been a net loss (pre-tax) of £226m. Rising rates over the second half of 2022 helped the Solvency II capital coverage ratio strengthen by a further 15 percentage points to 199%.

We also incurred a £95m loss on asset timing variance, largely on investments backing new business completed in December, which is expected to reverse as we lengthen the duration of our assets to achieve the targeted asset mix during the first few months of 2023 and a £49m loss from the third and final LTM portfolio sale in February 2022. Other notable economic variances include a refinement of LPI curve¹ methodology (£49m) and the lack of corporate bond defaults offset by wider credit spreads (loss of £112m) and negative property growth experience (loss of £22m).

1 Insurance liabilities for inflation-linked products and inflation-linked assets require an assumption for future expectations of inflation. These assumptions are derived using a mark to model basis. This represents a change in approach since 31 December 2021 which utilised market prices that are not actively traded.

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

Amortisation of acquired intangibles

Amortisation of acquired intangibles for the year ended 31 December 2022 were £18m (2021: £18m), these mainly relate 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.

CAPITAL MANAGEMENT

Just Group plc estimated Solvency II capital position

The Group's coverage ratio was estimated at 199% at 31 December 2022 after a formal recalculation of transitional measures on technical provisions ("TMTP"), an increase of 35 percentage points, driven by the substantial rise in interest rates in 2022 (31 December 2021: 164% after a formal biennial recalculation of TMTP). The Solvency II capital coverage ratio is a key metric and is considered to be one of the Group's KPIs.

Unaudited	31 December 2022 £m	31 December 2021 £m
Own funds	2,757	3,004
Solvency Capital Requirement	(1,387)	(1,836)
Excess own funds	1,370	1,168
Solvency coverage ratio¹	199%	164%

1 Solvency II capital coverage ratios as at 31 December 2021 and 31 December 2022 include a recalculation of TMTP as at the respective dates.

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

Movement in excess own funds¹

The table below analyses the movement in excess own funds, in the year ended 31 December 2022.

Unaudited	2022 £m	2021 £m
Excess own funds at 1 January	1,168	1,076
Operating		
In-force surplus net of TMTP amortisation	174	191
New business strain ²	(60)	(40)
Finance cost	(57)	(71)
Group and other costs	(28)	(29)
Underlying organic capital generation	29	51
Management actions and other items	105	42
Total organic capital generation³	134	93
Non-operating		
Dividend	(16)	–
Regulatory changes	–	(38)
Economic movements	117	56
Effect of Tier 2 debt buyback (2022) and RT1 refinancing (2021), net of costs	(33)	(19)
Excess own funds at 31 December	1,370	1,168

1 All figures are net of tax, and include a recalculation of TMTP as at the respective dates.

2 New business strain calculated based on pricing assumptions.

3 Organic capital generation includes surplus from in-force, new business strain and other expenses, interest and other operating items. It excludes economic variances, regulatory changes, dividends and capital issuance.

Underlying organic capital generation

During 2022, we delivered £29m of underlying organic capital generation (2021: £51m, 2020: £18m). The decrease was primarily due to the effect of rising interest rates on the solvency balance sheet, which leads to a smaller SCR and risk margin and hence unwind into the In-force surplus net of TMTP amortisation, an increase in new business strain reflecting higher volumes of new business, both offset by lower financing costs. The business continues to deliver sufficient ongoing capital generation to support decisions on capital deployment between profitable growth, providing returns to our capital providers and further investment in the strategic growth of the business.

Underlying organic capital generation continues to benefit from the ongoing focus across the business on minimising new business capital strain. During 2022, new business strain increased by £20m to £60m, which represents 1.9% of new business premium (2021: 1.5%), well within our target of below 2.5% of premium. This outperformance was driven by continued pricing discipline and risk selection, including DB deferred business and a greater weighting towards small and medium transactions within the sales mix. Due to careful management of the capital budget in the first half of the year, we deployed capital in the seasonally busier second half of the year. We expect seasonality to be less pronounced in 2023, given that the DB market could potentially be a record year as a result of scheme funding deficits closing or being eliminated due to the rise in interest rates over the past 12 months.

In-force surplus after TMTP amortisation was down 9% to £174m, primarily due to higher interest rates which reduces the amount of capital available (via lower SCR and risk margin) to release and the cumulative effect of the three LTM portfolio sales, which were more capital intensive than the assets that replaced them. Group and other costs including development, non-recurring and non-life costs were £28m (2021: £29m), reflecting strong cost control. Finance costs at £57m (2021: £71m) were 20% lower reflecting a reduced coupon on the RT1 debt, after the opportunistic early re-financing of that debt in September 2021. Interest costs will fall further in 2023 following the £76m tier 2 debt tender completion in November 2022. Management actions at £15m (2021: £16m) further augment underlying organic capital generation and are combined with assumption changes including mortality into management actions and other items, which contributed a total of £105m to the capital surplus. Adding underlying organic capital generation and management actions and other items led to a total of £134m from organic capital generation, which added 5% to the capital coverage ratio.

BUSINESS REVIEW continued

Non-operating items

Within the surplus, property value movements led to a £18m negative due to actual property price growth of c.2% (compared to our annual 3.3% long term growth assumption) on our individually updated portfolio. Other economic movements included a positive £137m to the surplus as both the SCR (£436m) and the Own Funds (£299m) fell due to higher interest rates. This interest rate movement led to a strengthening of the capital coverage ratio by 30 percentage points, with asset trading and various positive other economic variances having minimal impact on the coverage ratio. This includes a lower than anticipated impact from the third LTM portfolio sale as we reinvested the proceeds in other illiquid assets and the positive impact from high inflation indexation and no corporate bond defaults during the year. The Tier 2 debt buyback in November 2022 led to a £33m reduction in capital surplus as the £76m nominal that was bought back was partially offset by the release of capital tiering restrictions. In 2022, the Group recommenced a shareholder dividend, which cost a total of £16m during the year.

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

Estimated Group Solvency II sensitivities^{1,5}

Unaudited	%	£m
Solvency coverage ratio/excess own funds at 31 December 2022 ²	199	1,370
-50 bps fall in interest rates (with TMTP recalculation)	(13)	(88)
+50 bps increase in interest rates (with TMTP recalculation)	13	79
+100 bps credit spreads (with TMTP recalculation)	8	31
Credit quality step downgrade ³	(8)	(107)
+10% LTM early redemption	1	13
-10% property values (with TMTP recalculation) ⁴	(12)	(135)
-5% mortality	(10)	(136)

1 In all sensitivities the Effective Value Test ("EVT") deferment rate is allowed to change subject to the minimum deferment rate floor of 2.0% as at 31 December 2022 (0.50% as at 31 December 2021) except for the property sensitivity where the deferment rate is maintained at the level consistent with base balance sheet.

2 Sensitivities are applied to the reported capital position which includes a TMTP recalculation.

3 Credit migration stress covers the cost of an immediate big letter downgrade (e.g. AAA to AA or A to BBB) on 10% of all assets where the capital treatment depends on a credit rating (including corporate bonds, ground rents/income strips; but lifetime mortgage senior notes are excluded). Downgraded assets are assumed to be traded to their original credit rating, so the impact is primarily a reduction in Own Funds from the loss of value on downgrade. The impact of the sensitivity will depend upon the market levels of spreads at the balance sheet.

4 After application of NNEG hedges.

5 The results do not include the impact of capital tiering restriction.

Reconciliation of IFRS total equity to Solvency II own funds

Unaudited	31 December 2022 £m	31 December 2021 £m
Shareholders' net equity on IFRS basis	2,178	2,440
Goodwill	(34)	(34)
Intangibles	(70)	(86)
Solvency II risk margin	(456)	(759)
Solvency II TMTP ¹	874	1,657
Other valuation differences and impact on deferred tax	(304)	(987)
Ineligible items	(50)	(3)
Subordinated debt	619	781
Group adjustments	–	(5)
Solvency II own funds¹	2,757	3,004
Solvency II SCR¹	(1,387)	(1,836)
Solvency II excess own funds¹	1,370	1,168

1 Solvency II capital coverage ratios as at 31 December 2021 and 31 December 2022 include a recalculation of transitional measures on technical provisions ("TMTP") as at the respective dates.

Reconciliation from regulatory capital surplus to reported capital surplus

	31 December 2022 £m	31 December 2022 %	31 December 2021 £m	31 December 2021 %
Regulatory capital surplus	1,370	199	1,168	164
Notional recalculation of TMTP	–	–	–	–
Reported capital surplus	1,370	199	1,168	164

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 2022 £m	Year ended 31 December 2021 £m
Gross premiums written	3,391	2,676
Reinsurance premiums ceded	(271)	(23)
Net premium revenue	3,120	2,653
Net investment expense	(4,778)	(130)
Fee and commission income	14	16
Share of results of associates	(3)	-
Total (expense)/revenue	(1,647)	2,539
Net claims paid	(1,210)	(1,141)
Change in insurance liabilities	2,935	(1,039)
Change in investment contract liabilities	3	(1)
Acquisition costs	(56)	(49)
Other operating expenses	(209)	(193)
Finance costs	(133)	(137)
Total claims and expenses	1,330	(2,560)
Loss before tax	(317)	(21)
Income tax	85	5
Loss after tax	(232)	(16)

Gross premiums written

Gross premiums written for the year ended 31 December 2022 were £3,391m, an increase of 27% (2021: £2,676m). As discussed above, this reflects overall higher new business premiums, as shareholder backed DB and DB partner business combined led to a 46% increase in DB business offset by a 24% reduction in Gifl/Care business.

Reinsurance premiums ceded

Reinsurance premiums ceded (expense of £271m) has increased in 2022 as a result of reinsurance in relation to the Group's DB partner transaction mentioned above.

Net investment expense

Net investment expense increased to £4,778m (2021: £130m). The main components of net investment expense are interest earned and changes in fair value of the Group's corporate bond, mortgage and other fixed income assets. There has been an increase in risk-free rates during the period, which has resulted in unrealised losses in relation to assets held at fair value. We closely match our assets and liabilities, hence fluctuations in interest rates will cause similar movements on both sides of the IFRS balance sheet. We also actively monitor and had hedged interest rate exposure to reduce the effect of interest rate movements on the Solvency II capital position, but with this creating IFRS losses as interest rates rose. We have progressively reduced our hedging of the Solvency II interest rate exposure over the year and by the end of 2022 were broadly economically neutral to interest rates up and down.

Net claims paid

Net claims paid increased to £1,210m, (2021: £1,141m) reflecting the continuing growth of the in-force book.

Change in insurance liabilities

Change in insurance liabilities was £2,935m (2021: £(1,039)m). The increase is principally due to an increase in the valuation interest rate due to the rise in risk-free rates noted above.

Acquisition costs

Acquisition costs have increased to £56m (2021: £49m), driven by the 6% increase in internally funded LTM origination.

Other operating expenses

Other operating expenses have increased to £209m (2021: £193m) driven by higher investment management fees due to our significantly increased origination of illiquid assets, which have higher fees, but also diversify our investments portfolio, support new business pricing and optimise back book returns.

Finance costs

The Group's overall finance costs decreased to £133m (2021: £137m). Note that the coupon on the Group's Restricted Tier 1 notes is recognised as a capital distribution directly within equity and not within finance costs.

Income tax

Income tax for the year ended 31 December 2022 was a credit of £85m (2021: credit of £5m). The effective tax rate of 27.0% (2021: 26.4%) is 8% higher than the standard 19% corporation tax rate. This is due to the current year's losses being carried forward at 25% as opposed to the current tax rate of 19%.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	31 December 2022 £m	31 December 2021 £m
Assets		
Financial investments	23,477	24,682
Reinsurance assets	2,287	2,808
Other assets	1,350	858
Total assets	27,114	28,348
Share capital and share premium	199	199
Other reserves	948	948
Accumulated profit and other adjustments	711	973
Total equity attributable to ordinary shareholders of Just Group plc	1,858	2,120
Tier 1 notes	322	322
Non-controlling interest	(2)	(2)
Total equity	2,178	2,440
Liabilities		
Insurance liabilities	18,333	21,813
Reinsurance liabilities	306	275
Other financial liabilities	5,250	2,866
Insurance and other payables	263	93
Other liabilities	784	861
Total liabilities	24,936	25,908
Total equity and liabilities	27,114	28,348

Financial investments

During the year, financial investments decreased by £1.2bn to £23.5bn (2021: £24.7bn). Accommodative central bank and fiscal stimulus during 2021 led to credit spread narrowing, however, in 2022, various government asset purchase programmes in response to the pandemic started to be gradually unwound. At the same time, central banks raised base rates from their historical low levels to counteract the effect of inflation. The interest rate increases are predicted to cause a shallow recession in 2023 followed by a gradual recovery, and this backdrop led to wider spreads during the year. The effect of credit spread widening and increases in risk-free rates, both of which reduce the value of the assets was partially offset by investment of 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 (31 December 2021: 54%), with the reduction due to lower government investments (see overleaf). Year to date, credit spreads have narrowed as the UK and global economic outlook relative to forecasts continues to improve. Our diversified portfolio continues to increase by issuer and is well balanced across a range of industry sectors and geographies.

BUSINESS REVIEW continued

Similar to 2021, credit rating agencies continue to maintain a cautious approach. We continue to position the portfolio with a defensive bias, and in 2022 have experienced ratings stability as 9% of the Group's bond portfolio was upgraded, offset by 8% being downgraded. The Group continues to have very limited exposure to those sectors that are most sensitive to structural change or macroeconomic conditions, such as auto manufacturers, consumer (cyclical), basic materials, energy and real estate (including REITs). The BBB-rated bonds are weighted towards the most defensive sectors including utilities, communications & technology, and infrastructure. Reflecting this bias, the Group has further increased its infrastructure allocation and selectively added to utilities and commercial ground rent & income strips investments, with some rotational changes as in particular we reduced BBB exposure to communications & technology, industrials, auto manufacturers and energy. Following a reclassification, "Financial – other" now includes short and medium term illiquid assets including SME lending, commodity trade finance and others.

During 2022, we originated £1,031m of long term other illiquid assets (2021: £615m), via our roster of specialist asset managers, in addition to funding £519m of lifetime mortgages (2021: £488m). Our investments model demonstrated its flexibility and capabilities as we achieved our target illiquid new business backing ratio of c.50%. We have the flexibility to adjust the asset class allocations, and in 2022, increased our origination of private placements as credit spreads widened, mirroring the public markets. This flexibility enables us to support new business pricing and optimise back book return whilst maintaining strict credit underwriting. Entering 2022, Government investments were elevated as the Group temporarily invested excess cash, which was further added to by the third LTM portfolio sale in February 2022. Excess cash and gilts were recycled into other corporate bonds and illiquid assets during 2022 as opportunities arose.

At year end, the Group had ample liquidity. We continue to prudently manage the balance sheet by hedging all foreign exchange and inflation exposure, while managing interest rate, credit and NNEG risk. As previously mentioned, and reflecting the strengthened capital position of the Group, the interest rate hedging was neutralised during the second half of the year. The effect of the hedging was to protect the solvency ratio, but caused economic losses when rates rose and profits when rates fell. Without hedging, interest rate movements will impact the solvency balance sheet, but not IFRS and therefore, we expect that, in future, the IFRS result will be more closely aligned to the operating performance of the business.

The loan-to-value ratio of the mortgage portfolio was 37.3% (31 December 2021: 36.1%), reflecting continued strength and resilience across our geographically diversified portfolio, which offsets the interest roll-up. Lifetime mortgages at £5.3bn represent 26% of the investments portfolio and reflects completion of the third and final LTM portfolio sale in February 2022. In total, the Group has disposed of £1.6bn of lifetime mortgages as part of our objective to reduce the sensitivity of the capital position to house price movements, which at a 12% capital coverage ratio impact for an immediate 10% fall in UK house prices is at a level we are comfortable with. Further portfolio sales are not envisaged as the property sensitivity is expected to be contained within risk appetite through maintaining NNEG hedges on c.20% of the portfolio and a new business backing ratio of 10-15%.

Other Illiquid assets and Environmental, Social and Governance investing

To achieve its optimal mix of assets backing new business, and to further diversify its investments, the Group originates other illiquid assets including infrastructure, real estate investments and private placements. Income producing real estate investments such as ground rents and income strips are typically much longer duration and hence the cash flow profile is very beneficial, especially to match DB deferred liabilities.

To date, Just has invested £3.3bn in other illiquid assets, representing 16% of the investments portfolio (excluding derivatives and collateral, 31 December 2021: 13%), as we make continued progress towards our 25% medium term target, driven by new business backing. We have invested in our in-house credit team as we have broadened our illiquid asset origination, and we work very closely with our specialist asset managers on structuring to enhance our security, with a right to veto on each asset. We anticipate that the upcoming Solvency II reforms, when implemented, will increase the investment opportunities available to us to provide long term capital that helps to underpin UK economic growth and productivity. In particular, widening the eligibility criteria for matching adjustment assets to include assets with a construction phase where the commencement of cashflows is not exactly certain is a very welcome development. We are pleased that these reforms can provide support to insurance firms to fund the government's various agendas including increased investment in infrastructure, science and research and decarbonising the economy.

Many of the other illiquids are invested in a range of ESG assets including renewable energy, social housing and local authority loans. During 2022, we invested a further £279m in eligible green and social assets (2021: £146m), and have now completed our total £575m green and social asset allocation commitment arising from the green and sustainability bonds issued in October 2020 and September 2021 respectively. The allocations were spread across 23 green and social investments comprising renewable energy, social housing and green buildings. The Green/Sustainability bond full allocation report is available on www.justgroupplc.co.uk/investors/esg.

The following table provides a breakdown by credit rating of financial investments, including privately rated investments allocated to the appropriate rating.

	31 December 2022 £m	31 December 2022 %	31 December 2021 £m	31 December 2021 %
AAA ¹	1,939	8	2,448	10
AA ¹ and gilts	1,986	8	3,194	13
A ²	5,968	25	4,384	18
BBB	6,500	28	6,500	26
BB or below	455	2	388	1
Unrated/other	1,363	6	414	2
Lifetime mortgages	5,306	23	7,423	30
Total²	23,517	100	24,751	100

1 Includes units held in liquidity funds.

2 Includes investment in trust which holds ground rent generating assets which are included in investment properties in the IFRS consolidated statement of financial position.

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

	31 December 2022 £m	31 December 2022 %	31 December 2021 £m	31 December 2021 %
Basic materials	270	1.3	264	1.1
Communications and technology	1,327	6.5	1,430	6.0
Auto manufacturers	250	1.2	319	1.3
Consumer (staples including healthcare)	1,012	5.1	1,174	4.8
Consumer (cyclical)	142	0.7	187	0.8
Energy	535	2.6	633	2.6
Banks	1,120	5.5	1,192	11.3
Insurance	607	3.0	845	3.5
Financial – other	956	4.7	481	2.0
Real estate including REITs	437	2.1	661	2.8
Government	1,596	7.8	2,415	10.1
Industrial	622	3.1	920	1.2
Utilities	2,266	11.0	2,302	9.6
Commercial mortgages	584	2.9	678	2.8
Ground rents ¹	291	1.4	263	1.1
Infrastructure	1,811	9.0	1,474	6.1
Other	42	0.2	38	0.2
Corporate/ government bond total	13,868	68.1	15,276	63.6
Lifetime mortgages	5,306	26.1	7,423	30.9
Liquidity funds	1,174	5.8	1,311	5.5
Investments portfolio	20,348	100.0	24,010	100.0
Derivatives and collateral ²	3,169		741	
Total¹	23,517		24,751	

1 Includes direct ground rents and also an investment in a property unit trust which holds ground rent generating assets which are included in investment properties in the IFRS consolidated statement of financial position.

2 More than 99% of the derivative assets are comprised of interest rate swaps, foreign exchange swaps to hedge the currency risk on non-GBP investments, and inflation swaps. In addition, collateral in the form of corporate bonds and cash has been posted in relation to the Group's hedging activity. Further details are available in note 16 and note 28 of the financial statements. Derivatives are used to manage risks on the balance sheet, and we seek to be economically neutral on interest rate, currency and inflation risks. The derivatives and collateral total has increased primarily due to an increased number of positions as part of our dynamic interest rate hedging strategy. Interest rate swap assets have accounted for the vast majority of the increase, as they rose by £1,238m to £1,408m, while foreign exchange swaps rose by £170m to £413m, and inflation swaps rose by £176m to £438m. In relation to the interest rate, foreign exchange and inflation derivative assets, compensating increases in the swap liability positions means that the overall swap exposure in relation to these categories is limited to a net liability of £722m (2021: net asset £291m). Increased collateral requirements from the hedging activity drove the increase in deposits with credit institutions (2022: £908m, 2021: £53m), and is almost all in relation to interest rate swaps. Combining the 2022 net derivative liability and deposits held at credit institutions (predominantly collateral) is a net asset of £186m (2021: net asset of £343m). Other swap assets and liabilities are negligible. In accordance with accounting standards these derivatives are not offset. Given that the net asset/liability is not represented in the financial investments total on the balance sheet, to aid comparability, the percentage of financial investments does not include derivatives and collateral.

Reinsurance assets and liabilities

Reinsurance assets decreased to £2.3bn at 31 December 2022 (2021: £2.8bn) due to the increase in the valuation rate of interest over the period. Since the introduction of Solvency II in 2016, the Group has increased its use of reinsurance longevity swaps rather than quota share treaties for shareholder funded business, albeit the DB partnering business is written via quota share. Reinsurance liabilities relate to liability balances in respect of the Group's longevity swap arrangements.

Other assets

Other assets increased to £1.4bn at 31 December 2022 (2021: £0.9bn). These assets include cash, investment in associate, deferred tax assets, insurance receivables and intangible assets.

Insurance liabilities

Insurance liabilities decreased to £18.3bn at 31 December 2022 (2021: £21.8bn). The decrease in liabilities arose from the new business premiums written during the year, which was more than offset by an increase to the valuation rate of interest over the period.

Other financial liabilities

Other financial liabilities increased to £5.3bn at 31 December 2022 (2021: £2.9bn). These liabilities mainly relate to collateral deposits received from reinsurers, together with derivative liabilities and other cash collateral received. The increase from the prior year relates to higher amounts of derivatives and collateral, given the market volatility.

Other liabilities

Other liability balances decreased to £784m at 31 December 2022 (2021: £861m) due to the £76m repayment of the Tier 2 debt.

IFRS net assets

The Group's total equity at 31 December 2022 was £2.2bn (2021: £2.4bn). Total equity includes the Restricted Tier 1 notes of £322m (after issue costs) issued by the Group in September 2021. Including negative effects of Solvency II interest rate hedging on the IFRS results, total equity attributable to ordinary shareholders decreased from £2,120m to £1,823m resulting in net asset value per ordinary share of 179 pence (2021: 204 pence).

DIVIDENDS

In line with our stated policy to grow the dividend over time, the Board is recommending a final dividend of 1.23 pence per share bringing the total dividend for the year ended 31 December 2022 to 1.73 pence per share, representing a 15% increase on the annualised dividend (2021: 1.0 pence, recommended dividend and represents a final dividend only).

ANDY PARSONS

Group Chief Financial Officer

SUSTAINABILITY AND THE ENVIRONMENT

TAKING STEPS TO A FAIRER FUTURE

Our sustainability strategy has three pillars: making a positive impact, leaving a responsible footprint and creating a fair world. You can discover more about our sustainability story on our Group website justgroupplc.co.uk.

OUR COMMITMENT TOWARDS NET ZERO

SCOPE 1, 2 AND BUSINESS TRAVEL

NET ZERO BY 2025

(Scope 1, 2 and business travel)

SCOPE 3

50% REDUCTION BY 2030

(includes all Scope 3 emissions categories as per GHG protocol)

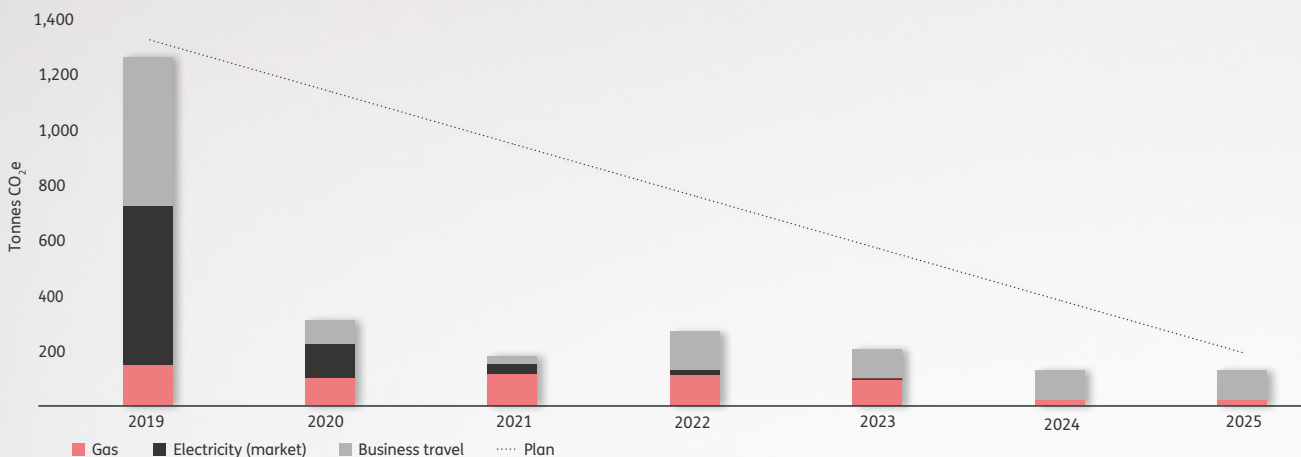
SCOPE 3

NET ZERO BY 2050

(includes all Scope 3 emissions categories as per GHG protocol)

OUR SUSTAINABILITY FOCUS IN 2022

Our priority for 2022 was to complete the measurement of our baseline and begin understanding our transition to net zero.



➔ YOU CAN READ MORE ABOUT OUR TRANSITION TO NET ZERO ON OUR WEBSITE

LEAVING A RESPONSIBLE FOOTPRINT

We have reduced the carbon footprint of our operations by 78% since 2019 (market based) and the remaining carbon is from business travel, small electricity emission and gas from our office in Reigate. During the year we set carbon budgets to monitor travel and are looking at ways to reduce the remaining carbon to net zero.

- We have joined Net Zero Asset Owners Alliance.
- Committed to Science Based Targets Initiative.
- And our recent London office move was gold SKA rated¹.

- 1 The SKA rating is a Royal Institute of Chartered Surveyors ("RICS") environmental assessment method, benchmark and standard for non-domestic fit outs.
2 Renewable Energy Guarantees of Origin ("REGO").

91%

OF OUR PURCHASED ELECTRICITY IS FROM RENEWABLE SOURCES (REGO² CERTIFIED)

13%

REDUCTION IN MARKET BASED BUILDINGS EMISSIONS IN 2022

561

NEW HABITS FORMED BY EMPLOYEES TO REDUCE THEIR FOOTPRINT

8,108

SELF-DECLARED ACTIONS TAKEN BY OUR COLLEAGUES TO REDUCE THEIR IMPACT ON CLIMATE CHANGE

MAKING A POSITIVE IMPACT

We understand we have a long way to go in investing more assets that support a positive impact, like others we are on a journey to fulfil this goal.

- We became a member of Carbon Disclosure Project ("CDP") to further engage with our supply chain on their sustainability journey.
- We are partnering with our asset managers to deliver positive outcomes.

£575M

ELIGIBLE GREEN AND SOCIAL COMMITMENT MET

Green T2 and sustainability RT1 bond fully allocated during 2022

£750M

TARGET TO INVEST BY 2025

Invested in green and social assets

GHG EMISSIONS DATA

Emissions – tCO ₂ e ¹	2022	2021
Scope 1 (natural gas and fugitive gas) ²	111	113
Scope 2 (purchased electricity location based)	205	267
Scope 3 (business travel)	138	32
Total emissions (location based)³	454	412

Intensity ratios	Market based		Location based	
	2022	2021	2022	2021
tCO ₂ e per gross tCO ₂ e ² written	0.08	0.07	0.13	0.15
tCO ₂ e ² per full time employee	0.22	0.17	0.38	0.40

1 Tonnes of carbon dioxide equivalent ("tCO₂e").

2 Fugitive emissions are based on refrigerant gas escape from on-site chiller systems.

3 Increase in business travel post COVID-19 reflected in overall locations based increase.

CREATING A FAIR WORLD

Creating a fair world is directly influenced by the way we carry out our business and also the way we treat each other, namely colleagues, customers, suppliers, or members of society at large.

Just has become:

- a signatory to the Asset Owner Diversity Charter and joined the charters working group.
- a member of Progress Together.
- a member of GAIN insurance, Autism, Insurance, Investment and Neurodiversity.

30%

OF SENIOR LEADERSHIP ARE WOMEN, TARGET OF 33% BY DECEMBER 2023

44%

OF OUR BOARD ARE WOMEN

18%

OF SENIOR LEADERSHIP ARE FROM A BLACK, ASIAN OR MINORITY ETHNIC BACKGROUND, TARGET ALIGNED WITH 2021 UK CENSUS DATA

£55k

DONATED TO CHARITY BY THE BUSINESS AND OUR COLLEAGUES IN 2022

858

NUMBER OF HOURS OF VOLUNTEERING RECORDED IN 2022



SUSTAINALYTICS' 2023 TOP-RATED ESG PERFORMER

Methodology We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), and 2022 emission factors from the Department for Business, Energy & Industrial Strategy. The boundary of our emissions reporting is Financial Control, comprising our directly owned and leased offices and building emissions and business travel under our control, including gas, fugitive gas, electricity, car mileage, train travel and flights. We use both a financial emissions intensity metric (tonnes of CO₂e per £m gross premiums written) and an employee intensity metric (tonnes of CO₂e per employee) to normalise our data and provide useful performance indicators. Eshcon Ltd conduct an annual review of Just Group plc's data collation and calculation processes and provides verification of their GHG Emissions Statement. At present, carbon offsets do not form part of our carbon mitigation strategy. We are in the process of setting near and long-term targets aligned with science based target 1.5 degrees trajectory.

SUSTAINABLE INVESTMENT STRATEGY

INVESTING THE JUST WAY

Just has a compelling purpose: we help people achieve a better later life, and this purpose shapes our approach to how we invest.

INVESTMENT MODEL

Our overall investment approach is driven by our ability to cashflow match our liabilities with a mix of investment grade liquid and illiquid fixed income assets through an enhanced “buy and maintain” strategy. Our long-term retirement income promises, which provide peace of mind and certainty to our customers, are backed by long-term income producing assets, the majority of which are managed in-house. On the illiquid side, these are split between the lifetime mortgages that we originate and manage ourselves and other illiquid assets, which includes a diverse range of investments such as infrastructure debt, private placements, commercial real estate mortgages, ground rents and income strips. We have built a panel of 15 specialist external asset managers, each carefully selected based on their particular areas of expertise. The opportunities originated by the managers are then assessed by our in-house investment team who select the most suitable investments to pass through our internal screening process. Currently, the other illiquid assets account for £3.3bn or 16% of our £20.3bn investment portfolio (excluding derivatives and collateral), but this is expected to increase over time, as the proportion backing the new business is higher than the in-force portfolio. In 2022, we originated over £1bn of other illiquid assets in addition to over £0.5bn of lifetime mortgage to support new business pricing and optimise back book returns

RESPONSIBLE INVESTMENT FRAMEWORK

Just developed a Responsible Investment Framework (“RIF”) in 2019, defining how we integrate environmental, social and governance (“ESG”) factors into the analysis and decision making processes. Since its implementation, investment opportunities have been assessed to ensure they meet our pre-defined criteria.

The RIF covers a range of sustainability issues, including climate change. Within the framework, we adopt a principles-based approach seeking to achieve four overarching objectives. These are to analyse and identify risks and opportunities arising from Responsible Investment (“RI”) factors; engage in frequent dialogue with external managers and providers; actively identify and monitor our portfolio for investments not aligning with our RIF and take action; and transparently disclose RI characteristics of our portfolio to stakeholders. We also have a scoring system called purple, red, amber,

yellow, green (“PRAYG”), which assesses ESG risks associated with individual investments. This ensures ESG factors, which also impact other risks such as credit and market risks, are fully considered. We have set out our commitment to stewardship activities and are actively involved in a number of initiatives.

GREEN AND SOCIAL INVESTMENTS

The Sustainability Bond Framework (“Framework”), developed in 2020, was enhanced in 2021 in line with the International Capital Markets Association Green, Social and Sustainability Bond Guidelines. The Framework has received a second party opinion from Sustainalytics, recognising our environmental and social credentials. Furthermore, a Green/Sustainability Bond Forum has been established to approve asset allocations for any bonds issued by Just Group using this Framework.

In September 2021, Just Group became the first UK and European insurer to issue a Sustainability Restricted Tier 1 bond. The Group has made a commitment to invest the gross issuance proceeds of £325m in eligible green and social assets. When combined with the 2020 Green Tier 2 bond commitment, the Group has committed to allocating a minimum of £575m towards these eligible assets before September 2024.

By the end of 2022, we had completed the full £575m green/social asset investment commitment spread across 23 green and social assets including wind and solar investments in UK, USA, Germany, Spain and Chile, in addition to UK social housing projects and green buildings. More information on this can be found at justgroupplc.co.uk/investors/esg.

OUR PROGRESS OVER THE LAST 12 MONTHS

Over the last 12 months, we joined a variety of initiatives aligned with our corporate sustainability strategy focusing on climate change and diversity, equity and inclusion (“DEI”). We have been working towards enhancing our approach set out in the RIF, whilst continuing to originate new assets within the investment portfolio in order to meet our new business needs. Additionally, we have supplemented our existing ESG data provider, MSCI, with S&P to further enhance our analysis of ESG considerations and climate change across the investment portfolio. Beyond this, we have continued to grow our panel of specialist asset managers by selecting three new managers in 2022.

Even though we have completed our bond commitments, we expect to continue increasing the Group’s exposure to green and social investments in line with our overarching frameworks to deliver positive outcomes.

In addition, a significant proportion of our investments are in lifetime mortgages, which fulfil an important social purpose by helping people in later life to release equity from their home to supplement their pension income.

Below is a summary of the external initiatives/organisations we are members of that are supportive of our wider sustainability goals.

Initiative/Organisation	Description
United Nations Principles for Responsible Investing (the "PRI")	A signatory of the UN Principles of Responsible Investment ("UNPRI") since September 2018, becoming the first UK asset owner to do so.
Association of British Insurers ("ABI")	Just is a member of the ABI and we aim to align our climate objectives with the ABI roadmap, actively engaging in a number of working groups.
Asset Owners Diversity Charter ("AODC")	Just joined the AODC in 2022 as a signatory and working group member, supporting with developing the forward-looking strategy and direction of this initiative.
Partnership for Carbon Accounting Financials ("PCAF")	Just has joined PCAF to aim to align with its methodology for calculating proxy emissions given the lack of available data in some sectors/asset classes.
Net Zero Asset Owners Alliance ("NZAOA")	Just joined this United Nations convened initiative to maintain best practices and to align our decarbonisation commitments.
Financial Institutions Focus Group for the Net Zero Data Public Utility ("NZDPU")	Just joined the NZDPU in 2022, a Glasgow financial alliance for net zero led initiative focusing on challenges and opportunities for financial institutions in relation to climate-transition data.
UK Stewardship Code	In line with our ambition to continuously improve and deliver transparency, we are committing to apply to become a UK Stewardship Code signatory in 2024.
Science Based Targets Initiative ("SBTi")	In 2022, Just signed up to the SBTi and with our formal transition to net zero plan now published, we will be presenting our target to SBTi for official validation. SBTi is a global movement of companies committed to aligning their business with the most ambitious target of the Paris Agreement to limit the global average temperature increase to 1.5°C above pre-industrial levels.

LOOKING TO THE FUTURE

In November 2022, following a consultation and feedback process involving the PRA, industry firms, the ABI and HM Treasury, the government announced that it would amend certain features of the regulatory regime for insurance firms, known as Solvency II. One of the HM Treasury's stated objectives of this review was to support insurance firms to provide long-term capital to underpin UK economic growth and productivity. The reforms, when implemented are substantial and could unlock tens of billions of pounds of investment from the sector into the UK economy, in particular decarbonising the economy, affordable and social housing, infrastructure improvements and investments to support the UK's world class science and research capabilities.

Our investment approach will evolve further to adapt to changing requirements. We plan to utilise our internal and external data sources, working closely with our third-party data providers, to enhance our analysis and underlying frameworks. In the coming year, we will continue enhancing our transition plan, aligning with relevant standards and guidance, review and improve the RIF including focusing on the implementation of stewardship activities aligned with our broader RI objectives.

Enhancing our approach to climate risk management is a key priority to ensure we can effectively manage these risks based on current available data and scientific evidence. Improvements and updates to our broader strategy will be continued throughout the year, including focusing on our stewardship activities, which is vital to our forward looking plan. We are efficiently concentrating our efforts on this ahead of our forthcoming ambition to continuously improve and deliver transparency by committing to apply to the UK Stewardship Code in 2024. As a team, we are continuing to grow, expanding not only the headcount of the team but the capabilities within it; the number of members in the Investment team has almost doubled since the end of 2021.

You can read more about our approach to managing climate change-related risks in the next section of this report.

Dedicated ESG assets (IFRS valuation basis)	31 Dec 2022 £m	31 Dec 2021 £m
Renewable energy – wind	287	334
Renewable energy – solar	342	172
Local authority	135	221
Social housing – private	129	193
Green buildings	42	21
Eligible under Sustainability Bond Framework	935	941
Social housing – public	393	533
Emerging market social finance	120	105
Other social assets	84	–
Total dedicated ESG assets	1,532	1,579
Bond portfolio	13,887	15,277
As % of total bond portfolio	11.0%	10.3%

SUSTAINABILITY STRATEGY: TCFD DISCLOSURE FRAMEWORK

STRATEGY AND GOVERNANCE

The Taskforce on Climate-related Financial Disclosures (“TCFD”) was established by the Financial Stability Board to develop recommendations to enable a better understanding of climate-related risks and opportunities. The TCFD recommends that companies provide information about their governance, strategy, risk management, metrics and targets in relation to climate change. Disclosures consistent with TCFD recommendations about the potential implications of climate change for Just are included in this report with the following exceptions:

Strategy recommendation disclosure (b): a methodology to model the potential financial impacts of climate change on our illiquid credit portfolio has not yet been established for the reasons stated in the section headed “Illiquid investments.” We have carried out deeper analysis on the investment portfolio, where information was available. To progress this further, once a baseline has been established, we will undertake a larger project in 2023.

Metrics and targets recommendation disclosure (b): We have made progress towards better and more consistent data for the non-LTM and LTM portfolios, based on reported data with a coverage of less than 100% to be expected. For the remainder, we estimate from other available data.

Why climate change is important for Just

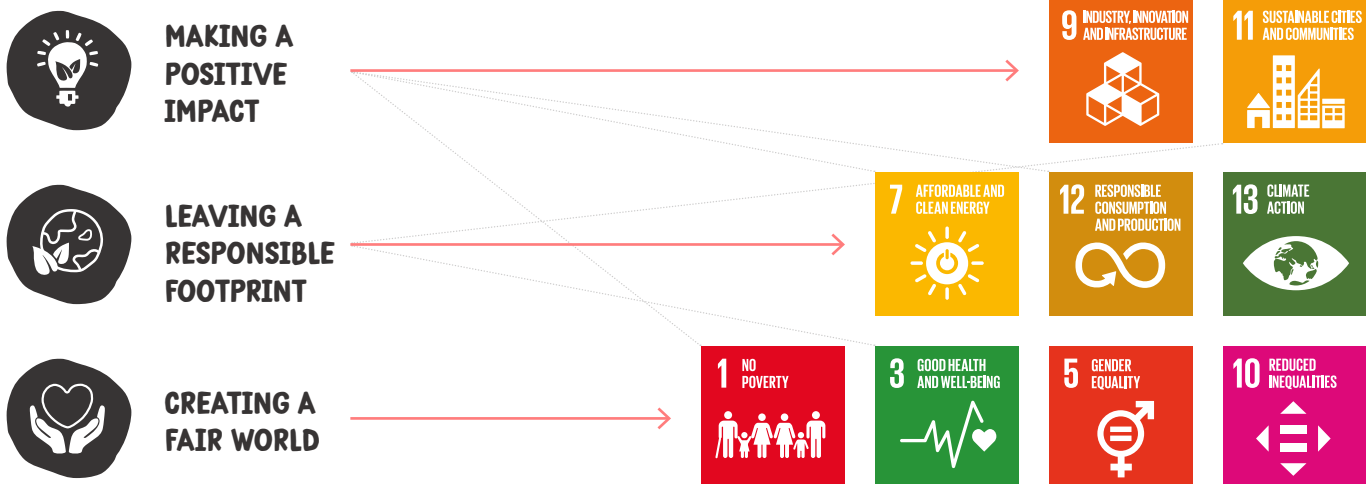
We are aware of the increasing need to protect our business from the effects of climate change and to reduce the impact we have on the planet to continue achieving our purpose. However, there are still many uncertainties regarding how the impacts of climate change will develop, with future government policy potentially playing a significant role. The potential climate change impacts on Just are interconnected with other sustainability issues. We recognise this is a journey and we plan to continue to work towards limiting the effects of climate change.

Strategic overview

We have built our sustainability strategy around the United Nations Sustainable Development Goals (“UNSDGs”) and three guiding themes: making a positive impact, leaving a responsible footprint and creating a fair world. The strategy is aligned to the UNSDGs where we believe we can make the most difference and play our part in leaving a positive legacy to the world.

Last year Just made a commitment to reach net zero in its near term target, own emissions (scope 1 and 2) by 2025 and all other emissions (scope 3) by 2050 with a 50% reduction in the latter emissions by 2030. This commitment aims to align with the road map published by the Association of British Insurers (“ABI”) in summer 2021 on behalf of the insurance industry. We have since committed to the Science Based Target Initiative and plan to submit our targets by 2024.

Our key strategic outcomes for 2022 were to understand our emissions baseline and take steps towards planning our transition to net zero. Understanding our baseline enables robust reporting on our progress to net zero. To do this we have improved the coverage of emissions across scope 3 emissions by using third party data for actual and proxy emissions, where necessary.



The Group's strategic priorities are aligned to growth and careful planning is needed to achieve that growth without an undue impact on our transition to net zero. Climate change and wider sustainability issues are important considerations when making strategic decisions.

OUR PILLARS	OUR COMMITMENT	HOW WILL WE ACHIEVE OUR AMBITION?	FINANCIAL IMPACT	2023 FOCUS	LINK TO JUST'S STRATEGIC PRIORITIES
 LEAVING A RESPONSIBLE FOOTPRINT	Attain net zero in our near term own operations target by 2025	Understand, measure and analyse our baseline, then identify areas of efficiencies and initiatives to enact	£1m estimated in future costs to upgrade the energy efficiency of our office property	Increased momentum for initiatives to net zero	Transform the way we work
	Attain net zero in our scope 3 emissions by 2050	Decarbonise our LTM and non-LTM portfolios	Illustrative impacts identified in risk management section	Further enhance scenario analysis for transition planning and risk management	
		Continue to reduce business travel and support our colleagues in finding ways to reduce their own emissions	No financial impact identified to date	Further education on business travel impacts and sustainable travel	Get closer to our customers and partners
		Engage with our supply chain and partners to understand their plans for net zero and encourage reductions	£40,000 estimated in future costs to obtain data across the supply chain	Direct engagement with supply chain where possible	
	Protect our business	Grow in a sustainable way so Just remains strong for future colleagues and customers	No financial impact identified to date.	Embed sustainability into business planning	
 MAKING A POSITIVE IMPACT	Invest responsibly	Continue to integrate environmental, social and governance ("ESG") factors into our investment decisions	No financial impact identified to date.	Continue enhancing approach	Grow sustainably
	Increase our green financing opportunities	Look for further opportunities to fund green and social assets	No financial impact identified to date	Continue allocating in line with existing targets	Grow through innovation
	Develop and offer sustainable products	Innovate to support our customers and new customers by delivering sustainable products	£50,000 estimated in future costs to improve energy efficiency data across our portfolio	Further develop propositions to support our customers	
 CREATING A FAIR WORLD	Manage with good governance	Continue to integrate ESG factors throughout our business and ensure it is governed to a high standard	£20,000 in 2023 estimated for Board training	Maintain employees' awareness of sustainability issues	Transform the way we work
	Ensure data is well managed and secure	Continue good standards of data privacy and control	No financial impact identified to date	Maintain appropriate internal controls	Be proud to work at Just
	Improve diversity and inclusion	Build a diverse workforce	No financial impact identified to date	Monitor and review progress against targets	
	Support the health and wellbeing of our colleagues	Maintain focus on the wellbeing of our colleagues and encourage healthy lifestyles and working practices	No financial impact identified to date	Retain a positive and supportive culture	
	Support our customers (poverty, income and housing)	Continue to provide sound and helpful advice and continue to provide support to our charitable partners	No financial impact identified to date	Increase awareness of initiatives to support	Get closer to our customers and partners

SUSTAINABILITY STRATEGY: TCFD DISCLOSURE FRAMEWORK continued

SUSTAINABILITY AND CLIMATE CHANGE GOVERNANCE

The Group Board is responsible for setting the Group's Sustainability Strategy and targets. The Group Chief Executive Officer ("CEO") is responsible for delivery of the sustainability strategy and associated emissions targets, delegating responsibilities, as appropriate, to management and various governance bodies shown in the table below. The Group Chief Risk Officer ("GCRO") has been appointed as the executive sponsor responsible for sustainability and holds the designated Senior Management Function for climate change.

The Group Board also has a Sustainability Sponsor responsible for ensuring the Board is appropriately discussing sustainability matters including climate. To improve the governance of sustainability matters the Board has agreed that a section of the Group Executive Committee and the Group Board meetings will be dedicated to sustainability on a quarterly basis. Our governance structure is regularly reviewed to ensure it remains appropriate for the business and ensures sustainability matters are given sufficient time and debate at the appropriate level.

The frequency and level of oversight is listed in the table below:

FOCUS AREAS	FOCUS AREAS	FREQUENCY	CHAIR/OWNER
1. Group Board	Sets sustainability strategy and targets. Receives updates on sustainability initiatives and activities. Approval of the annual and half-yearly reports which include sustainability reporting.	Annual review Quarterly Annual (and half-yearly as appropriate)	John Hastings-Bass
2. Sustainability Lead (Non-Executive Director)	Responsible for championing sustainability at Board level. Meets regularly with executive management to discuss sustainability initiatives and emerging developments.	Ongoing Periodic	Mary Kerrigan
3. Group Chief Executive Officer	Executing the sustainability strategy approved by the Group Board and delegating responsibilities, as appropriate.	Ongoing	David Richardson
4. Executive Sponsor for Sustainability	Oversees and communicates sustainability initiatives to the business.	Ongoing	Alex Duncan
5. Group Executive Committee	Oversees new sustainability initiatives including emissions reduction strategies. Monitors progress of ongoing sustainability initiatives. Oversees progress to reach diversity and inclusion targets. Review of any proposed changes to diversity and inclusion targets. Tracks sustainability management information.	Periodic Quarterly Monthly Annual Quarterly	David Richardson
6. Group Audit Committee	Review the appropriateness and clarity of climate-related disclosures and compliance with financial reporting standards in the annual and half-yearly reports.	Annual (and half-yearly as appropriate)	Paul Bishop
7. Group Nomination and Governance Committee	Considers sustainability as part of the skills gap analysis and any impact on succession planning for future Director appointments.	At least annually	John Hastings-Bass
8. Group Risk and Compliance Committee ("GRCC")	Receives an update on the status of various climate risk actions and any concerns about the delivery of the actions. Oversees sustainability and climate-related risks in the Full Group ORSA and quarterly ORSA updates. Considers sustainability and climate-related risks within the Risk Appetite Framework.	As required Annual and quarterly At least annually	Kalpna Shah
9. Group Executive Risk Committee	Considers the reports for GRCC (under 8 above) prior to submission.	As per 8 above	Alex Duncan
10. Remuneration Committee	Formulates and monitors performance-related criteria for Executive Directors and Senior Management which include relevant sustainability targets.	Annual	Ian Cormack
11. JRL & PLACL Investment Committees	Approval of the responsible investment framework, which forms part of the investment framework. Oversight and review of ongoing adherence of investment activities to meet the Group's net zero commitment. Oversight and review of climate risks impacting the investment portfolio.	Annual Quarterly Quarterly	Mary Kerrigan
12. JRML Board	Oversight of approach to reduce the emissions associated with LTMs to support net zero commitments. Oversight and review of climate risks impacting the residential property portfolio.	Quarterly Annual	Michelle Cracknell
13. Green and Sustainability Bond Forum	Reviews the assets invested in green and sustainable bonds and the pipeline for future investment opportunities, and approves allocations.	Quarterly	Alex Duncan
14. Sustainability Steering Committee	Oversight of the implementation of various sustainability initiatives across the Group and recommends items to the GEC and other committees as appropriate.	Monthly	Alex Duncan
15. Sustainability Working Group	Monitors the status of various sustainability initiatives and reports into the Sustainability Steering Committee.	Bi-weekly	Sustainability Strategy Manager

RISKS AND OPPORTUNITIES

Summary of key opportunities

The opportunities to Just are emerging as we develop our Sustainability Strategy and undertake further work to assess our business with a sustainability lens.

OUR PILLARS	OPPORTUNITY	LINK TO JUST'S STRATEGIC PRIORITIES
 MAKING A POSITIVE IMPACT	Group: The increased opportunity to influence and support the transition to net zero by engaging with asset owners, managers, suppliers, policy makers and other market initiatives. This would support a market wide transition which aligns with broader Net Zero commitments.	Get closer to our customers and partners
 CREATING A FAIR WORLD	Lifetime Mortgage: There is an opportunity to provide more support to our customers with the need increased due to higher than usual energy costs. This will lead to an improvement of the EPC rating of our property portfolio, if successful. Retail: New products are emerging in the market that focus on responsible investment themes such as climate change. We are considering how best to further enhance our approach.	Get closer to our customers and partners Get closer to our customers and partners
 LEAVING A RESPONSIBLE FOOTPRINT	Investments: Emerging technology and innovation are seen as potential investment opportunities. New products available via external asset managers, which focus more specifically on climate and sustainability objectives, represent an opportunity to provide diversification across our investment portfolio. Defined Benefit: Opportunity to support a diversified client base of scheme trustees in achieving their responsible investment and climate change goals.	Grow through innovation Get closer to our customers and partners

SUSTAINABILITY STRATEGY: TCFD DISCLOSURE FRAMEWORK continued

SUMMARY OF KEY RISKS

Our climate risk assessment remains that our LTM and non-LTM portfolios are the areas with the largest potential exposure to climate change-related transition and physical risks. The nature of the key risks has not changed in

the reporting period but some areas have evolved as we move closer to our net zero target in the absence of government policy change. The table below shows key risks and whether there have been any changes in risk exposure.

RISK	IMPACT	TYPE	TIMESCALE	MITIGATION	2022 CHANGE/UPDATE
More stringent energy performance standards – commercial and residential property	Residential property values may fall below the level of the loan leading to losses.	Transition	5-10 years	Fund EPC ratings for new LTM customers to improve the energy performance data we hold. Potential government assistance for property owners' energy improvement costs. Seek ways of helping lifetime mortgage borrowers to improve energy performance standards. Consider energy performance ratings when lending on LTMs. Structure commercial loans to include key performance indicators for energy efficiency and other climate-related factors.	Risk increased due to a lack of clarity on government policy to reduce emissions for residential properties.
Increased impacts and threats from flooding and coastal erosion	For residential and commercial mortgages, the borrower's ability to service and repay the loan could be affected by increased costs due to physical risks.	Physical	10 years+	Potential government action to protect populated areas. Vary lending policy to avoid vulnerable residential and commercial properties.	No change to risk identified
Green investments become difficult to source or produce lower yields	Unable to meet Responsible Investment Framework aims while meeting investment return needs. IFRS balance sheet loss.	Transition	<5years	Increase the range of sources of origination for potential investments. Availability of green investments expected to continue to increase due to government focus.	No change to risk identified
Credit investments seen as exposed to climate risks lose market value	Income should continue but with increased risk of default if issuers cannot refinance at an affordable price.	Transition	<15 years	Reduce and avoid such investments in line with the Responsible Investment Framework.	No change to risk identified
Targets for reduced Scope 1 and 2 emissions are missed by Just	Reputational damage from failing to meet stated commitments.	Transition	<5years	Commit and align with initiatives required to reduce emissions. Monitor progress closely.	No change to risk identified
Targets for reduced Scope 3 emissions are missed by Just	Reputational damage due to failure to maintain commitments.	Transition	5-10 years	Pursue Responsible Investment Framework and align with relevant external initiatives/guidance. Enhance LTM proposition strategy to support customers with energy efficiency improvements. Engage with supply chain to reduce emissions. Monitor progress closely.	No change to risk identified

FURTHER ANALYSIS OF KEY RISKS

NON-LTM PORTFOLIO RISKS:

Our credit investments are held as long-term investments. Although the value of the investments may be affected over time by the market's view of the borrower's credit standing, it is the borrower's ability to repay the debt that affects us the most.

Transition risks: The companies to which we lend could face additional costs due to the nature and rate of the transition or, as a result of substitutability, assets could become stranded.

Physical risks: Depending on the location, assets we are invested in may face higher costs from extreme weather events or sustained asset damage and business interruption due to impacts from longer duration physical impacts of climate change.

Material increased costs to the borrower, as a result of climate change, may affect their ability to meet their debt repayment obligations, increasing the risk of default.

LTM PORTFOLIO RISKS

Just Group is exposed to property risk on the LTMs held on our IFRS balance sheet. These LTMs are secured against residential properties located across the UK. If the sale proceeds from the property are insufficient to repay the accumulated loan balance on the death or entry into long-term care of the customer, Just would suffer a loss due to the no-negative equity guarantee.

INSURANCE RISK

The Group's primary insurance risk exposure is to longevity risk, through products such as our Guaranteed Income for Life product. In recent decades life expectancy has improved due to medical advances and lifestyle changes, which can be expected to continue. Most deaths in this country relate to conditions such as heart disease and cancer, with air pollution contributing to around 5% of all UK deaths. The overall impact of climate change on longevity is likely to be secondary through lifestyle changes rather than direct. Interacting factors, including government policy and individual lifestyle choices, make it difficult to accurately predict how much climate change could impact on longevity, but this can be expected to evolve gradually over the years. The insurance risk exposures to climate change are highly uncertain and have not yet been quantified in the Group's risk scenarios, therefore no explicit allowance is made. Developments in this area will be carefully monitored.

RISK MANAGEMENT

NON-LTM PORTFOLIO

Our climate risk investment strategy is based on the following key tenets:

- understand the risks to our investments posed by climate change
- take advantage of opportunities afforded by the transition to a lower carbon economy
- engage in and influence change in the market to the extent that this is efficient and possible
- decarbonise our portfolio in line with our Group commitments (more information on our decarbonisation strategy can be found in our transition plan).

Our Responsible Investment Framework seeks to manage the risk exposure arising from broader ESG risks, including climate change and is monitored by the Investment Committee. The Framework uses the following scoring system ("PRAYG"):

- Purple – excluded: divestment and no new investment
- Red – restricted: no new investment
- Amber – watchlist: investment permitted but close monitoring required
- Yellow – neutral: investment permitted
- Green – positive impact: investment encouraged

All Just's existing and prospective investments, where we have veto rights in place are scored in this way to ensure a consistent and robust approach is taken to assessing their ESG risks, including climate-related factors.

In the case of funds, where we do not have a veto right, a red, amber, or green status is applied at the fund level.

LIQUID INVESTMENTS

In addition to assessing ESG risks, we have measured the Climate Value at Risk ("CVaR") for our liquid corporate bond portfolio, where climate data is readily available – around 72% coverage of the portfolio. This forms part of our scenario analysis approach, where we have used projected pathways, in line with the Network for Greening the Financial Services ("NGFS") scenarios outlined later in this section.

ILLIQUID INVESTMENTS (COMMERCIAL MORTGAGES, INFRASTRUCTURE LOANS, OTHER PRIVATE DEBT)

Assessing the risks to our illiquid investments is challenging due to the lack of specific data as the borrowers are not subject to disclosure requirements. We work alongside our asset managers to understand the most material ESG risks (including climate-related physical and transition risks) inherent within these investments.

We expect some of our illiquid assets to exhibit less transitional risk than our liquid bond portfolio where these assets are linked to renewable energy production and energy-efficient buildings. For real estate and other infrastructure debt assets, given the illiquid nature of these investments, the transition to net zero is expected to be the dominant risk with potential costs associated with mitigation and adaptation.

WHAT PROGRESS HAVE WE MADE TO IMPROVE OUR BROADER CLIMATE RISK MANAGEMENT ACROSS THE NON-LTM PORTFOLIO?

Over the last 12 months, we have implemented a revised responsible investment strategy to continue enhancing our approach, including improving the management of climate-related risks. As such, we have:

- enhanced our engagement with our external asset managers to understand their approach and commitments to achieving net zero and our wider RI objectives;
 - joined the Partnership for Carbon Accounting Financial ("PCAF") – to continue enhancing our approach to estimating our emissions, where emissions data is unavailable;
 - submitted a statement of intent to join the Net zero Asset Owner's Alliance – to continue aligning our decarbonisation strategy with a recognised initiative; and
 - joined the Financial Institutions Focus Group for the Net Zero Data Public Utility – feeding into the climate data steering committee run by Glasgow Financial Alliance for Net Zero ("GFANZ");
- strengthened the Group's expertise and resources in responsible investing; and
- identified a data provider to help us estimate portfolio emissions, aiming to apply principles of the PCAF methodology where possible.

LTM PORTFOLIO

Our property underwriting assessments allow for existing flood and coastal erosion risk. We are undertaking climate change scenario analysis to improve our understanding of how our lending policy and underwriting approach need to evolve to manage any future exposure to climate change risk.

METRICS AND TARGETS

The metrics below are used for our **liquid corporate bond** portfolio:



CLIMATE VALUE-AT-RISK ("CVAR")

A risk metric which is an estimation of scenario-specific valuation impact for transition and physical impacts, at both an issuer and portfolio level.



WARMING POTENTIAL

An impact metric which gives a portfolio's alignment with future climate goals based on projected business activities of invested companies.



CARBON FOOTPRINT

An impact metric that gives the GHG emissions at an issuer and portfolio level.

The CVaR and warming potential metrics are purely illustrative as they project far into the future based on assumptions about our existing investment portfolio. The longer the time period that data is projected into the future, the more uncertainty in the results. The carbon footprint metric reflects the emissions of our current portfolio. We expect each of these metrics to reduce as the composition of our investment portfolio changes over the years through the application of our Responsible Investment Framework.

SUSTAINABILITY STRATEGY: TCFD DISCLOSURE FRAMEWORK *continued*

The metrics below are used for our LTM portfolio:



CARBON FOOTPRINT

The estimated carbon emissions of the lifetime mortgage portfolios expressed as an average per US\$ million of lifetime mortgage balance emissions.



PROPERTY VALUE AT RISK

A risk metric which estimates the potential reduction in residential property values under different climate scenarios arising from physical and transitional risks.



ENERGY PERFORMANCE

We monitor our portfolio distribution by EPC rating using actual and estimated ratings to measure our exposure to any introduction of minimum EPC standards.

The emissions calculation uses assumptions based on the EPC rating that is held for the property, implied by the property postcode, or modelled (available for all of our portfolio).

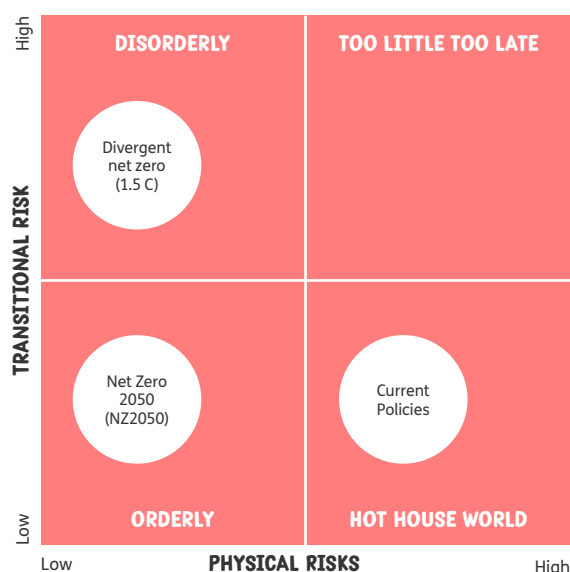
SCENARIO ANALYSIS

Background

Scenario analysis has been used to deepen our understanding of the risks the Group faces over a long-term time horizon. Just's climate scenarios are anchored on two parts: property scenarios measured using the Representative Concentration Pathway ("RCP") and the wider Network for Greening the Financial System ("NGFS") climate scenarios. The latter was applied across both the lifetime mortgages and the investment portfolio.

For 2022, Just's base case scenario was amended to a Divergent Net Zero ("DNZ") scenario given current market conditions, where policy actions appear to be changing due to general geopolitical tensions and the wider implications of the war between Ukraine and Russia. In the alternative scenarios, the Nationally Determined Contributions scenario was amended to the Current Policies scenario given it reflected the most extreme physical risk scenario, where there is potential for more frequent extreme weather events.

We have taken a prudent approach by assessing the most extreme transition/physical risk scenarios to understand the illustrative impacts on the Group.



Source: derived using the NGFS climate scenarios NGFS Scenarios Portal.

A summary of how Just has interpreted each scenario is provided below:

NGFS SCENARIOS	RISK PROFILE	ASSUMPTIONS
Divergent Net Zero ("DNZ")	Highest transition risks of all, more acute in consumer than industrial sectors. Overall lowest physical risk of the NGFS scenarios.	Net zero reached by 2050 but with higher costs due to divergence with more stringent policies across all sectors, primarily focusing in the transportation and buildings sectors. Availability of carbon dioxide removal ("CDR") technologies assumed to be lower than for Net Zero 2050. Emissions are in line with a climate goal, giving at least a 50% chance of limiting global warming by the end of the century.
Net Zero 2050 ("NZ2050")	Relatively low physical risk combined with relatively high transition risk.	UK, US, EU and Japan reach net zero for all greenhouse gases by 2050. China makes progress in meeting its carbon net zero pledge by 2060. This requires immediate rigorous policies to be introduced. CDR needed to reach this goal, to be in line with sustainable levels of bioenergy production. This will result in net zero CO ₂ emissions by 2050.
Current Policies ("Hot House World")	Moderate to severe physical risks, but relatively low transition risks.	Assumes only current implemented policies are preserved leading to higher physical risks. Emissions continue to grow until 2080 leading to around 3 degrees of warming and irreversible changes such as rising sea levels.

ENHANCEMENTS:

As part of the scenario analysis, we have further enhanced our approach in the following ways:

- Quantitative analysis
 - Sector specific analysis to identify possible risk exposures using the climate financial risk forum ("CFRF") scenario tool and the NGFS scenario explorer, with review by representatives from business and risk areas.
- Data overlay
 - MSCI CVaR data for the selected NGFS scenarios was cross-referenced with the outputs of the qualitative analysis.

Overall, for material risk exposures possible management actions and opportunities were noted.

As part of this process we considered the following factors:

Transition risk	Policy	The extent of policy action and potential movements in carbon pricing.
	Technology	The extent of investment into energy efficiency/low carbon technologies/CDR. Movements in capital expenditure to develop efficient/low carbon products/services.
	Regulation	Potential changes in regulation across sectors/regions.
	Market	Market demand for energy efficient/low carbon products or services. The impacts on productivity/availability from human and natural capital.
	Legal	Potential exposure to legal action due to emerging transition risks from policy/regulatory action.
Physical risk	Acute	Potential economic damages from extreme weather events.
	Chronic	Movements in GDP from physical risks with rising temperatures over time.

GROUP ILLUSTRATIVE IMPACTS OF TRANSITION AND PHYSICAL RISK SCENARIOS, PRE-MANAGEMENT ACTIONS

The results of our quantitative analysis relating to the non-LTM portfolio and the LTM portfolio are shown in the table below. The metrics show the illustrative impacts on our existing non-LTM portfolio if it were to remain unchanged to 2070. The analysis assumes no changes in the investment portfolio and does not consider the Group's cash/cash equivalent holdings, derivatives and reinsurance assets. As a result of our upcoming 2023 project focussed on scenario analysis and further enhancing our internal capabilities, for consistency we have retained the methodology and data from our approach in 2021 with a view to enhancing these disclosures following on from our 2023 project.

SUB-PORTFOLIO	DIVERGENT NET ZERO 2050	NET ZERO 2050	CURRENT POLICIES (HOT HOUSE WORLD)
Liquid Corporate Bonds ¹	-7.0% CVaR	-6.0% CVaR	-4.4% CVaR
LTMs ²	3.6%	3.6%	0.2%

Results as at ¹ 31 December 2021 illustrative expected loss on 70% of the liquid investments of the non-LTM portfolio, ² 31 December 2021 – estimated property value at risk.

This modelling suggests that transition risk may be a more material risk to our non-LTM portfolio than physical risk. A 1.5°C temperature rise produces higher impacts because the rate of decarbonisation is the greatest under this scenario, leading to potential highest costs for the bond issuers. The illustrative warming potential of the existing portfolio suggests the issuers' emissions are aligned to warming the planet by 3.1°C by 2100 in a scenario aimed at limiting global warming to 1.5°C.

Similarly, the modelling of the LTM portfolio shows that transition risk is likely to be the most material risk. We estimate transition risk arising from the introduction of minimum EPC standards (based on assumptions stated in the Climate Biennial Exploratory Scenario ("CBES")) could lead to a 3.4% reduction in property values under the net zero scenarios. This reduction in property value would only affect Just in instances where it leads to the property sale price being lower than the loan balance. We have not made explicit allowance for transition risk within our reported numbers. The estimated potential impact of transition risk on property values is based on the UK government implementing a minimum EPC standard of C and this has not been confirmed as a government policy yet.

Any impact would be incremental over a period of years as and when loans become repayable following the customer's death or entry into long-term care. The impact may be mitigated by the extent to which government softens the blow for homeowners through grants and subsidies.

Our physical risk modelling estimates that they lead to at most a 0.2% reduction in property values by 2080. Of the physical risks to which we are exposed, increased flood risk due to climate change is expected to have the most material impact. Analysis suggests that our exposure to properties classed as having a high flood risk could increase steadily from 0.3% now to 1.5% by 2080 of properties backing our lifetime mortgages. Under the 'Current Policies' scenario, this could mean an additional 200 properties exposed to high flood risk by 2080 out of a portfolio of 55,000 properties.

The projections suggest that a similar pattern of increasing risk of subsidence over time due to climate change increasing the chances of lengthy periods of drought. Under the most severe scenario considered, about 100 more properties could be exposed to subsidence by 2080. Analysis indicates that our exposure to properties where coastal erosion is likely would remain insignificant over the period to 2080.

The carbon footprint of the non-LTM portfolio and the LTMs is shown below:

BUSINESS AREA	YEAR	COVERAGE	CARBON FOOTPRINT
Investments (tCO ₂ e/\$m nominal invested)	2019	99.8%	Scope 1&2: 84 Scope 3: 407
	2020	99.8%	Scope 1&2: 95 Scope 3: 372
	2021	99.8%	Scope 1&2: 111 Scope 3: 377
Lifetime Mortgage (tCO ₂ e tonnes per annum)	2019	100% ¹	23.2
	2020 ²		
	2021	95%	13.1
	2022	100%	14.2

¹ c.60% of the LTM portfolio emissions is estimated each year.

² 2020 data not collected for LTM portfolio.

A combination of reported and estimated data has been used to calculate the carbon footprint of the portfolio using nominal values; this includes our third party data provider applying the principles under version one of the Partnership for Carbon Accounting Financials ("PCAF"). For asset classes where no approach has yet been identified by PCAF, our third party data provider has applied an appropriate approach that is similar to the PCAF framework. Where data was not provided issuer data was overlaid for bonds that had already matured in the portfolio and another unweighted sector average was applied to remaining gaps to produce a full portfolio footprint. This covers c.30% of the 2019 data, c.25% of the 2020 data and c.27% of 2021 data. We acknowledge there is double counting in producing the carbon footprint data and have therefore split the data by scope of emissions. Data could be subject to change due to improvements in data quality going forward.

The carbon footprint of the non-LTM portfolio has been derived using a combination of reported and estimated emissions data and supplied by our third party data provider. It does not include cash/cash equivalents, derivatives and reinsurance assets. It also uses a series of further estimations based on the data on the portfolio to close the gaps in the dataset, where our third party data provider was unable to provide information. The LTM portfolio carbon footprint is calculated using the estimated emissions data based on the EPC rating of the property on which the LTM is secured. For 34% of properties we use the rating on the record and for 66% of properties, we use an estimated rating. The contribution of an individual property to the carbon emissions of the overall portfolio is based on the loan-to value ratio of the relevant LTM.

LIMITATIONS AND OUTCOMES

The scenario analysis shows that the Group's primary exposure is to transition risks based on both the DNZ scenario and NZ2050 scenario. The DNZ scenario appears to have the most onerous financial impact to Just. Whilst some conclusions can be drawn from our analysis, we recognise that there are limitations to our approach as it is to a degree reliant on qualitative analysis. There are also gaps in the data available, which means the analysis may not reflect potential costs or impact across the entire portfolio. We will continue enhancing our approach in the coming years to improve our analysis of climate-related scenarios.

NON-LTM PORTFOLIO

Within the investment portfolio, as noted earlier, climate-related risk exposures appear to be the most prevalent across a subset of sectors. In our analysis we identified several potential management actions to address these risks:

- **Engage** further with our external asset managers to identify climate mitigation and adaptation investment opportunities.
- **Influence** and engage to retrofit properties to upcoming regulatory EPC standards (such as by providing more capital).
- **Invest** more towards assets that are committed to or are aligned with our net zero ambitions.
- **Restrict** or reduce exposure to climate laggards within individual sectors.

LTM PORTFOLIO

The government's stated aim is for as many homes as possible to be upgraded to an EPC rating of C by 2035 and it will consult on how this could be achieved. Other policy initiatives are expected with lenders being expected to play their part in encouraging improved energy performance among the properties on which they advance loans.

An estimated three-quarters of the residential properties underlying our lifetime mortgage portfolio of our existing lifetime mortgages have an energy rating below the government's target of an EPC rating of C. The lower the EPC rating, the more likely that the property's value will be affected by this transition risk. We have a process in place to collect the EPC rating for all new Just branded mortgages.

WHAT ARE OUR FUTURE PLANS FOR THE CLIMATE RISK MANAGEMENT OF THE NON-LTM AND LTM PORTFOLIOS?

We plan to:

- identify another data provider to support with further analysis of the physical and transitional climate-related risks
- enhance our approach to climate assessments of existing and new investments to supplement our PRAYG scoring
- align our transition plan with external initiatives in line with our commitments (i.e. SBTi, NZAOA)
- enhance and further integrate an appropriate stewardship strategy in support of climate change and our wider responsible investment commitments
- embed climate change risk factors in our LTM lending decisions, if possible using post code level risk ratings.

COLLEAGUES AND CULTURE

A PURPOSE-LED CULTURE

2022 was a year in which our colleagues once again rose to the challenge, providing support and certainty to our customers when they needed it most.

Increasingly we have galvanised our people around our commitment of being a strong and sustainable purpose-led business for our customers, our colleagues, our planet and generations to come.

Our Just culture is underpinned by people who are passionate and are committed to making a difference to the lives of those around them.

A key business priority is that all of our colleagues feel proud to work at Just. The combination of our strong purpose and having highly engaged teams working the Just way, is a competitive advantage which will help drive high performance and our growth strategy.

“

...helped me to think about me and the team – I now have a better understanding of my approach with others.

“JUST ENGAGE” COLLEAGUE COMMENT



THREE STRATEGIC PEOPLE PRIORITIES

During the year we have focused on three key strategic people priorities to enable the delivery of the Group strategy:

- 01.** ensuring we have the right people with the right skills in the right place at the right time;
- 02.** building well led, high performing and healthy teams, supporting the delivery of a great employee experience; and
- 03.** driving a purpose-led culture of inclusion and belonging, with diverse and talented colleagues from different backgrounds and experiences.

A TALENTED AND FLEXIBLE WORKFORCE

As a business our size and culture gives our people the opportunity to make an impact to their careers whilst making a difference to the lives of those around them. Having a growth mindset and supporting the development of colleagues is fundamental to achieving our growth strategy at Just. This ranges from professional leadership development through to “lunch and learns” on our products, customers and markets and piloting a new programme on habits and behaviours that strengthen and sustain our culture and underpin an excellent customer experience.

Other key support and development include:

- All colleagues having access to LinkedIn Learning with 88% of colleagues engaging with the tool (higher than the level of engagement in other, similar organisations) and they have viewed over 1,600 hours of content.
- Supporting the professional development of colleagues across the business. For example, we sponsored and supported 53 actuarial students with their Institute and Faculty of Actuaries exams. We have also utilised our apprenticeship levy to support colleagues studying for a range of qualifications across areas including data science, accountancy, project management and AI.
- Colleagues completing mandatory computer based training aligned to regulatory requirements. This is in areas such as money laundering, financial crime and data protection, as well as core training linked to our purpose, brand and culture, including plain English modules and unconscious bias training.

We recognise the important role that our people managers play in supporting the delivery of a great employee experience and in particular we have:

- Designed and rolled out a resource for people managers with comprehensive materials and training to provide a one-stop-shop to help them to lead high performing and healthy teams.
- Reviewed and redesigned our induction and onboarding process, launching a new bi-monthly session called Just Connect where new joiners get the opportunity to meet our executive team and senior leaders, hear about our customers, products, and services and meet colleagues from across the business.



“

Not many companies do this kind of induction to new joiners so well done to Just!

.....
"JUST CONNECT" COLLEAGUE COMMENT

We have continued investment in leadership and management development, including:

- All executive team and senior leadership team (“SLT”) members completed a 12 month programme delivered across four offsite sessions, focused on strategy execution and how to build and sustain a culture of success.
- We refreshed our flagship people management programme – Just Engage – and rolled this programme out to over 30 people managers throughout the year. The programme focuses on core skills around self-awareness, emotional intelligence and how to lead high performing teams.
- So far, over 50 managers have completed a 13 month management development apprenticeship programme, leading to a level 5 certificate in management and leadership through the Chartered Management Institute (“CMI”). This year, we also launched a new leadership development programme designed for our current and future leaders. 13 colleagues are completing the programme which leads to a CMI level 7 award in strategic management and leadership practice, CMI chartered fellow status and a professional qualification from Imperial College business school.

Some colleague comments about the management development apprenticeship programme include:

“Mentoring is brilliant and so is the course content”

“It is totally hitting the mark of what I expected to get out of the programme and so much more in terms of developing my skills as a leader – I am applying so much to my role here at Just as I am learning”

“Great content. Everything ties together with themes and the way the learning is presented is logical. I can easily see what is required of me by when to ensure I remain on track”

COLLEAGUES AND CULTURE continued

“

I like that fellow colleagues are open to sharing stories about mental health and any personal experiences. Just offers support for people to help with their mental wellbeing.

COLLEAGUE COMMENT FROM PEAKON ANNUAL ENGAGEMENT SURVEY

HEALTHY INDIVIDUALS AND TEAMS

We care about the wellbeing of our people and we are committed to ensuring that colleagues feel personally supported at Just. We continue to recognise the role we play in supporting colleagues' wellbeing and we have an executive sponsor for wellbeing at Just. People have different needs and we offer a range of activities and support around mental, physical, social and financial wellbeing. We held focus groups with colleagues from across the organisation to obtain qualitative data regarding their wellbeing and ensure that our wellbeing strategy and actions remain relevant and are driven by what colleagues need.

In light of the challenging external environment, over the last year we have increased our focus on financial wellbeing and put in place specific financial support for over 65% of UK based colleagues with a one-off cost of living payment. This focused our support on those individuals who are likely to be most negatively impacted financially by inflation over the past year so that we can help to ease the challenges of the winter period. We have also made interest free loans and salary advances available to those requiring additional support.

We have a comprehensive range of benefits including a group personal pension, group life assurance (both individual and partner), income protection, critical illness cover, private medical insurance, health screening, health cash plan, dental insurance, travel insurance, will writing, and access to Headspace.

In addition this year we have:

- Introduced an on-demand pay platform to provide colleagues with a payroll savings scheme as well as a utility switching service, budgeting tools and educational content.
- Provided colleagues with access to the Group's financial wellness services, Destination Retirement and Pension Buddy to help them plan for a financially secure future in later life. We also recognised Pension Awareness Day 2022 with the launch of Just's retirement guide to improve the experience of colleagues reaching retirement, as well as promoting 'planning for your future' webinars by our pension provider. We promoted their sustainable investing webinars and ESG Hub to increase awareness of how pensions are invested and which funds are ethical and sustainable.
- Recognised the link between financial and mental health with, Tea and Talk, sessions arranged by our mental health first aiders. These were good opportunities to promote the benefits available to all colleagues aligned to Mental Health Awareness week.
- Just Talk sessions covering topics such as managing emotions and living with loss. Just Talk supports our work on vulnerability and how we can support our customers more effectively. It's a unique blend of factual and practical advice on subjects that colleagues are interested to know more about.
- Launched a new benefit to support colleagues with caring responsibilities to navigate the care market through partnering with My Care Consultant.

PURPOSE-LED CULTURE OF INCLUSION AND BELONGING

At the heart of our business is our purpose which is delivered through diverse, talented colleagues from different backgrounds and experiences. Not only is having a diverse workforce the right thing to do, it helps us to succeed, innovate and better serve our customers now and in the future. Our diversity, equity and inclusion ("DE&I") strategy continues to drive forward on all aspects of diversity and inclusion, with a current focus on five key areas – gender, ethnicity, disability and neurodiversity, social mobility and sexual orientation.

Our progress against our DE&I strategy and targets is underpinned by a range of initiatives which included:

- A series of open sessions called Just Perspectives hosted by our executives. Attended by colleagues from across the business and supported by our employee networks and DE&I champions, these sessions covered a wide range of topics, including race, disability, neurodiversity, LGBTQ+ and social mobility. These forums provided an excellent way to engage colleagues across Just on our DE&I agenda to build momentum to support progress.
- For the fourth year in a row we co-hosted a session as part of DiveIn, the festival for diversity and inclusion in the insurance industry. Around 450 people attended the session which was focused on the topic of menopause.
- 40 colleagues have taken part in the actuarial mentoring programme, either as a mentor or a mentee, with ten mentees/mentors every year since 2019. This programme is primarily designed to support the development and retention of women within the actuarial profession. A further 60 colleagues have taken part in the 30% club cross company mentoring programme over the last few years, connecting female talent with experienced mentors from outside of our company.
- We ran the second cohort of our executive sponsorship programme, with 11 female colleagues matched with an executive sponsor at Just to provide mentorship, advice and support for their development. Feedback from this programme was excellent.

"The programme has really helped me to extend my networks and be able to speak to senior people who I have never worked closely with before."
Participant in the executive sponsorship programme

We completed a reciprocal mentoring programme with five colleagues from Black, Asian and Minority Ethnic background mentoring with different members of our executive team. This helped to raise the awareness and understanding of our most senior leaders around race and ethnicity issues at work as part of our commitment to the Race at Work Charter. Again, feedback from both mentors and mentees was excellent.

"I found our conversations really quite profound and quite moving – it's made me reflect a lot about connecting and thinking about their individual circumstances rather than just thinking that's a colleague. Very powerful."
Participant in the reciprocal mentoring programme

- We participated in the 10,000 Black Interns programme, aimed at creating opportunities for young Black talent with paid internships. One of our interns posted on LinkedIn: "It has been a remarkable experience at Just. I have learnt a lot and I value all the connections made." We will be continuing our participation in the summer of 2023 and have signed up to the newly launched 10,000 Able Interns initiative, designed to give individuals with a disability a flying start to their careers.
- We are also now members of Progress Together, a membership body focused on improving socioeconomic diversity and inclusion at senior levels within financial services. We took the important step this year of collecting data from colleagues on their socioeconomic background to inform our strategy and plan in this area.
- We are new members of GAIN, the Group for Autism, Insurance, Investment and Neurodiversity, reflecting our commitment to championing neurodiversity within our business and industry more broadly.

GENDER DIVERSITY

We have increased gender diversity at senior levels from 27% to 30% in 2022 and are on track to deliver against our "33 by 23" 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 our Board is now 44%. Our gender pay gap reduced between 2021 and 2022 from 34.4% to 31.0%. These figures reflect an increasing proportion of women at senior levels in Just.

RACE DIVERSITY

As a signatory to the Race at Work Charter, Giles Offen, Group Chief Digital Information Officer, is our executive sponsor for Race. Under his sponsorship, we have publicly committed to increasing the percentage of senior leaders from a Black, Asian or Minority Ethnic background to 15% by 2024, in line with the percentage in the broader UK population. We are already at almost 18%. We have also voluntarily published our ethnicity pay gap report alongside our gender pay gap report.

DISABILITY

As a Disabilities Confident employer we are committed to taking action to improve how we recruit, retain and develop disabled people. We also offer mentoring and sponsorship opportunities to colleagues with disabilities and have produced guidance and support for people managers on supporting colleagues with disabilities. In addition to our membership of GAIN and commitment to take part in the 10,000 Able interns programme in 2023, we have also held a series of events for all colleagues this year focused on different aspects of disabilities, including sessions on deafness, autism and attention deficit hyperactivity disorder ("ADHD").

CLEAR AND REGULAR COMMUNICATION

Underpinning our approach has been our continued recognition of the value of clear and regular communication at all levels within our organisation. We understand that this helps colleagues to join the dots between our purpose, strategic priorities and their day to day roles. We have continued to hold quarterly CEO-led town halls which are very successful and give colleagues not only the opportunity to hear a business update but ask the leadership team any questions they may have.

"The David Richardson Town Halls are brilliant, he comes across really well alongside the other executive team."

Colleague comment from Peakon annual engagement survey

Following on from the success of our Conversations with the Board sessions which we introduced in 2019, we have continued to give Board members and colleagues the opportunity to connect, ask questions, and learn from one another. Topics have ranged from what colleagues value at Just and what they would like to improve, through to the role of the Board in guiding our organisation. We've also covered our approach to reward, specifically in relation to how executive remuneration aligns with that of our colleagues across the Group. You can read more about the approach of the Board engaging with colleagues in the Section 172 statement.

GOOD LEVELS OF ENGAGEMENT

In September we introduced Peakon, a new tool to help us further understand and support the engagement of colleagues. It has given us rich data on what colleagues value about working at Just, and areas in which they think we could make improvements. We received an 85% response rate to this first survey, which in itself highlights that colleagues want to share their views as they know we take action based on their feedback. We also received over 12,000 comments on a whole range of topics, again, reiterating that colleagues value the two-way listening culture we have in place.

"Just is a great company to work for, from support and development opportunities as an employee but also for what we stand for as a company and what we achieve for our customers. Proud to work for Just!"
Colleague comment from the Peakon annual engagement survey

COLLEAGUES AND CULTURE *continued*

SUSTAINABILITY ESTIMATES FROM JUNE'S POP-UP SHOP

837

TOTAL ITEMS DONATED

(613 items of clothing and 224 accessories)

195

TOTAL ITEMS 'SOLD' ON THE DAY

(133 items of clothing and 62 accessories)

CO₂ EMISSION SAVINGS (KG CO₂E) (CLOTHING ITEMS ONLY)47_{KG}

TOTAL SAVINGS ON THE DAY

(equivalent to driving 117 miles
or charging 5,717 smartphones)215_{KG}TOTAL SAVINGS BASED ON
ALL ITEMS DONATED(equivalent to driving 534 miles
or charging 26,153 smartphones)H₂O SAVINGS (LITRES) (CLOTHING ITEMS ONLY)

37,240

TOTAL SAVINGS ON THE DAY

(equivalent to your daily water usage
for 264 days or taking 745 showers)

171,640

TOTAL SAVINGS BASED
ON ALL ITEMS DONATED(equivalent to your daily water usage
for 1,217 days or taking 3,433 showers)

As a result of this first survey, we were pleased that the results showed we have good levels of engagement, particularly excelling in the communication of our strategy to our people. Moving forward, key areas that we are focused on include improving our Reigate and Belfast office environments, and you can read more about our new London office environment on page 33. In particular we will continue to support colleagues with their wellbeing, especially with the challenging external environment, and ensuring that they have the right skills, development and support as we move through a programme of organisational transformation.

"I know what our purpose and goals are as a team and how my work contributes to achieving our objectives."
Colleague comment from Peakon annual engagement survey.

FEELING CONNECTED

During 2022 we successfully embedded our hybrid working approach which is centred around the majority of colleagues spending a minimum of 40% of their time working from an office. Office working remains an important part of the way we work at Just and allows our colleagues to take advantage of the benefits of face to face collaboration, networking and socialising. We emphasise to colleagues the importance of working from the office with "purpose" and as a crucial way, we will maintain and further develop our culture and drive our growth agenda. We have therefore taken the opportunity to put in place a variety of in-person opportunities – from early career networking events to our Just Us Summer party.

JUST LIKE NEW – THE JUST POP-UP

As part of our focus on sustainability and building a greener business, in June we held our first "Just Like New" Pop-up shop at our Reigate office. Colleagues were invited to donate their good quality, second hand clothing which was then put on display for other colleagues to take home. In the process we raised valuable funds for Re-engage, our charity partner between 2018 and 2022, who are focused on tackling loneliness and social isolation of older people. The event was such a success that we held a Christmas Pop-up shop.



750

THE AVERAGE ATTENDANCE
AT THE TOWN HALLS
WAS APPROXIMATELY
750 COLLEAGUES

(2021: approximately 730)

86%

AT LEAST 86% (2021: 82%) OF
COLLEAGUES WHO RESPONDED
TO OUR INTERNAL PULSE
SURVEYS FELT THAT THE
TOWN HALLS WERE VALUABLE

90%

AT LEAST 90% (2021: 89%) OF
COLLEAGUES WHO RESPONDED
TO OUR INTERNAL PULSE SURVEYS
FELT INFORMED ABOUT WHAT
WAS HAPPENING IN OUR
ORGANISATION

93%

93% OF COLLEAGUES WHO
RESPONDED TO OUR SURVEY
AND JOINED DECEMBER'S TAKE
ON BOARD SESSION SAID THAT
THEY FOUND IT VALUABLE

“

I believe in our purpose, this is a
factor in my choice of working here.

.....
COLLEAGUE COMMENT FROM PEAKON ANNUAL
ENGAGEMENT SURVEY

GIVING SOMETHING BACK

Giving something back is extremely important to our people. As part of our key priority of creating a fair world, we are committed to supporting our local communities. At the end of 2022, we asked all colleagues to share their suggestions for a new charity partner and to then vote on a shortlist. A key criteria was that the charity aligned to our purpose of helping people achieve a better later life.

We were delighted to announce towards the end of the year our new partnership with Hourglass. The Hourglass mission is simple: end the harm, abuse and exploitation of older people in the UK to create safer ageing and a fairer society. Just as crucially, it is about empowering older people so they can, where suitable, live their lives independently and fully trusting those around them. The charity also aligns with our focus on supporting vulnerable customers, which you can read more about in the Non-financial information statement.

As well as our corporate charity, colleagues continued to raise funds for charities close to their hearts, and Just provides support by half-matching a proportion of the funds raised. We also encouraged colleagues to take part in a range of volunteering activities, including cleaning, painting, weeding, digging, planting and potting at residential homes.



You can read more about our approach to Sustainability and our activities in the Section 172 statement.

OUR JUST CULTURE

At the heart of our business is our Just culture which is our North Star. How we do things is just as important as what we do. Our leadership team regularly share stories of the Just Way and how colleagues can bring our company behaviours to life on a daily basis. In addition to local recognition schemes, in 2022 we took the opportunity to bring together a number of colleagues from across the business who had been nominated as great role-models of the Just Way and our behaviours of being dynamic, for the customer, always adapting and collaborative. We know that our colleagues feel motivated by our purpose of helping people achieve a later life and that through their work they can make a difference to the lives of those around them.



RELATIONSHIPS WITH STAKEHOLDERS

OUR STAKEHOLDERS

HOW WE ENGAGE



INDIVIDUALS/FINANCIAL ADVISERS

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

- Engage directly when we provide regulated financial advice, guidance and other forms of help and customer service.
- Engage indirectly via financial intermediaries and other organisations such as pension schemes and corporates.
- 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/EMPLOYEE BENEFIT CONSULTANTS

Individuals accountable for securing good outcomes for pension scheme members and clients.

- Convene industry events to bring together trustees, advisers and subject matter experts to encourage dialogue and share knowledge.
- Hold individual meetings to understand the specific challenges facing pension scheme trustees.
- 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 to the people who support those that deliver the services.

- Directly, day to day through line management and using a variety of communication channels.
- 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.



COMMUNITY AND THE ENVIRONMENT

Our peers, civic society and the later life financial advice communities who we engage with and the wider environment.

- Partnership with charities supporting local communities and the environment.
- Engage with the financial advice community.
- Participate in sustainability initiatives.

The Board recognises that the long-term sustainable success of Just is dependent on the way it engages with our key stakeholders.

We recognise the role that each stakeholder group plays in our success and our responsibilities towards them. Building strong stakeholder engagement to understand their interests is essential. The table below describes our 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 within the Section 172 report.

WHAT MATTERS TO THEM	HOW WE ADDRESS THESE CHALLENGES
- Security and peace of mind that Just will deliver its promises. - Advice they can trust. - Good value for money. - Product differentiation. - Quality of service delivered. - Reputation of the Company.	- Behave prudently and have strong, effective governance to ensure we always meet the promises we make to our policyholders, and that due care and attention is given to customer outcomes. - 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. - Differentiate our products offering unique features to customers such as our medically underwritten Just For You Lifetime Mortgage ("LTM") which offers personalised terms for customers. - Further investment in our Just For You LTM automation initiative to enhance the LTM digital adviser services. - Regular attendance at client trustee Board meetings to update them on their Just Buy-in assets. - Offer Destination Retirement, a financial planning service that provides tailor-made advice to individuals approaching or transitioning into retirement after work.
- An insured solution that offers certainty for trustees and security for members. - Financial strength and strong counterparty credentials that deliver security for advisers, trustees and their members. - Reputation of the Company and service quality. - Access to the defined benefit de-risking market for smaller transactions. - Policyholder experience and service quality as many schemes are targeting future buy-out transactions. - A secure asset portfolio with ESG and sustainability at its heart.	- Ongoing development of strong asset sourcing capability that delivers pricing advantage. - Selectively participate in bulk annuity tenders and deploy 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. - Hosted a wide range of events to share knowledge. - Offer a bulk quotation service to provide early visibility of insurer pricing.
- The Group having a clear vision and purpose. - Having the opportunity to grow and develop. - Diversity and inclusion initiatives. - Wellbeing. - Hybrid working. - Strong community and environmental credentials.	- CEO quarterly briefing sessions for all colleagues across the Group to reiterate Just's purpose and provide a business update on key initiatives to deliver our strategic priorities and help people achieve a better later life. - Non-Executive Director engagement with colleagues to bring their voice into the boardroom. - Developing colleagues through in-role experience, coaching, mentoring, online learning and training. - Continued to make strong progress with respect to our commitment to build a diverse workforce and an inclusive culture at Just. - Offered support and guidance for our colleagues built around mental, physical, social and financial wellbeing. - Embedded a hybrid way of working to encourage collaboration and innovation, and to sustain Just's culture. - Provided volunteering opportunities to make a positive impact in our local communities. - Communicated sustainability initiatives through Pawprint, an app to support colleagues to reduce their own carbon footprint.
- Returns on investment. - Assured regular interest payments and capital protection. - Deliver a sustainable capital model. - Operate in a socially responsible and sustainable manner including greater diversity in the organisation.	- Held meetings with shareholders in 2022 to engage on Just's performance and strategic developments, and to discuss any issues or concerns. - Seminars were held for investors and potential investors on Just's Defined Benefit de-risking strategy and the Group's investment strategy with webcasts published on our website. - Further refined our strategy with clear, specific goals driven by appropriate priorities including a target to achieve greater than 10% return on equity. - Payment of dividends to shareholders. - Continued focus and steps taken during the year to refresh the Board.
- 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. - Foster open and transparent communications with our regulators. - 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 material management actions to further reduce residential property exposure. - Active participation in policy development directly with regulators 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.	- Our procurement and outsourcing policy ensures that tender processes are fair and transparent, and all suppliers receive feedback on submissions. All suppliers are expected to adhere to 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. - Conflicts of interest checks at on-boarding, ensuring advantages are not gained through personal relationships.
- Offer support and information to help individuals transition from work to retirement. - Providing support for vulnerable customers. - Support fundraising efforts in local communities. - Leave a responsible footprint.	- Offer helpful tips and guidance on topics relating to retirement on our customer website. - Initiatives to raise awareness in the financial advice community to support the needs of vulnerable customers. - Partnered with Hourglass, a national charity whose mission is to end the harm, abuse and exploitation of older people in the UK. - Continued to make progress to reach our carbon net zero targets. - Partnered with EcoTree, a sustainable forestry management company, to plant trees, as one of our sustainability initiatives.

SECTION 172 STATEMENT

HOW THE DIRECTORS MAKE DECISIONS

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

In our Relationships with stakeholders report, 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.

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:

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

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 addressing the changing regulatory environment.
COLLEAGUES	• Colleague engagement • Diversity and inclusion • Education and training • Hybrid working • Wellbeing	Ensuring colleagues feel proud to work at Just, with good levels of engagement, strengthening our talent, capabilities and inclusivity, and building well led, high performing and healthy teams have been key strategic focus areas for the Board during 2022. Our Colleagues and culture report details Just's commitment to colleagues' interests, diversity and inclusion, colleague engagement, education and training, and wellbeing.
BUSINESS RELATIONSHIPS – SUPPLIERS AND CUSTOMERS	• Anti-bribery and anti-corruption • Modern slavery • Responsible payment practices • Vulnerable customers • Consumer Duty	The Board is committed to fostering the Company's business relationships with suppliers, customers and other stakeholders. The Relationships with stakeholders report outlines 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. In 2022, our supplier contracts were updated to ensure suppliers are committed to ethical business practice with regard to anti-money laundering, anti-bribery and corruption, whistleblowing and anti-slavery and human trafficking laws. For our suppliers we have a Procurement and outsourcing policy, ensuring tender processes are fair and transparent and suppliers receive feedback on submissions. Ensuring the fair treatment of vulnerable customers continues to be an important area of focus for the Board. The Board is also responsible for the oversight of implementation plans by relevant business areas to ensure the new FCA Consumer Duty requirements are met.
COMMUNITY AND ENVIRONMENT	• Community programme • Charity partnerships • Climate change and environmental impact • Sustainable investments	The Board recognises Just's place in society and has reaffirmed the Group's purpose of helping people achieve a better later life. The Group continues to invest in community initiatives through various programmes as summarised in the Colleagues and culture report. Just also encourages colleagues to take part in a range of volunteering activities that are aligned to our purpose of helping people achieve a better later life. Following the adoption of Just's sustainability strategy by the Board, various initiatives are being developed to deliver the Group's sustainability ambitions, which includes leaving a responsible footprint. The Sustainability strategy: TCFD disclosure framework report outlines the Group's sustainability strategy and how it aligns with Just's strategic priorities. We understand that the expectations and requirements of the society in which we operate are set 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 stakeholders' feedback and takes it 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 Just 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. In 2022, key risk indicators were developed in relation to Just's risk culture. The Group Risk and Compliance Committee now receives biannual reports on risk culture including key themes requiring further attention. Everything Just and our colleagues do should be delivered sustainably and it is underpinned by clear behaviours of always adapting, collaborative, dynamic and for the customer, which we collectively call the Just way. 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 Group Audit Committee reviews and approves Just's whistleblowing policy annually. The Group has a dedicated whistleblowing hotline and portal that allows colleagues who suspect fraudulent, illegal or unethical behaviour by co-workers to report the matter through an independent and confidential service.
INVESTORS	• Shareholder engagement • General meetings • Education initiatives • Dividend policy	We receive capital investment from shareholders and from debt investors. Without their investment we would not be able to achieve our purpose. We maintain regular dialogue with our shareholders, potential investors and research analysts to give them an opportunity to learn more about Just's strategic priorities, trading conditions and other factors affecting our business. During the year we held seminars on our Defined Benefit strategy and investment strategy for analysts and investors. Our Annual General Meeting provides another opportunity for investors to meet with our Directors. Our Relationships with stakeholders report provides an overview of the various ways in which we engage with our different investor groups. Following a review of the dividend policy, the Board concluded to recommence dividend payments in 2022.

SECTION 172 STATEMENT – EXAMPLES OF DECISIONS DURING THE YEAR

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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
TRANSFORM HOW WE WORK	The Board considered various initiatives to support its strategic priority to transform how we work.	The Board considered and agreed the Group's strategy execution plan for 2022 which included a strategic priority to sustainably transform how we work that was supported by a set of key dependencies to deliver in 2022 and beyond. A key dependency included delivering a Defined Benefit modernisation roadmap. The positive impact on our trustees' experience and enhancements to the quality of our service have been key considerations for the Defined Benefit modernisation programme of activity. The Board has also committed to invest in transformation and operational improvements to enable the Group to create a business that can scale without adding significant cost to support its sustainable growth ambitions. The Directors provided oversight on these initiatives and regular status updates were received at Board and Board Committee meetings. During the year, our lease at The Minster Building in London came to an end. The Board considered and approved entering into a lease at 1 Angel Lane in London. A key consideration was the design of the new office to improve the office experience for colleagues and its low environmental footprint to support the Group to reduce its carbon footprint.	Long term, high standards of business conduct, colleagues, customers, environment
COLLEAGUES AND CULTURE	Based on the strategic priority be proud to work at Just, the Board considered a programme of activity to ensure it was engaged on key developments impacting colleagues and culture, and that it had opportunities to engage with colleagues through meaningful, regular dialogue.	A key strategic focus area agreed by the Board was to embed Just's culture and establish a framework for measuring culture, which includes active management of performance and promoting individual accountability. Key risk indicators ("KRIs") were developed in 2022 and the Group Risk and Compliance Committee now receives biannual reports on the risk culture KRIs. Diversity and inclusion remains a key focus area for the Directors both at Board level and the wider workforce. The Board considered and supported key initiatives for 2022 and beyond, which include offering reciprocal mentoring and cross-company mentoring programmes, building succession plans that monitor diversity and adjust if necessary, and using targeted recruitment channels to widen our talent pools and build diverse shortlists, particularly in senior roles. At Board level, the Board diversity policy was reviewed by the Nomination and Governance Committee during the year and updated to reflect the Listing Rules requirement concerning diversity and inclusion requirements. In line with the Board succession plan, the percentage of female Directors currently stands at 44% and minority ethnic representation is 11%. During the year, colleagues were invited to attend a series of engagement sessions with Non-Executive Directors branded as "Take on Board". The discussions were framed around various themes and topics including the role of the Board, diversity and inclusion, culture and the alignment of Executive Directors' remuneration with the wider workforce. 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. In addition to taking part in the engagement sessions, the lead Non-Executive Directors responsible for seeking the views of our colleagues and bringing them back to the Boardroom regularly engaged with the Group's Chief People Officer on colleagues, culture and wellbeing matters. A particular focus area was the results of the annual engagement survey and the actions to be taken based on the feedback received. The Group Chief Executive Officer held a series of town halls during 2022 to reiterate the Group's purpose and strategic objectives, and to provide general business updates. Feedback from colleagues on matters such as wellbeing, hybrid working and job satisfaction was gathered through various means including surveys and focus group sessions.	Colleagues

AREA OF DECISION	MATTER CONSIDERED	WHAT WE DID	S172 FACTOR/ KEY STAKEHOLDERS
STRATEGY	The Board considered and refined the Group's strategy with clear, specific goals driven by appropriate priorities to be delivered sustainably and following the Just way.	Each year, the Board considers Just's strategy and agrees on priorities and goals for the year ahead and beyond. The Group remains focused on achieving its growth ambitions, building a sustainable capital model and reaching its environmental sustainability targets. The Board has agreed specific goals driven by appropriate priorities to fulfil its purpose of helping people achieve a better later life. Key actions by the Group during the year included: - the sale of a portfolio of lifetime mortgages to further reduce the Group's exposure to UK residential property risk. It also reduces the sensitivity of the solvency capital coverage ratio to movements in UK residential property prices; - expanding Just's proposition in the defined benefit de-risking market to fully meet the needs of deferred members of pension schemes; - building a pipeline of companies for Just's pioneering automated financial advice and integrated retirement service, Destination Retirement, to guide and support customers who need help to structure their financial plans for life after work; - continued differentiation of lifetime mortgage propositions to offer increased value to customers; and - progressed plans to expand our Secure Lifetime Income proposition onto an additional investment platform in 2022. The long term sustainability of the Group and the associated impact on investors and customers were key considerations by the Board when determining the Group's strategic priorities. Further information on the Group's strategy can be found in the Strategic priorities report.	Long term, investors and customers
DIVIDEND AND CAPITAL MANAGEMENT	The Board considered whether to recommend the payment of dividends taking into consideration the key focus on delivering profitable and sustainable growth.	Given the stronger capital position of the Group and its focus on delivering profitable and sustainable growth while generating capital, the Board decided to review the dividend policy and concluded to recommence dividend payments from May 2022. As part of its deliberations on whether to declare a dividend for the year ended 31 December 2021, the Board considered the ability of the Group to continue to generate capital, the impact on its solvency capital ratio, and its stakeholders' views. After assessing affordability and taking into consideration the impact on the Group's solvency position, the Board also declared an interim dividend of 0.5 pence per share which was paid to shareholders in September 2022.	Investors
REMUNERATION	The Remuneration Committee reviewed the Directors' remuneration policy	Just's Directors' remuneration policy (the "Policy") was last approved at the 2020 Annual General Meeting ("AGM") and the current Policy has remained in place for three years. In accordance with legislation, shareholders will be invited to approve the new Policy at the 2023 AGM. On behalf of the Board, the Remuneration Committee conducted a review of the Policy during the year. As part of the review, the Directors took into consideration how the Policy aligned with Just's strategic objectives and emerging best practice. The Remuneration Committee Chair also engaged with our largest shareholders to listen and reflect on their views in early 2023 prior to finalising the proposed new Policy. Details of the proposed Policy changes can be found in the Directors' Remuneration report.	Investors

SECTION 172 STATEMENT – EXAMPLES OF DECISIONS DURING THE YEAR *continued*

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AREA OF DECISION	MATTER CONSIDERED	WHAT WE DID	S172 FACTOR/ KEY STAKEHOLDERS
SUSTAINABILITY	The Board considered its approach to sustainability governance.	The Board receives regular updates on the Group's sustainability initiatives including updates on progress to reach the sustainability targets for the Group's operations to be carbon net zero by 2025 and its investments and supply chain to be net zero by 2050, with a reduction of 50% by 2030 in line with the Association of British Insurers ("ABI") climate change roadmap. In addition, the Non-Executive Lead on Sustainability regularly engages with management in relation to our targets and wider sustainability trends. During the year, the Board revisited its approach to sustainability governance and considered the merits of establishing a Board Sustainability Committee. When considering its options, the Directors took into consideration Just's strategic approach to sustainability, the expectations of various stakeholders including shareholders, trustees and new business partners, regulatory requirements and expectations, the approach taken by Just's peers and emerging best practice. As sustainability is an integral part of Just's strategy and underpins the way in which the Group operates and makes decisions, the Board concluded that oversight should remain at Board level. It was agreed that additional time would be allocated on the Board meeting agenda each quarter to engage on sustainability matters. Additional training is being provided to the Directors in 2023 on sustainability matters. The approach will be revisited regularly to reflect on evolving requirements and best practice. In 2022, each of the Board Committee's terms of reference and Group policies were reviewed and, where appropriate, specific responsibilities have been included to consider climate change matters and the impact on the Group's targets. Board and Committee papers now include information on the impact of any proposals on the Group's sustainability strategy. The Group Risk and Compliance Committee on behalf of the Board, continues to receive regular updates on actions taken to enhance climate-related disclosures and 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. Throughout the Annual Report you will find information on sustainability initiatives and the steps taken by the Group to strengthen its sustainability credentials.	Community and environment, colleagues, customers, suppliers, investors
PROCUREMENT AND OUTSOURCING	The Board considered processes for procurement and outsourcing arrangements to prevent modern slavery and human trafficking in our supply chain.	Just takes a zero tolerance approach to modern slavery and implements various measures to prevent modern slavery and human trafficking in our supply chain as covered in more detail in the Modern Slavery Statement approved by the Board. The Modern Slavery Statement can be found on the Company's website. Our supplier contracts were updated during the year to ensure suppliers are compliant with anti-slavery and human trafficking laws.	High standards of business conduct, suppliers and partners
FINANCIAL REPORTING	The Board considered the requirements to comply with IFRS 17, the new insurance accounting standard and the impact on key stakeholders.	The implementation of IFRS 17, the new insurance accounting standard, has been one of the key focus areas for the Directors during the year to ensure compliance with the new requirements. The Group Audit Committee has been responsible for oversight of the progress to implement IFRS 17. Additional meetings were held to specifically focus on this project. A key consideration was to ensure key stakeholders including investors, regulators and the external auditor understood the changes to financial reporting and the associated impact on the Group.	High standards of business conduct, investors

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

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 or in-retirement. Our business model is centred around creating long-term value focusing on attractive segments of the UK retirement income market. Our priority is to convert the growth opportunities in our markets to deliver positive outcomes for customers, shareholders and colleagues. Our business model sets out our growth opportunities, how we create value and who we create value for.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

The Board does not currently monitor any non-financial key performance indicators, but it receives reports and management information regarding key non-financial matters such as business change initiatives, the investment programme, operational performance and colleague-related matters. The discretionary bonus plan for colleagues uses stretching financial and non-financial metrics to determine the bonus pool which the Board and Remuneration Committee review.

OUR NON-FINANCIAL POLICIES

We have non-financial policies which govern how we do business and how we interact with our stakeholders to help ensure that we have a positive impact and fulfil our purpose. Our policies reflect our commitment to act 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 enables us to protect our stakeholders by growing the business sustainably. During 2022, the Group policy framework was refreshed to ensure that all policies collectively demonstrate how all core risks to the business are effectively controlled.

This table outlines Just's key policies relating to anti-bribery and anti-corruption, environmental and social matters, colleagues and respect for human rights, which are in scope of the reporting requirements contained in the Companies Act 2006.

REPORTING REQUIREMENT AND JUST'S MATERIAL AREAS OF IMPACT

RELEVANT POLICIES AND FRAMEWORKS

ENVIRONMENTAL MATTERS

- Delivering net zero targets
- Managing climate-related issues
- Carbon performance, metrics and targets
- Responsible resource use – water and energy use, air emissions

Sustainable investment framework

A framework used by our Investment team. Refer to our Sustainable investment strategy report.

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.

COLLEAGUES

- Culture and ethics
- Health and safety
- Inclusion and diversity
- Rewards and benefits
- Training and career development

Board diversity policy

Refer to the Nomination and Governance Committee report.

Capacity and capability policy

Addresses the risk of insufficient employee numbers, lack of skills/capabilities or non-availability of required capabilities.

Fitness and propriety policy

Sets out a framework for appropriate processes and procedures to ensure compliance with the FCA's Senior Managers and Certification Regime.

Group conduct and operational risk policy

Sets out the statement of principles for ensuring that the risk that decisions and behaviours lead to detrimental or poor outcomes for customers and/or the risk of loss arising from failed or inadequate processes and systems, from people or from external events are monitored, managed and reported.

Conduct risk framework

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, communication with customers, skill, care and diligence, and conflicts of interest.

Conflicts of interest policy

Sets minimum standards and provides guidance to statutory Directors and other personnel whose activities with customers, colleagues and third parties may give rise to a conflict of interest or potential conflict of interest.

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

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REPORTING REQUIREMENT AND JUST'S MATERIAL AREAS OF IMPACT	RELEVANT POLICIES AND FRAMEWORKS
SOCIAL MATTERS - Delivering net zero targets - Partnership with charities and volunteering initiatives - Supporting local communities - Supporting vulnerable customers - Responsible approach to tax	Sustainability strategy Refer to our Sustainability strategy: TCFD disclosure framework. Vulnerable customer policy Defines our approach to ensuring vulnerable customers receive consistently fair treatment across our Group and experience outcomes as good as those of other customers. Tax strategy Summarises our approach to tax affairs. Available to view on our website at www.justgroupplc.co.uk.
RESPECT FOR HUMAN RIGHTS - Reinforcing an ethical business culture - Speaking up against wrongdoing - Approach to human rights and modern slavery - Supporting vulnerable customers	Modern slavery statement Sets out our policies and processes to combat modern slavery in all its forms. Available to view on our website at www.justgroupplc.co.uk. Data protection – personal information 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 personal data to comply with regulatory requirements. Group conduct and operational risk policy Refer to “Colleagues” above. Conduct risk framework Refer to “Colleagues” above. Vulnerable customer policy Refer to “Social Matters” above. Whistleblowing policy Refer to “Colleagues” above.
ANTI-BRIBERY AND ANTI-CORRUPTION MATTERS Prevention of bribery and corruption	Financial crime policy Sets high level 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. Compliance policy Sets out the Group's approach to ensuring that it operates in compliance with the relevant laws and regulations. Gifts and hospitality procedure Sets out rules and guidance for all colleagues to follow to ensure that no undue influence has been applied to an external organisation or anyone else dealing with the Company, and that the Company has not applied any undue influence or is perceived to have unduly influenced a business decision. Whistleblowing policy Refer to “Colleagues” above.

THE OUTCOME OF OUR POLICIES ON OUR MATERIAL AREAS OF IMPACT

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ENVIRONMENTAL MATTERS - The direct impact of our operations on the environment is relatively low due to the hybrid ways of working from the office and at home. The Group is UK based with a small operation in South Africa. The Board has set clear and measurable sustainability targets for the Group's operations to be net zero by 2025 and its investments and supply chain to be net zero by 2050, with a reduction of 50% by 2030 in line with the ABI's climate change roadmap. During the year, the Group reduced our office footprint in support of the goal. A significant development was our move to new premises in London in 2022. The building has won awards for its low environmental footprint and our new office is carbon neutral. - We continue to promote sustainable initiatives to our colleagues via Pawprint, our sustainability partner and eco companion. Pawprint is an app which will help us make more climate-friendly choices, and assist in allowing us to measure, better understand and reduce our carbon footprint at work.	- During the year, we embedded our hybrid working approach which is centred around the majority of colleagues spending a minimum of 40% of their time working from an office. This approach creates flexibility for our colleagues and contributes towards a reduced office footprint. - We are committed to promoting good corporate environmental practice and have ISO 14001:2015 certification. - The Group continued to invest the proceeds of the Green bond in eligible green projects. Further information can be found in the Sustainable investment strategy report. - Information on Just's sustainability pillars including the steps we are taking to leave a responsible footprint is set out in our Sustainability and the environment report and the Sustainability strategy: TCFD disclosure framework report. - The Company supports sustainable travel arrangements through a number of initiatives, including a cycle to work scheme, and each Senior Executive has a carbon budget which encourages the use of sustainable modes of transport, where possible.
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COLLEAGUES

- Strengthening our talent and capabilities, building well led, high performing and healthy teams, and ensuring colleagues feel proud to work at Just is a key strategic priority for us.
- The Group's diversity and inclusion strategy continues to focus on five areas: gender, ethnicity, disability and neurodiversity, social mobility and sexual orientation. Our progress against our diversity and inclusion strategy and targets is underpinned by a range of initiatives, which are outlined in our Colleagues and culture report. The Board sponsor for diversity and inclusion is the Group Chief Executive Officer.
- There is an active programme to improve Board diversity in accordance with the Board diversity policy. Further information on this policy and the steps taken to improve Board diversity can be found in the Nomination and Governance Committee report.
- Gender diversity across senior roles has increased by three percentage points to 30% and we remain on track to achieve our pledge as a signatory to the Women in Finance Charter that 33% of senior leaders will be female by the end of 2023. Our gender pay gap reduced from 34.4% in 2021 to 31.0% in 2022. Further details can be found in our gender pay gap report on our website, www.justgroupplc.co.uk.
- As a signatory to the Race at Work Charter, we have publicly committed to increasing the percentage of senior leaders from a Black, Asian or minority ethnic background to 15% by 2024, in line with the percentage in the broader UK population. We are already at almost 18%. We have also voluntarily published our ethnicity pay gap report alongside our gender pay gap report.
- We continued to focus on providing a wide range of wellbeing support and guidance for our colleagues built around mental, physical, social and financial wellbeing, and we have an Executive sponsor for wellbeing. In light of the challenging external environment, we have increased our focus on financial wellbeing over the last year and provided specific financial support for over 65% of UK based colleagues with a one-off cost of living payment. Further information on our wellbeing initiatives can be found in our Colleagues and culture report.
- 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.
- Our whistleblowing policy, and our whistleblowing hotline, encourage colleagues to report any wrongdoing. All such reports are fully investigated and appropriate remedial actions are taken.
- In 2022, we embedded our hybrid working approach, which supports our belief that spending some time regularly in the office will help colleagues to collaborate, innovate, learn from one another and network, as well as sustaining the great culture we have built at Just.

SOCIAL MATTERS

- As part of our key priority of creating a fair world, we continue to support our local communities 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. During the year, we appointed a new charity partner, Hourglass. Further details of the charity can be found in our Colleagues and culture report.
- We supported colleague fundraising (half matching their funds up to £500). We also encouraged colleagues to take part in a range of volunteering activities, including cleaning, painting and gardening at residential homes.
- We provide helpful tips and guidance on our website, wearejust.co.uk, on topics relating to retirement and the events that can impact finances in retirement on matters such as inheritance tax and writing a will.
- For further information about our social activities and the impacts, see our Colleagues and culture report.

RESPECT FOR 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 are aware of the importance that this is used appropriately and is 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.
- Some of our customers may have additional or different needs and we want to ensure that they receive a fair outcome with the appropriate support being provided when needed. Our Vulnerable customer policy defines our approach to ensuring vulnerable customers receive consistently fair treatment across our Group. Relevant training is provided to colleagues to help them identify the characteristics of vulnerability and provide appropriate support to our customers. Our policies and processes will be adapted if necessary, and where possible, to accommodate specific customer needs.

ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

- We have a Financial crime policy which is a zero tolerance policy. This policy helps us to prevent and detect financial crime.
- Our gifts and hospitality procedure supports the financial crime policy, by providing the rules and guidance to help prevent all colleagues receiving or providing an undue influence over the making of a business decision.
- We have a comprehensive mandatory compliance training programme which covers the above policy and procedure 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 Group Risk and Compliance Committee, with repeated failure to complete the training being a disciplinary matter.

NON-FINANCIAL RISK MANAGEMENT

The Risk management report 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 Annual Report and Accounts sets out our principal risks and uncertainties including non-financial risks and how we mitigate those risks. The Group Risk and Compliance Committee ("GRCC") considers various non-financial risks. These include risks arising from people and culture, operational processes, information security, conduct and climate change. 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 Compliance team manages the Group's Policy Framework, which was refreshed in 2022. The revised framework comprises three Group policies and underlying company policies. Each policy has a policy owner and an executive sponsor, who review the policy at least annually and provide an attestation as to its adherence and any material breaches. Under the new framework, the GRCC and Board will receive updated Group policies with details of all underlying company policies established to address each subordinate risk for approval together with an opinion from Risk and Compliance on the effectiveness of the risk management framework and how this has been addressed through the Group policy framework. Material breaches of policies are recorded in our risk management system and escalated to the Group Chief Risk Officer. Any serious breaches are reported to the GRCC or Board. This ongoing management of risks highlighted by breaches enables the business to take necessary action to mitigate the risk such as through training or improving a process or policy.

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

The Group risk management framework supports management in making decisions that balance the competing risks and rewards. This allows them to generate value for shareholders, deliver appropriate outcomes for customers and help our business partners and other stakeholders have confidence in us. Our approach to risk management is designed to ensure that our understanding of risk underpins how we run the business.

RISK FRAMEWORK

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

The framework has now been enhanced to facilitate the identification, assessment and reporting of risks arising from climate change ("climate risk"), with risk category definitions updated to integrate climate risk aspects. A qualitative climate risk appetite has been added to the Group's existing high-level appetites, which include reputation and capital, recognising the potential impacts of climate risk.

RISK EVALUATION AND REPORTING

We evaluate our principal and emerging risks to decide how best to manage them within our risk appetite. Management regularly reviews its risks and produces management information 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.

Company policies govern the exposure of risks to which the Group is exposed and define the risk management activities to ensure these risks remain within appetite. Our policies have been updated to draw out any climate specific considerations for risk management.

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. The results of the modelling allow the Board to understand the risks included in the Solvency Capital Requirement ("SCR") and how they translate into regulatory capital needs. By applying stress and scenario testing, we gain insights into how risks might impact the Group in different circumstances.

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

Quantification of the financial impact of climate risk is subject to significant uncertainty. Risks arising from the transition to a lower carbon economy are heavily dependent on government policy developments, social responses to these developments and market trends. Just's initial focus has been on the implementation of strategies to reduce the likely exposure to this risk. Just will continue to adapt its view of climate risk as more data and methodologies emerge.

The aggregate exposure to climate risk is assessed against existing risk appetites, with climate risk a factor to be considered in the management of these risks. Risk appetite tolerances will be reviewed as further stress-testing results become available.

OWN RISK AND SOLVENCY ASSESSMENT

The Group's Own Risk and Solvency Assessment ("ORSA") process embeds comprehensive risk reviews into our Group management activities. Our annual ORSA report is a key part of our business risk management cycle. It summarises work carried out in assessing the Group's risks related to its strategy and business plan, supported by a variety of quantitative scenarios, and integrates findings from recovery and run-off analysis. The report provides an opinion on the viability and sustainability of the Group and informs strategic decision making. Updates are provided to the GRCC each quarter, including factors such as key risk limit consumption as well as conduct, and operational and market risk developments, to keep the Board apprised of the Group's evolving risk profile.

Reporting on climate risk is being integrated into the Group's regular reporting processes, which will evolve as the quantification of risk exposures develops and key risk indicators ("KRIs") are identified.

VIABILITY STATEMENT

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. Based on the assessment, 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.

In making the viability assessment the Group considers the Group's business plan approved by the Board, the projected liquidity position of the Company and the Group, impacts of economic stresses, current financing arrangements, contingent liabilities and a range of forecast scenarios with differing levels of new business and associated additional capital requirements to write anticipated levels of new business.

Consistent with the Group's going concern assessment, the resilience of the Group's solvency capital position is tested under a range of adverse scenarios which considers the possible impacts on the Group's business, including stresses to UK residential property prices, house price inflation, the credit quality of assets, mortality, 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%. Eligible own funds exceeded the minimum capital requirements in all stressed scenarios described above. The scenarios considered are consistent with the going concern assessment in the Financial Statements in the Annual Report.

The review also considers mitigating actions available to the Group should a severe stress scenario occur, with the analysis considered by the Board including those actions deemed to be more fully within the Group's control.

Additionally, a scenario where the Group ceases to write new business is considered. 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. 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. Given the inherent uncertainty that 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. The Directors have no reason to believe that the Group will not be viable over a longer period.

2ND LINE

OVERSIGHT FUNCTIONS

Oversight functions in the Company, such as Risk Management, Compliance and Chief Actuary, support the Board in setting risk appetite and defining risk and compliance policy.

RISK & CONTROL

- Oversight of the risk and control environment
- Independent challenge and reporting on the risk profile and conduct of the business
- Monitoring actions being taken to mitigate risk

3RD LINE

INDEPENDENT ASSURANCE

Internal Audit is the third line of defence, offering independent challenge to the levels of assurance provided by business operations and oversight functions.

RISK & CONTROL

- Provide independent challenge and assurance

PRINCIPAL RISKS AND UNCERTAINTIES

STRATEGIC PRIORITIES

1. Grow sustainably
2. Transform how we work
3. Grow through innovation
4. Get closer to our customers and partners
5. Be proud to work at Just

A material change was made to how the risks and uncertainties are presented in this report. The first section summarises the Group's ongoing core risks and how they are managed in business as usual. The risk outlook section calls out the risk subjects that are evolving and are of material importance from a Group perspective.

ONGOING PRINCIPAL RISKS

RISK

HOW WE MANAGE OR MITIGATE THE RISK

A Market risk arises from changes in interest rates, residential property prices, credit spreads, inflation, and exchange rates, which affect, directly or indirectly, the level and volatility of market prices of assets and liabilities. The Group is not exposed to any material levels of equity risk. Some very limited equity risk exposure arises from investment into credit funds which have a mandate which allows preferred equity to be held.

- Premiums invested to match asset and liability cash flows as closely as practicable;
- Market risk exposures managed within pre-defined limits aligned to risk appetite for individual risks;
- Exposure managed using regulatory and economic metrics to achieve desired financial outcomes;
- Balance sheet managed by hedging exposures including currency and inflation where cost effective to do so; and
- Interest rate hedging is in place to manage Solvency II capital coverage and IFRS equity positions.

STRATEGIC PRIORITIES 1, 3

B Credit risk arises if another party fails to perform its financial obligations to the Group, including failing to perform them in a timely manner.

- Investments are restricted to permitted asset classes and concentration limits;
- Credit risk exposures monitored in line with credit risk framework, driving corrective action where required;
- External events that could impact credit markets are tracked continuously;
- Credit risks from reinsurance balances mitigated by the reinsurer depositing back premiums ceded and through collateral arrangements or recapture plans; and
- The external fund managers we use are subject to Investment Management Agreements and additional credit guidelines.

STRATEGIC PRIORITIES 1, 3, 4

C Insurance risk arises through exposure to longevity, mortality, morbidity risks and related factors such as levels of withdrawal from lifetime mortgages and management and administration expenses.

- Controls maintained over insurance risks related to product development and pricing;
- Adherence to approved underwriting requirements;
- Medical information developed and used for pricing and reserving to assess longevity risk;
- Reinsurance used to reduce longevity risk, with oversight by Just of overall exposures and the aggregate risk ceded;
- Group Board review and approval of assumptions used; and
- Regular monitoring, control and analysis of actual experience and expense levels.

STRATEGIC PRIORITIES 1, 3, 4

D Liquidity risk is the risk of insufficient suitable assets available to meet the Group's financial obligations as they fall due.

- Stress and scenario testing and analysis: including collateral margin stresses, asset eligibility and haircuts under stress;
- Corporate collateral capacity to reduce liquidity demands and improve our liquidity stress resilience;
- Risk assessment reporting and risk event logs inform governance and enable effective oversight; and
- Contingency funding plan maintained with funding options and process for determining actions.

STRATEGIC PRIORITIES 1, 3, 4

E Conduct and operational risks arise from inadequate internal processes, people and systems, or external events including changes in the regulatory environment. Such risks can result in harm to our customers, the markets in which we do business or our regulatory relationships as well as direct or indirect loss, or reputational impacts.

- Implementation of policies, controls, and mitigating activities to keep risks within appetite;
- GRCC oversight of risk status reports and any actions needed to bring risks back within appetite;
- Scenario-based assessment to establish the level of capital needed for conduct and operational risks;
- Monitoring conduct risk indicators and their underlying drivers prompting action to protect customers;
- Risk management training and other actions to embed regulatory changes; and
- Ensuring data subjects can exercise their GDPR rights including their right to be forgotten and subject access requests to obtain their data held by Just.

STRATEGIC PRIORITIES 1, 2, 3, 4, 5

F Strategic risk arises from the choices the Group makes about the markets in which it competes and the environment in which it competes. These risks include the risk of changes to regulation, competition, or social changes which affect the desirability of the Group's products and services.

- The Group operates an annual strategic review cycle;
- Information on the strategic environment, which includes both external market and economic factors and those internal factors which affect our ability to maintain our competitiveness, is regularly analysed to assess the impact on the Group's business models;
- Engagement with industry bodies supports our information gathering; and
- The Group responds to consultations through trade bodies where appropriate.

STRATEGIC PRIORITIES 1, 2, 3, 4, 5

RISK OUTLOOK

HOW THIS RISK AFFECTS JUST

1 Political and regulatory

Changes in regulation and/or the political environment can impact the Group's financial position and its ability to conduct business. The financial services industry continues to see a high level of regulatory activity.

STRATEGIC PRIORITIES 1, 3, 4, 5

TREND

UNCERTAIN

JUST'S EXPOSURE TO THE RISK

Just monitors and assesses regulatory developments on an ongoing basis. We seek to actively participate in all regulatory initiatives which may affect or provide future opportunities for the Group. Our aims are to implement any changes required effectively and deliver better outcomes for our customers and a competitive advantage for the business. We develop our strategy by giving consideration to planned political and regulatory developments and allowing for contingencies should outcomes differ from our expectations.

OUTLOOK AND HOW WE MANAGE OR MITIGATE THE RISK

HM Treasury continues to review the future regulatory framework for financial services, which includes the Solvency II review. Both reviews could impact the amount of capital our businesses are required to hold. Matching Adjustment and Risk Margin reform is of key importance to Just's business model. The HM Treasury response in November 2022 set out the Government's final reform package for Solvency UK, including:

- a reduction in the Risk Margin;
- an enhancement in the Fundamental Spread risk sensitivity although its underlying design will be unchanged; and
- a broadening of eligibility requirements for the Matching Adjustment, the inclusion of assets with 'highly predictable' cash flows, and other changes including increased flexibility in the associated processes.

The potential impact of the changes will not be fully understood until the details of their implementation are known.

The FCA's rules for a new Consumer Duty (PS22/9 published July 2022) will set higher and clearer standards for consumer protection across financial services and require firms to put customers' needs first. Firms need to apply the Duty to new and existing products and services that are open to sale (or renewal) from 31 July 2023, and from 31 July 2024 to apply the Duty to products and services in closed books. Work is now progressing to implement within the timeframes the plans approved by the Just Boards in October 2022.

New PRA and FCA regulations on operational resilience took effect in March 2022. The Regulators expect firms to be operationally resilient to ensure customers are not at a financial disadvantage or be placed at risk of financial harm. Firms must identify its most important business services and set impact tolerances for each, with regular scenario testing and an annual Self-Assessment for Board approval.

The change in insurance accounting standard to IFRS 17 due to be implemented in 2023 will produce a different profit recognition profile to which market participants will take time to adjust. We published an investor presentation in February 2023 to brief investors on the changes resulting from IFRS 17 ahead of full implementation.

2 Climate and ESG

Climate change could impact our financial position by impacting the value of residential properties in our lifetime mortgage portfolio and the yields and default risk of our investment portfolios. Just's reputation could also be affected by missed emissions targets or inadequate actions on environmental issues.

STRATEGIC PRIORITIES 1, 2, 3, 4, 5

TREND

INCREASING

Our TCFD disclosures (section "Sustainability strategy: TCFD disclosure framework") explains how climate-related risks and opportunities are embedded in Just's governance, strategy and risk management, with metrics to show the potential financial impacts on the Group. The metrics reflect the stress-testing capabilities developed to date to assess the potential impact of climate risk on the Group's financial position.

The value of properties on which lifetime mortgages are secured can be affected by:

- transition risk – such as potential government policy changes related to the energy efficiency of residential properties.
- physical risks – such as increased flooding due to severe rainfall, or more widespread subsidence after extended droughts.

A shortfall in property sale price against the outstanding mortgage could lead to a loss due to the no-negative equity guarantee given to customers. The lifetime mortgage lending policy will be kept under review in light of climate risk and adjustments made as required.

For corporate bond and illiquid investment portfolios, the impact of climate risk on assets or business models may affect the ability of corporate bond issuers and commercial borrowers to service their liabilities. Yields available from corporate bonds may also be affected by any litigation or reputational risks associated with the issuers' environmental policies or adherence to emissions targets.

Just is proactive in pursuing its sustainability responsibilities and recognises the importance of its social purpose. We have set sustainability targets for our operations to be carbon net zero by 2025 and for emissions from our investment portfolio, properties on which lifetime mortgages are secured and supply chain to be net zero by 2050, with a 50% reduction in these emissions by 2030. Performance against these targets is being monitored and reported.

We will continue to develop stress testing capabilities to support the monitoring of potential climate change impact on our investment and LTMs portfolios with a particular focus on refining the quality of input data.

Under Just's Responsible Investment Framework, the environmental credentials of bonds and illiquid investments are considered when new premium income is invested. Risks arising from flooding, coastal erosion and subsidence are taken into account in lifetime mortgage lending decisions.

The consideration of sustainability in investment decisions may restrict investment choice and the yields available; it may also create new opportunities to invest in assets that are perceived to be more sustainable.

PRINCIPAL RISKS AND UNCERTAINTIES continued

HOW THIS RISK AFFECTS JUST

3 Cyber and technology

IT systems are key to serving customers and running the business. These systems may not operate as expected or may be subject to cyber-attack to steal or misuse our data or for financial gain. Any system failure affecting the Group could lead to costs and disruption, adversely affecting its business and ability to serve its customers, as well as reputational damage.

STRATEGIC PRIORITIES 1, 2, 3, 4, 5

TREND
STABLE

JUST'S EXPOSURE TO THE RISK

Our IT systems are central to conducting our business from delivering outstanding customer service to the financial management of the business. We maintain a framework of operational resilience and disaster recovery capabilities so that we can continue to operate the business in adverse circumstances.

Protecting the personal information of our customers and colleagues is a key priority. Internal controls and our people are integral to protecting the integrity of our systems, with our multi-layered approach to information security supported by training, embedded company policies and governance.

We continue to invest in strategic technologies to strengthen data security and overall resilience. In 2022 we have made enhancements to network architecture and implemented data centre upgrades. Our email system has been made more resilient to malicious attacks, including emerging types of ransomware.

A specialist Security Operations Centre monitors all our externally facing infrastructure and services, with threat analysis, incident management and response capabilities. The Group's cyber defences are subject to regular external penetration tests to drive enhancements to our technology infrastructure.

The development of in-house systems and our use of third-party systems is tightly controlled by technical teams following established standards and practices.

OUTLOOK AND HOW WE MANAGE OR MITIGATE THE RISK

The cyber threat to firms is expected to continue at a high level in the coming years with evolving sophistication. We will continue to closely monitor evolving external cyber threats to ensure our information security measures remain fit for purpose.

2023 will see further investments in cyber-attack countermeasures, to enable consistent delivery of required security standards. This will include the replacement of the Security Incident Event Management tool to increase security. Other new technologies will be evaluated during the year. Just's new Chief Information Security Officer will implement a revised information security team structure and approach.

4 Insurance risk

In the long-term, the rates of mortality suffered by our customers may differ from the assumptions made when we priced the contract.

STRATEGIC PRIORITIES 1, 3, 4

TREND
STABLE

A high proportion of longevity risk on new business Just writes is reinsured, with the exception of Care business for which the risk is retained in full. Most of the financial exposure to the longevity risks that are not reinsured relate to business written prior to 2016.

Reinsurance treaties include collateral to minimise exposure in the event of a reinsurer default. Analysis of collateral arrangements can be found in notes 27 and 29 of the Annual Report and Accounts.

Mortality experience continues to be volatile and significantly above pre-pandemic levels.

Experience and insights emerging since mid-2021 indicate that COVID-19 and the aftermath of the pandemic, will have a material and enduring impact on mortality for existing and future policyholders. Our current assumption about these changes has been incorporated into Just's pricing across our Retirement Income and Lifetime Mortgage products and will be updated as more information becomes available.

HOW THIS RISK AFFECTS JUST

5 Market and credit risk

Fluctuations in interest rates, residential property values, credit spreads, inflation and currency may result, directly or indirectly, in changes in the level and volatility of market prices of assets and liabilities.

Investment credit risk is a result of investing to generate returns to meet our obligations to policyholders.

Global factors have led to high inflation, increased interest rates and significant volatility in financial markets in 2022.

STRATEGIC PRIORITIES 1, 3, 4

TREND

INCREASING

6 Liquidity risk

Having sufficient liquidity to meet our financial obligations as they fall due requires ongoing management and the availability of appropriate liquidity cover. The liquidity position is stressed in extremely volatile conditions such as those triggered by the September 2022 "mini-budget."

STRATEGIC PRIORITIES 1, 3, 4

TREND

INCREASING

7 Strategic risk

The choices we make about the markets in which we compete and the demand for our product and service offering may be affected by external risks including changes to regulation, competition, or social changes.

STRATEGIC PRIORITIES 1, 2, 3, 4, 5

TREND

STABLE

JUST'S EXPOSURE TO THE RISK

Financial market volatility leads to changes in the level of market prices of assets and liabilities. Our business model and risk management framework have been designed to remain robust against market headwinds. Our policy is to manage market risk within pre-defined limits.

Investment in fixed income investments involves default, credit rating downgrade and concentration risks. Other credit risk exposures arise due to the potential default by counterparties we use to:

- provide reinsurance to manage longevity risk and to fund new business.
- provide financial instruments to mitigate interest rate and currency risk exposures.
- holding our cash balances.

All over-the-counter derivative transactions are conducted under standardised International Swaps and Derivatives Association master agreements. The Group has collateral agreements with relevant counterparties under each master agreement.

Credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.

Exposure to liquidity risk arises from:

- short term cash flow volatility leading to mismatches between cash flows from assets and liabilities, particularly servicing collateral requirements of financial derivatives and reinsurance agreements;
- the liquidation of assets to meet liabilities during stressed market conditions;
- higher-than-expected funding requirements on existing LTM contracts, lower redemptions than expected; and
- liquidity transferability risk across the Group.

Financial markets have experienced significant volatility recently. Just was not directly affected by the Liability Driven Investment ("LDI") crisis following September's "mini-budget," which impacted defined benefit pension schemes unprepared for the effect on many collateralised derivative positions of a sudden increase in interest rates. However, the market turmoil, including the fall in the value of sterling, did create a sharp increase in collateral calls for the Group, which were managed through its liquidity risk framework.

Risks to the Group's strategy arise from regulatory change as the Group operates in regulated markets and has partners and distributors who are themselves regulated. Actions by regulators may change the shape and scale of the market or alter the attractiveness of markets.

Changes in the nature or intensity of competition may impact the Group and increase the risk the business model is not able to be maintained. The actions of our competitors may increase the exposure to the risk from regulation should they fail to maintain appropriate standards of prudence.

OUTLOOK AND HOW WE MANAGE OR MITIGATE THE RISK

Tightening fiscal and monetary policy are expected to weaken global growth significantly in 2023, with a sustained recession possible in the UK. Financial markets are likely to remain volatile during this period.

Our investment assets may experience increased movements in downgrade and/or default experience in 2023. Residential property price falls may increase the Group's exposure to the risk of shortfalls in expected repayments due to no-negative equity guarantee within its portfolio of lifetime mortgages. Any commercial property price falls would reduce the value of collateral held within our commercial mortgage portfolio.

Our balance sheet sensitivities to these risks can be found in note 17.

Financial markets are expected to remain volatile into the foreseeable future with an increased level of liquidity risk. At the same time (partly as a result of the LDI crisis) Just is experiencing strong market demand for defined benefit de-risking solutions from pension schemes.

Just's use of derivative positions is planned to increase in proportion to its planned growth. Throughout any period of heightened volatility, Just maintains robust liquidity stress testing and holds a high level of liquidity coverage above stressed projections.

Regulation changes, such as Solvency II reform, have been agreed recently and it is likely the Group's own regulators will not make any significant change until these have been embedded.

There is a risk that pension scheme regulation may change as a result of schemes' exposures.

Demand for de-risking solutions is expected to remain stable.

CHAIR'S INTRODUCTION TO GOVERNANCE



I am pleased to present the
Group's Corporate Governance
Report for 2022

JOHN HASTINGS-BASS
Chair

Contents

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2. Board of Directors
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10. Directors' responsibilities

Dear shareholders and other stakeholders,

On behalf of the Board of Just Group plc (the "Board"), I am pleased to present the 2022 Corporate Governance report.

This section of the Annual Report and Accounts explains how the Board seeks to ensure that we have effective corporate governance and oversight in place to help support the creation of long-term sustainable value for our shareholders and broader stakeholders. As covered in the Governance in operation report, I am pleased to advise that the Board considers that, for the year under review, it has complied with the principles and provisions of the UK Corporate Governance Code 2018 (the "Code").

STRATEGY AND PURPOSE

The Board has agreed on an effective corporate governance framework, which includes the key mechanisms through which the Group sets its strategy and objectives, monitors performance and considers risk management. 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, or in-retirement. Our priority is to deliver sustainable growth so that we can take advantage of the markets we operate in. We work hard to ensure our customers benefit from our services and our shareholders receive the benefit of long-term, sustainable value creation, whilst also taking into consideration the needs of our other stakeholders and the impact of our operations on the wider society and environment.

BOARD APPOINTMENTS

During the year, we continued to refresh the membership of the Board. Mary Kerrigan and Mary Phibbs were appointed as Non-Executive Directors of Just Group plc on 1 February 2022 and 5 January 2023 respectively. Paul Bishop and Ian Cormack will retire from the Board at the conclusion of the 2023 Annual General Meeting ("AGM") on 9 May 2023.

From 9 May 2023, Mary Phibbs will be appointed as Senior Independent Director and Chair of the Group, JRL and PLACL Audit Committees subject to regulatory approval. She will also be appointed as a member of the Nomination and Governance Committee and Market Disclosure Committee. Michelle Cracknell will take over as the Chair of the Remuneration Committee subject to regulatory approval and Mary Kerrigan will be appointed as a member of the Group, JRL and PLACL Audit Committees.

The Nomination and Governance Committee considered plans for the orderly succession to both the Board and to members of the Group Executive Committee and the Group Company Secretary during the year. It also considered and recommended changes to the composition of various Board Committees and the Boards of some of our regulated subsidiary companies.

BOARD EVALUATION AND EFFECTIVENESS

Board evaluation is an important annual process and in 2022 we undertook an internal evaluation. In 2023, the Board evaluation will be facilitated by an external consultant.

Following the previous evaluation, we have:

- introduced an agenda item to each meeting to give the Directors an opportunity to provide feedback to management on the quality of the papers presented and whether the information was clear and concise;
- reviewed our Board paper template and provided training to authors so that the Board receives clear and concise information in a standardised format with further information available in supplementary packs if necessary;
- enhanced Board training with each Board Committee Chair being asked to consider areas where their committee needs additional training. Various training sessions have been scheduled for the year ahead; and
- reviewed Board Committee membership.

As part of the annual evaluation process, all Non-Executive Directors were assessed as being independent and able to provide an effective contribution to the Board. More information about the Board evaluation can be found in the Governance in operation report.

SUSTAINABILITY

The Board has set a clear strategy in respect of sustainability for the Group and the Group Chief Executive Officer is accountable for executing the strategy to achieve those targets.

During the year, the Board considered its oversight of the sustainability strategy and whether it would be appropriate to establish a separate Board Sustainability Committee. As sustainability is an integral part of our strategy and underpins the way in which the Group operates and makes decisions, it was concluded that the preferred approach was to enhance reporting to the Board and allocate additional time on the agenda each quarter to engage on sustainability matters. Further information on this decision can be found in the Section 172 report. An overview of our approach towards sustainability and climate change governance can be found in the Sustainability strategy: TCFD disclosure framework report.

DIVERSITY AND INCLUSION

The Board has adopted a diversity policy and remains committed to maintaining an appropriate balance of male and female Directors, and to ensure minority ethnic representation on the Board in line with the recommendations from the Hampton-Alexander and Parker Reviews, and the new Listing Rule requirements. You can read more about our work in relation to Board diversity and inclusion in the Nomination and Governance Committee report.

I am pleased to report that as at the date of this report, the Group meets the new Listing Rule requirement that a minimum of 40% of the Board are female and that at least one member of the Board is from a minority ethnic background. Following the 2023 AGM when Paul Bishop and Ian Cormack retire from the Board, 57% of the Board will be women. The Listing Rule target that at least one of the senior Board positions (Chair, Senior Independent Director, Group Chief Executive Officer or Group Chief Financial Officer) is a woman will also be met following the appointment of Mary Phibbs as Senior Independent Director on 9 May 2023. The Board recognises the importance of evolving the diversity of the Board in all respects to reflect our wider society and to bring fresh perspectives and experience to help deliver Just's strategic objectives. This will remain a key priority for the Board over the coming years.

AUDIT

The introduction of accounting standard IFRS 17 represents significant changes to insurance accounting and our Group Audit Committee has been highly engaged in overseeing the implementation of this standard. The Group Audit Committee has received regular updates and held in depth sessions to ensure that they have the necessary information and insight to oversee this important change. More information on the adoption of IFRS 17 can be found in the Group Audit Committee report.

REMUNERATION

The Board has delegated to the Remuneration Committee responsibility for the remuneration arrangements for the Chair, Executive Directors and senior management. The Remuneration Committee also reviews workforce remuneration and related policies and the alignment of incentives and rewards with the Group's culture.

The Directors' Remuneration Policy was last approved at the 2020 AGM and the current policy has remained in place for three years. In accordance with legislation, we will submit a new policy for shareholder approval at the upcoming AGM on 9 May 2023. The Chair of the Remuneration Committee has consulted our major shareholders on our proposed renewal of the Directors' Remuneration Policy who expressed broad consent with the proposed Policy.

Further details on the proposed changes to the Directors' Remuneration Policy and the work of the Remuneration Committee can be found in the Directors' Remuneration report.

ANNUAL GENERAL MEETING

I am pleased to confirm that the 2023 AGM will be held at 10.00 am on 9 May 2023 at 1 Angel Lane, London EC4R 3AB.

On behalf of the Board, I would like to thank shareholders for their continued engagement and support. I would also like to thank our colleagues for their continued commitment and dedication to Just and our purpose. The Board and I look forward to engaging with our stakeholders in the year ahead.

JOHN HASTINGS-BASS

Chair
6 March 2023

BOARD OF DIRECTORS

NON-EXECUTIVE CHAIR



John Hastings-Bass
GROUP CHAIR

Appointed: 13 August 2020 (3 years)

CAREER AND EXPERIENCE

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 an Executive Director of JLT Group and Chief Executive Officer of International Business Group. He joined Arthur J. Gallagher in 2007 as Chairman of International Development, leading the Asia Pacific business. In May 2007, John was appointed as Non-Executive Director of Novae Group plc, later serving as Chair from May 2008 until October 2017. He was appointed Non-Executive Chair of BMS Group in January 2015 and, in October 2022, he was appointed Chair of Dale Management Agency Limited.

John is a Trustee of the Landmark Trust and Chair of its Audit Committee.

SKILLS AND COMPETENCIES

- Strong broad commercial skills in strategy, mergers and acquisitions
- High level of competency managing customer and financial adviser relationships through his broking experience
- Extensive experience in all aspects of governance from 15 years as an independent Non-Executive Director

CURRENT OTHER LISTED DIRECTORSHIPS

None

KEY INTERNAL DIRECTORSHIPS

- Director of Just Retirement Limited
- Director of Partnership Life Assurance Company Limited.
- Director of HUB Financial Solutions Limited

EXECUTIVE DIRECTORS



David Richardson
GROUP CHIEF EXECUTIVE OFFICER

Appointed: 4 April 2016 (7 years)

CAREER AND EXPERIENCE

David was Deputy Group Chief Executive Officer of Just Group plc from April 2016 until his appointment as Group Chief Executive Officer on 19 September 2019. He was Managing Director of the UK Corporate Business from September 2019 until April 2022. He was the Interim Chief Financial Officer of the Company from October 2018 until January 2020 and Chief Finance Officer of Partnership Assurance Group plc from February 2013 until April 2016.

Previously, David was Group Chief Actuary of Phoenix Group, where he was responsible for restructuring the group's balance sheet and overall capital management. Prior to this, David worked in various senior roles at Swiss Re, across both its Admin Re and traditional reinsurance businesses. The 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 firm, Tillinghast. David is a Fellow of the Institute and Faculty of Actuaries and a CFA charter holder.

SKILLS AND COMPETENCIES

- Extensive experience in life assurance, pensions and financial services
- High level of competency in executive leadership Strong understanding of the markets the Group operates in
- Qualified Actuary

CURRENT OTHER LISTED DIRECTORSHIPS

None

KEY INTERNAL DIRECTORSHIPS

- Director of Just Retirement Limited
- Director of Partnership Life Assurance Company Limited



Andrew Parsons
(known as Andy Parsons)
GROUP CHIEF FINANCIAL OFFICER

Appointed: 1 January 2020 (3 years)

CAREER AND EXPERIENCE

Prior to his appointment as Group Chief Financial Officer of Just Group plc, Andy was Group Finance Director at LV= from June 2017 until December 2019, having previously held executive positions at several leading financial institutions including Friends Life, AXA and Zurich Financial Services. 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.

In June 2021, Andy was appointed as a Non-Executive Director of RSA Insurance Group Limited.

SKILLS AND COMPETENCIES

- Extensive experience in financial services and financial and executive leadership
- Strong understanding of the markets the Group operates in
- Chartered Accountant

CURRENT OTHER LISTED DIRECTORSHIPS

None

KEY INTERNAL DIRECTORSHIPS

- Director of Just Retirement Limited
- Director of Partnership Life Assurance Company Limited
- Director of Just Retirement Money Limited
- Director of Partnership Home Loans Limited

PLC COMMITTEES

- A** Group Audit Committee
- RI** Group Risk and Compliance Committee
- M** Market Disclosure Committee

- N** Nomination and Governance Committee
- RE** Remuneration Committee
- Committee Chair

JRL AND PLA1 COMMITTEES

- I** Investment Committees
- A** Audit Committees
- Committee Chair

SENIOR INDEPENDENT DIRECTOR

**Ian Cormack****SENIOR INDEPENDENT DIRECTOR**

Appointed: 4 April 2016 (7 years)

RE N RI M

CAREER AND EXPERIENCE

Ian has been an independent Non-Executive Director of Just Group plc since April 2016 and was appointed as its Senior Independent Director on 1 January 2022. Ian previously served as Senior Independent Director for Partnership Assurance Group plc from May 2013 until its merger with Just Retirement Group plc in April 2016.

Prior to his appointment, Ian spent over 30 years at Citibank, 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. Ian has served as a Non-Executive Director on several Boards in the UK and overseas. Previous appointments include serving as Senior Independent Director of Phoenix Group Holdings Limited, Chair of Maven Income & Growth VCT 4 plc and Non-Executive Director of Hastings Group Holdings plc and the Broadstone Acquisition Corporation.

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 the Foundation for Governance Research and Education.

SKILLS AND COMPETENCIES

- Extensive career within the financial services and banking sector
- Broad knowledge and understanding of remuneration issues
- Broad experience of engagement with major shareholders and regulators on remuneration

CURRENT OTHER LISTED DIRECTORSHIPS

None

KEY INTERNAL DIRECTORSHIPS

- Director of Just Retirement Limited
- Director of Partnership Life Assurance Company Limited

NON-EXECUTIVE DIRECTORS

**Paul Bishop****INDEPENDENT
NON-EXECUTIVE DIRECTOR**

Appointed: 4 April 2016 (7 years)

A A N RI I

CAREER AND EXPERIENCE

Paul has been an independent Non-Executive Director of Just Group plc since April 2016. He previously served as a Non-Executive Director of Partnership Assurance Group plc from May 2014 until its merger with Just Retirement Group plc in April 2016.

Prior to his appointment, Paul spent the majority of his career at KPMG and was a Partner from 1993 until the end of January 2014. 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 flotation. Previously, Paul served as a Non-Executive Director of Police Mutual Assurance Society from 2017 to September 2020.

Paul is currently a Non-Executive Director of the National House Building Council and Zurich Assurance Limited.

SKILLS AND COMPETENCIES

- Strong experience of financial, accounting and internal control matters
- Highly competent in programme and change management
- Chartered Accountant

CURRENT OTHER LISTED DIRECTORSHIPS

None

KEY INTERNAL DIRECTORSHIPS

- Director of Just Retirement Limited
- Director of Partnership Life Assurance Company Limited

**Michelle Cracknell****INDEPENDENT
NON-EXECUTIVE DIRECTOR**

Appointed: 1 March 2020 (3 years)

RE N

CAREER AND EXPERIENCE

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.

In addition to Just Group, Michelle is a Non-Executive Director and Trustee of Lloyds Banking Group Pension Funds, Chair of FIL Wealth Management Limited, Non-Executive Director of FIL Holdings Limited and Financial Administration Services Limited, and a Non-Executive Director and Chair of the Audit and Risk Committee of PensionBee Group plc.

In February 2023 Michelle was appointed as a Non-Executive Director of the Board of Sport England.

SKILLS AND COMPETENCIES

- Extensive experience in later life benefits and regulated financial services
- Broad knowledge and understanding of remuneration issues
- Qualified Actuary

CURRENT OTHER LISTED DIRECTORSHIPS

PensionBee Group plc

KEY INTERNAL DIRECTORSHIPS

- Chair of Just Retirement Money Limited
- Chair of Partnership Home Loans Limited
- Director of Just Retirement Limited
- Director of Partnership Life Assurance Company Limited
- Director of HUB Financial Solutions Limited

BOARD OF DIRECTORS continued

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NON-EXECUTIVE DIRECTORS continued



Mary Kerrigan
INDEPENDENT NON-EXECUTIVE
DIRECTOR

Appointed: 1 February 2022 (1 year)

CAREER AND EXPERIENCE

Mary was appointed as a Non-Executive Director of Just Group plc on 1 February 2022. She has been a Non-Executive Director of Just Retirement Limited and Partnership Life Assurance Company Limited, the Group's life company subsidiaries, since 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 plc and Chair of its Risk Committee. She is also a Non-Executive Director of Aegon Asset Management UK plc, La Banque Postale Asset Management Limited, and Companjon Services DAC. Mary also is a member of the Independent Governance Committee of Prudential Assurance UK Limited and Trustee of The London Irish Centre.

SKILLS AND COMPETENCIES

- Considerable experience in the pensions, life insurance and investment industries
- Qualified Actuary

CURRENT OTHER LISTED DIRECTORSHIPS

None

KEY INTERNAL DIRECTORSHIPS

- Director of Just Retirement Limited
- Director of Partnership Life Assurance Company Limited



Mary Phibbs
INDEPENDENT NON-EXECUTIVE
DIRECTOR

Appointed: 5 January 2023 (2 months)

CAREER AND EXPERIENCE

Mary was appointed as a Non-Executive Director of Just Group plc on 5 January 2023. She has more than 40 years of international business, risk management and board experience in various countries.

Previous UK and overseas board experience includes serving as a Non-Executive Director of Morgan Stanley & Co International plc, Novae Group plc, New Day Group Limited, and The Charity Bank Limited. Mary has held senior positions at Standard Chartered Bank plc, ANZ Banking Group, National Australia Bank, Commonwealth Bank of Australia, and PricewaterhouseCoopers.

Mary currently holds the role of Chair of Virgin Money Unit Trust Managers Limited. She is a Director of Canada Pension Plan Investment Board (CPP Investments) and Chair of its Risk Committee.

Mary is a Chartered Accountant and is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of Chartered Accountants Australia and New Zealand.

SKILLS AND COMPETENCIES

- Extensive career in financial services including retail and wholesale banking, insurance and investment management sectors
- Strong experience of financial, accounting, risk management and internal control matters
- Chartered Accountant

CURRENT OTHER LISTED DIRECTORSHIPS

None

KEY INTERNAL DIRECTORSHIPS

- Director of Just Retirement Limited
- Director of Partnership Life Assurance Company Limited
- Director of Just Retirement Money Limited
- Director of Partnership Home Loans Limited



Kalpana Shah
INDEPENDENT NON-EXECUTIVE
DIRECTOR

Appointed: 1 March 2021 (2 years)

CAREER AND EXPERIENCE

Kalpana brings over 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 Group Chief Actuary and a Partner at Hiscox plc until 2016. Kalpana 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 was appointed as president-elect in June 2022. She is also a senior Liveryman of the Worshipful Company of Insurers.

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

SKILLS AND COMPETENCIES

- Considerable experience in the actuarial and insurance industry
- Qualified Actuary

CURRENT OTHER LISTED DIRECTORSHIPS

None

KEY INTERNAL DIRECTORSHIPS

- Director of Just Retirement Limited
- Director of Partnership Life Assurance Company Limited

PLC COMMITTEES

- A** Group Audit Committee
- RI** Group Risk and Compliance Committee
- M** Market Disclosure Committee

- N** Nomination and Governance Committee
- RE** Remuneration Committee
- C** Committee Chair

JRL AND PLACL COMMITTEES

- I** Investment Committees
- A** Audit Committees
- C** Committee Chair

NON PLC**INDEPENDENT NON-EXECUTIVE DIRECTORS**

John Perks
LIFE COMPANIES' CHAIR

Appointed: 1 April 2021 (2 years)

**CAREER AND EXPERIENCE**

John was appointed as Chair of Just Retirement Limited and Partnership Life Assurance Company Limited on 5 May 2021 following his appointment as a Non-Executive Director on 1 April 2021.

John has significant experience in the life and pensions industry, with over 30 years of experience in the sector. He was previously Chief Executive Officer of Police Mutual and Managing Director of Life & Pensions at LV=. Prior to that he held senior roles at Prudential, AXA and Swiss Life. At LV=, John was a "friendly competitor" of the Just Group in many of its product markets, in addition to his role as Chief Executive Officer of its pension advice company, bringing important commercial and strategic perspectives to the Boards.

Outside of Just Group, John provides consultancy services to the pensions investment solutions and administration company, Mobius Life.

John is a Fellow of the Institute and Faculty of Actuaries.

SKILLS AND COMPETENCIES

- Considerable experience in the life and pensions industry
- Broad knowledge of the advice market and risk management
- Qualified Actuary

CURRENT OTHER LISTED DIRECTORSHIPS

None

KEY INTERNAL DIRECTORSHIPS

- Chair of Just Retirement Limited
- Chair of Partnership Life Assurance Company Limited
- Chair of HUB Financial Solutions Limited



Kathleen Byrne
(known as Kathy Byrne)

INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed: 1 February 2022 (1 year)

**CAREER AND EXPERIENCE**

Kathy has over 35 years' experience in the insurance industry and was previously Chief Executive Officer of the Metropolitan Police Friendly Society. A qualified actuary, Kathy started her career at consulting actuaries Hymans Robertson & Co and was Managing Director of Cardiff Pinnacle's investment business unit. Prior to this she was their Group Actuarial Director.

Kathy has an MBA from Henley Management College and has served on the Institute and Faculty of Actuaries Council.

Kathy is a co-founder and shareholder of Alpasión Vineyard, Mendoza, where she held a Non-Executive Director role until 2020.

SKILLS AND COMPETENCIES

- Considerable experience in the insurance and investment management industries
- Experience of providing strong innovation, marketing and product development
- Qualified Actuary

CURRENT OTHER LISTED DIRECTORSHIPS

None

KEY INTERNAL DIRECTORSHIPS

- Director of Just Retirement Limited
- Director of Partnership Life Assurance Company Limited
- Director of Just Retirement Money Limited
- Director of Partnership Home Loans Limited

SENIOR LEADERSHIP

01. David Richardson

GROUP CHIEF EXECUTIVE OFFICER

➡ SEE DAVID'S BIOGRAPHY ON PG. 68

02. Andy Parsons

GROUP CHIEF FINANCIAL OFFICER

➡ SEE ANDY'S BIOGRAPHY ON PG. 68

03. David Cooper

GROUP MARKETING AND DISTRIBUTION DIRECTOR

Appointed: 4 April 2016

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

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 Stalwart Assurance, the founder of enhanced annuities.

Outside of Just, David is a Non-Executive Director of Criterion Tec Holdings Limited, a not-for-profit body that delivers professional standards and governance services for the UK's financial services industry.

04. Alex Duncan

GROUP CHIEF RISK OFFICER

Appointed: 4 April 2016

Alex joined Just Retirement Group 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 and banking. Prior to Just, Alex spent eight years at Old Mutual, where he held a number of positions, including mergers and acquisitions, capital management and treasury.

05. Ellie Evans

GROUP CHIEF PEOPLE OFFICER

Appointed: 31 October 2022

Ellie is responsible for the people agenda at Just and plays an active role in delivering the Group's strategy and fostering Just's culture of inclusion and performance.

Ellie has over 20 years of cross industry HR leadership experience in operational, talent, learning, engagement, organisational design and development roles.

Prior to Just, Ellie has worked at companies such as BAA plc, BP plc, Volkswagen Group, ABF plc and most recently, BGL Group.

06. Paul Fulcher

GROUP CAPITAL MANAGEMENT AND INVESTMENT EXECUTIVE

Appointed: 1 February 2021

Paul is responsible for Capital Management, Investments and Group management of market, demographic and medical, pricing and reinsurance risks.

Paul has over 30 years' experience in the life insurance industry. Prior to Just, 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, the 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 and Faculty of Actuaries.

07. Giles Offen

GROUP CHIEF DIGITAL INFORMATION OFFICER

Appointed: 4 April 2016

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

Prior to this, he was Chief Technology Officer at Partnership Assurance Group plc, 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.

08. Pretty Sagoo

MANAGING DIRECTOR, DEFINED BENEFIT SOLUTIONS

Appointed: 11 April 2022

Pretty is responsible for the Defined Benefit de-risking business.

Prior to Just, Pretty was Head of New Business and Pensions at Athora, where she was responsible for developing the new business franchise to support their organic growth targets. Other previous roles include Head of Pricing and Execution for the Pension Risk Transfer business at Legal and General, and Head of Insurance and Pension Solutions at Deutsche Bank.

Outside of Just, Pretty is also a Pension Fund Trustee for Cardiff University and Chair of its Investment Committee.

09. Paul Turner

MANAGING DIRECTOR, RETAIL

Appointed: 1 February 2016

Paul joined Just Retirement Group in August 2014 and is responsible for the Group's retail businesses in the UK and South Africa. Previously, Paul led Just Group's mortgage, corporate development and international divisions. Prior to Just, he held various senior international roles at Swiss Re in Asia and Australia. He has over 30 years' insurance industry experience.

Paul is an Executive Director of our life companies, Just Retirement Limited and Partnership Life Assurance Company Limited. Outside of Just, Paul is a Non-Executive Director of EPPARG Limited.

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GOVERNANCE IN OPERATION

The Just Group plc Board (the “Board”) is committed to underpinning all of Just’s activities with the highest standards of corporate governance to fulfil our purpose of helping people achieve a better later life. This report sets out our governance framework and how we have applied the principles of the UK Corporate Governance Code 2018 (the “Code”).

OUR GOVERNANCE FRAMEWORK

The Board has set a governance framework as outlined below which is designed to embed strong governance and oversight processes and to ensure compliance with the Code. The governance framework covers the group of companies of which Just Group plc is the ultimate shareholder (the “Group”). An overview of the governance arrangements in place for the subsidiary companies is provided at the end of this report under the heading “Subsidiaries’ Governance”.

JUST GROUP PLC BOARD

- Purpose, values and strategy
- Culture
- Corporate structure and major transactions
- Capital structure
- Business plan and budgets
- Business performance
- Financial statements and regulatory reports
- Sustainability strategy
- Governance and regulatory matters
- Risk appetite
- Group policies
- Dividends
- Stakeholder engagement
- Shareholder communications
- Matters delegated to Board Committees
- Matters delegated to Executive Directors

BOARD COMMITTEES

GROUP AUDIT COMMITTEE

- Financial and Solvency II reporting
- Internal controls
- External Audit
- Group Internal Audit
- Tax strategy
- Whistleblowing

GROUP RISK AND COMPLIANCE COMMITTEE

- Risk management and controls framework
- Solvency II compliance
- Compliance and conduct risk
- Regulatory developments

NOMINATION AND GOVERNANCE COMMITTEE

- Board appointments process
- Board effectiveness
- Diversity and inclusion
- Succession planning
- Corporate governance oversight

REMUNERATION COMMITTEE

- Directors’ remuneration policy
- Executive Director remuneration
- Employee share schemes

MARKET DISCLOSURE COMMITTEE

- Inside information
- Regulatory announcements

SUBSIDIARY BOARD GOVERNANCE

LIFE COMPANIES’ BOARDS – JRL AND PLACL

- Strategic developments
- Business plan and budgets
- Business performance and financial reporting
- Solvency II requirements
- Governance and regulatory oversight and compliance

LIFE COMPANIES’ AUDIT COMMITTEES

- Financial and Solvency II reporting
- Internal controls
- External Audit
- Group Internal Audit

LIFE COMPANIES’ INVESTMENT COMMITTEES

- Investment strategy and framework
- Responsible investment framework
- Alignment of investment activities and performance to the Group’s strategy
- External investment managers’ oversight

OTHER SUBSIDIARIES

- Strategic developments
- Business plan and budgets
- Business performance and financial reporting
- Governance and regulatory oversight and compliance

GROUP CHIEF EXECUTIVE OFFICER

- Day-to-day leadership of the Group
- Business strategy and business plan implementation
- Managing risk and operating effective controls
- Matters delegated to Executive Committees
- Matters delegated to senior executives

GROUP EXECUTIVE COMMITTEE

Assists the Group Chief Executive Officer discharge their duties. Key responsibilities include:

- Implementing the strategy and business plan set by the Board
- Executing plans to meet sustainability commitments
- Development and oversight of culture and people initiatives

EXECUTIVE RISK COMMITTEE

Assists the Group Chief Risk Officer discharge their duties. Key responsibilities include:

- Oversight of effectiveness of the risk management and control framework and risk strategy
- Oversight of principal and emerging risks including climate risk and conduct risk
- Oversight of regulatory compliance matters

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE IN 2022**UK Corporate Governance Code 2018 Statement**

The Board has considered and concluded that the Company has been fully compliant with the principles and provisions set out in 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 as covered in more detail in the sections below.

Board leadership and Company purpose

- Role of the Board
- Purpose, strategy, culture and values
- Conflicts of interest
- Stakeholder engagement
- Shareholder engagement
- Board activities
- Whistleblowing

Division of responsibilities

- Board balance and independence
- Division of responsibilities of the Board
- Meeting attendance
- Board support
- Director appointment terms
- Commitment

Composition, succession and evaluation

- Board composition and succession planning
- Induction, training and development
- Diversity and inclusion
- Board and Board Committee effectiveness review
- Nomination and Governance Committee report

Audit, risk and internal control

- Preparation of the Annual Report and Accounts
- Assessing emerging and principal risks
- Risk management and internal control systems
- Group Audit Committee report
- Group Risk and Compliance Committee report

Remuneration

- Directors' Remuneration report

BOARD LEADERSHIP AND COMPANY PURPOSE**Role of the Board**

The Board is responsible for the overall leadership of the Company and establishing the Group's purpose, values, standards and strategy. The Board promotes the long-term sustainable success of the Company, generating value for customers, shareholders, other stakeholders and wider society.

The matters reserved for the Board are documented and approved by the Board. In 2022, there was a detailed review of the matters reserved for the Board to ensure they continued to be in line with best practice. Each Board Committee has terms of reference which are approved by the Board annually. The matters reserved for the Board and the main Board Committees' terms of reference can be found at www.justgroupplc.co.uk.

Purpose, strategy, culture and values

The Board considered the longer term strategy of the Group and its associated strategic goals and objectives at its annual strategy day during the year. It also receives regular updates on the execution of the Group strategy from the Group Chief Executive Officer. The Board monitors culture and seeks to ensure that business practices and behaviours are aligned with the Group's purpose, strategy, culture and values. During the year, it considered the results of the employee engagement survey and the associated action plan to follow up on the feedback received.

An overview of the Group's strategic priorities and business model which the Board is responsible for setting is included in the Strategic report.

Conflicts of interest

A 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 subsequent Board meeting for consideration and, if appropriate, authorisation sought by Board members in accordance with the Company's Articles of Association.

Stakeholder engagement

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

The Relationships with stakeholders and Section 172 reports set out how the Board engages with and encourages participation from its key stakeholders and the effect the engagement has had on the principal decisions taken by the Board during the year.

The Colleagues and culture report outlines more information on our culture and our approach to colleague engagement. During 2022, the "Take on Board" sessions enabled Directors of the Board to speak to colleagues directly on specific key topics that focused on encouraging employee engagement. Further information on the Board engagement activities with colleagues is included in the Section 172 report. During the year, the lead Non-Executive Directors responsible for workforce engagement kept abreast of colleagues, culture and wellbeing matters through engagement with senior leadership and colleagues from various business areas.

Shareholder engagement

The Group maintained an open dialogue with its major institutional shareholders and debt investors during 2022 through a programme of meetings undertaken by the Group Chief Executive Officer, Group Chief Financial Officer and the Investor Relations team. The Chair also engaged with shareholders during the year. Activity was through hybrid means leading to greater efficiency of Director time and increased accessibility to capital providers. Equity-led roadshows were held in March and August/September 2022, and management attended multiple investor conferences throughout the year, where they met both debt and equity investors. Management also provided broker and non-broker salesforce briefings, and throughout the year, hosted ad hoc groups including a "Simplifying Just" series, roundtable events and one-to-one meetings with existing and prospective shareholders. To demonstrate the management depth at Just, our investment and Defined Benefit business leaders hosted seminars for analysts and investors in June and November respectively, which provided further insight into how we run our business on a day to day basis, and the multiple opportunities available to us.

There was regular engagement with shareholders during 2022 as the Group discussed a number of important issues including taking advantage of the growth opportunities available, the investment strategy in particular illiquid asset origination, capital management and allocation, the new insurance accounting standard, IFRS 17, and its impact on the Group, and the regulatory environment prior to and following the Solvency II reforms announced by the Chancellor in the November statement. Other topics included people, customers, culture and responsible investing.

The Investor Relations team provides the Executive Directors with regular analysis of shareholder movements, market and peer activity, in addition to updates on share price performance. Analysts' and brokers' reports are made available to all Directors and 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 continues to maintain their A/A+ credit ratings for members of the Group, and reaffirmed a Stable outlook in November 2022.

During 2022, Just Group plc's shares decreased by 2% to 81.6 pence, compared with the FTSE 350 life insurance index which decreased by 5%.

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.

Our 2022 Annual General Meeting ("AGM") was held on 10 May 2022 in our Reigate office. Shareholders were given the opportunity to raise questions in person at the AGM or via email in advance of the meeting. All resolutions were passed with at least 95% of those voting supporting the resolutions.

GOVERNANCE IN OPERATION continued

Board activities

Set out below are the key focus areas of the Board during the year, their alignment to our Group strategic priorities, and the decisions taken by the Board.

GROUP STRATEGIC PRIORITIES

1. Grow sustainably
2. Transform how we work
3. Grow through innovation
4. Get closer to our customers and partners
5. Be proud to work at Just

Alignment to
strategic priorities

STRATEGY

- Held a Board strategy session to monitor progress against the Group's strategy, and to review and agree refinements to it. The strategy session focused on environment, how to remain commercially resilient within the Group's key markets, transformation and growth, and the future vision of the Group - Reviewed and received regular updates on the delivery of the 2022 Group Strategy Execution Plan - Approved the sale of a portfolio of lifetime mortgages to further reduce the Group's exposure to UK residential property risk	- Reviewed the present and target states of the Group's business model - Reviewed and agreed the Group's return on equity and sales targets - Reviewed the Group plan for change and people initiatives including updating our people engagement goal to be more independently measurable - Carried out in-depth reviews into each of the Group's business areas - Throughout the year the Board received deep dive papers on strategically important initiatives for the Group. This included innovative products including Secure Lifetime Income and Destination Retirement as well as the Group's ambition on Defined Benefit solutions and transformation initiatives	1, 2, 3, 4, 5
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SUSTAINABILITY

- Considered and approved the proposed approach to ensure appropriate governance and oversight of the Group's sustainability targets and associated initiatives - Considered and approved the Group's first iteration of a net zero transition plan	- Reviewed the progression against the "Be Proud to Work at Just" and "Transform the Way we Work" dependencies as part of the Strategy Execution Plan - Monitored progress of various initiatives to reach our carbon net zero targets	2, 5
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RISK MANAGEMENT AND REGULATION

- Material interaction with the Prudential Regulation Authority ("PRA") with regard to their annual review letter and various approvals on applications including the credit risk major model change application - Approved the Group recovery plan - Approved the Group run-off plan - Received Group Chief Risk Officer reports on the Group's capital management initiatives and other material changes	- 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 - Approved the self-assessment for operational resilience - Engaged on the Consumer Duty implementation plans for the various business areas	1
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FINANCIAL REPORTING AND CONTROLS AND DIVIDEND POLICY

- Reviewed the Group's financial performance on an ongoing basis and approved the Group's half-year and annual financial results - Reviewed the dividend policy and agreed to recommend a final dividend to shareholders for the financial year ended 31 December 2021 and declared an interim dividend which was paid to shareholders in September 2022	- Approved the Group's business plan and forecast - Reviewed and challenged reports provided by its Committees on key financial-related matters including IFRS 17, the new insurance accounting standard, and climate change disclosures - Approved the Group Solvency and Financial Condition Report - Approved the Group Regular Supervisory Report	1, 2, 3
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STRUCTURE AND CAPITAL

- Assessed the Group's capital and liquidity requirements including optimisation of its Solvency II capital structure - Provided oversight of changes to improve the resilience of the Group's capital position to insurance, market and counterparty risks - Continued to examine underlying capital generation improvement measures - Provided oversight of external and intra-Group financing - Approved the proposed Group's tender for £100m of 2026 Tier 2 debt in November 2022	- Approved the renewal of the revolving credit facility - Assessed the impact of interest rate exposure between IFRS and the Solvency II balance sheets - Approved the continuation of the purchase of shares in the market through the Group's Employee Benefit Trust in order to meet exercisable awards - Approved shareholder resolutions in relation to the issue of new shares and Restricted Tier 1 ("RT1") capital for the 2023 AGM to create flexibility for the Group	1
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Alignment to
strategic priorities**CORPORATE GOVERNANCE**

- | | | |
|--|--|----------------|
| <ul style="list-style-type: none"> Received regular updates from Board Committees, management and external advisers on economic and regulatory developments, and status updates on various projects including the finance and retail transformation programmes and climate change project Reviewed and approved the terms of reference of the principal Board Committees Reviewed and approved the Group Matters Reserved for the Board Reviewed and recommended the adoption of revised Articles of Association to shareholders at the 2022 AGM Reviewed and approved updates to various Group policies and the new Group Policy Framework | <ul style="list-style-type: none"> The Chair engaged with shareholders in addition to the normal CEO/CFO programme of meetings Appointed Mary Kerrigan as the Director responsible for leading sustainability matters following the retirement of Steve Melcher Approved the appointment of Michelle Cracknell as the new Board Consumer Duty Champion Attended a series of workshops covering, amongst others, an overview of the internal model, the new insurance accounting standard IFRS 17, and climate risk | 1, 4, 5 |
|--|--|----------------|

COLLEAGUES

- | | | |
|---|--|-------------|
| <ul style="list-style-type: none"> Significant focus given to the 2022 colleague engagement strategy and wellbeing programme, in addition to consideration of the results of the first Peakon engagement survey implemented in 2022 and how they will form part of the engagement priorities for the Group's people strategy | <ul style="list-style-type: none"> Held "Take on Board" sessions throughout the year in both the UK and Belfast offices giving colleagues the opportunity to engage with various Non-Executive Directors Increased the percentage of women on the Board and made progress against the Board's commitment to improve diversity at senior levels across Just | 2, 5 |
|---|--|-------------|

BOARD SUCCESSION PLANNING

- | | | |
|---|---|----------------|
| <ul style="list-style-type: none"> Significant focus was given to Board and executive succession planning, and good progress was made in refreshing the Board Reaffirmed its commitment to Board, executive and senior management diversity | <ul style="list-style-type: none"> Undertook an internally facilitated evaluation of the Board's effectiveness and the performance of its Committees, the Chair and individual Directors | 1, 3, 5 |
|---|---|----------------|

Whistleblowing

The Group has a Whistleblowing policy which has been approved by the Group Audit Committee. 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 leads the review and response from the relevant areas of the business, and raises the matters with the Group Audit Committee Chair, who is the whistleblowing champion. The Group Audit Committee has a regular agenda item on whistleblowing, receiving updates on the operation of the policy and any concerns raised.

GOVERNANCE IN OPERATION continued

DIVISION OF RESPONSIBILITIES

Board balance and independence

As at the date of this report there are nine members of the Board: the Chair (independent on appointment), two Executive and six Non-Executive Directors (all of whom are considered independent). Ian Cormack 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.

Division of roles and responsibilities

The Board believes that documented roles and responsibilities for Directors including 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 following table provides an overview of key Executive and Non-Executive accountabilities, which support the integrity of the Board's operations.

DEFINING BOARD RESPONSIBILITIES

Chair Responsible for the effective leadership and governance of the Board but takes no part in the day-to-day running of the business. 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 (with the exception of his own succession) and chairing the Nomination and Governance Committee; • encouraging all Directors to contribute fully to Board discussions and decision making, and ensuring that there is constructive challenge on 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 individual 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.	Group Chief Executive Officer Responsible for leadership of the Group's business and managing it within the authorities delegated by the Board. 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; • representing the Group's interests to external parties; • 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 regulators.
Senior Independent Director • provides a sounding board for the Chair; • serves as an intermediary for the other Directors when necessary; • serves as an alternative channel of communication for shareholders and other stakeholders; and • 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. Conveys the outcome of their discussions to the Chair.	Group Chief Financial Officer • deputising for the Group Chief Executive Officer; • proposing policy and action to support sound financial management; • leading the Finance function; and • engaging with shareholders and other key stakeholders.
Independent Non-Executive Directors • provide constructive challenge and scrutiny of the performance of management; • bring an external perspective, knowledge and experience to the Board; • assist in the development of strategy and the decision-making process; • promote the highest standards of integrity and governance; and • meet at least twice per year without the Executive Directors being present.	Company Secretary • compliance with Board procedures and supporting the Chair; • ensuring the Board receives high quality information in adequate time and has appropriate resources; • advising the Board on corporate governance developments; • considers Board effectiveness in conjunction with the Chair; • facilitating Directors' induction programmes and assisting with professional development; • providing advice, services and support to all Directors; and • organising the Annual General Meeting.
Designated Non-Executive Director Responsibilities Consumer Duty Champion – supports the Chair and Group Chief Executive Officer in ensuring that the Consumer Duty is raised in all relevant discussions and that the Board is challenging management on how it is embedding the Duty and focusing on consumer outcomes. Employee Engagement Lead – gathers the views of colleagues through employee engagement and provides an employee voice in the Boardroom. Sustainability Lead – championing sustainability matters at Board level. Whistleblowing Champion – ensuring and overseeing the integrity, independence, and effectiveness of whistleblowing policies and procedures.	

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 who is responsible for the day-to-day leadership of the Group in accordance with the purpose, values and culture set by the Board. 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").

The Group Executive Committee is responsible for:

- 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;
- executing plans to meet the sustainability commitments that the Board has set;
- recommending the business plan and budgets to the Board for approval;
- monitoring the Group's performance;
- implementing and oversight of approved policies and processes which govern how we do business and how we interact with our stakeholders; and
- development and oversight of initiatives to ensure people within the organisation feel well led, managed and supported 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 Group Risk and Compliance Committee.

Meeting attendance

The Board held seven scheduled Board meetings in 2022 and a meeting to discuss strategy. All scheduled meetings were in person with facilities for virtual attendance for those Directors who could only attend remotely. Various senior executives and external advisers were invited to attend and present on various business development and governance matters, as required.

Papers were circulated before each meeting to give the Directors sufficient opportunity to consider the issues to be discussed. In exceptional circumstances where Directors could not attend meetings, the Directors had the opportunity to provide comments and raise any concerns to the Chair in advance of the meeting. The Group Company Secretary attended all Board meetings and he, or his nominated deputy, attended all Board Committee meetings. Minutes and actions are documented, and circulated following each meeting.

The table below sets out Directors' attendance at the scheduled Board and Board Committee meetings in 2022. Additional Board and Board Committee meetings were convened during the year to discuss ad hoc business development, governance and regulatory matters. Mary Phibbs was appointed on 5 January 2023 and is therefore not included in the table below.

		Board	Group Audit	Remuneration	Nomination and Governance	Group Risk and Compliance
John Hastings-Bass	Group Chair	7/7	–	4/4	4/4	6/6
Ian Cormack	Senior Independent Director	7/7	–	4/4	4/4	6/6
Paul Bishop ¹	Non-Executive Director	7/7	8/8	–	4/4	5/6
Michelle Cracknell	Non-Executive Director	7/7	–	4/4	4/4	–
Mary Kerrigan ²	Non-Executive Director	5/6	–	–	–	–
Steve Melcher ³	Non-Executive Director	7/7	8/8	3/4	–	6/6
Kalpana Shah	Non-Executive Director	7/7	8/8	–	–	6/6
Clare Spottiswoode ⁴	Non-Executive Director	3/3	3/4	–	–	2/2
David Richardson ⁵	Executive Director	6/7	–	–	–	–
Andy Parsons	Executive Director	7/7	–	–	–	–
Additional meetings held		4	1	0	0	1

1 Paul Bishop was unable to attend the Group Risk and Compliance Committee meeting on 23 November 2022 due to prior commitments.

2 Mary Kerrigan was appointed as a Director on 1 February 2022. She was unable to attend the Board meeting on 12 October 2022 due to prior commitments.

3 Steve Melcher retired as a Director on 31 December 2022. He was unable to attend the Remuneration Committee meeting on 23 February 2022 due to prior commitments.

4 Clare Spottiswoode retired as a Director at the conclusion of the 2023 AGM on 10 May 2022. She was unable to attend the Group Audit Committee meeting on 6 April 2022 due to unforeseen travel issues.

5 David Richardson was unable to attend the Board meeting on 12 October 2022 due to a family bereavement.

Board 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.

Non-Executive Directors appointment terms

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. Directors are requested to inform the Board of any subsequent changes in their other significant commitments and an indication of the time involved.

The Directors must obtain approval from the Board prior to accepting any additional external appointments.

Commitment

The Non-Executive Directors have made a significant contribution and remain committed to ensuring the long-term sustainable success of the business during 2022.

The Nomination and Governance Committee have assessed the time commitment of the Non-Executive Directors to determine whether they have sufficient time to fulfil their roles. After considering a recommendation from the Nomination and Governance Committee, the Board concluded that the Non-Executive Directors have sufficient time to fulfil their roles.

None 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. None of the Directors are appointed to a FTSE 100 company.

GOVERNANCE IN OPERATION continued

COMPOSITION, SUCCESSION AND EVALUATION

Board composition and succession planning

As at the date of this report, the Board comprised the Chair who was independent when appointed as Chair, two Executive Directors and six independent Non-Executive Directors, including the Senior Independent Director.

Biographical details of the Directors of Just Group plc as at the date of this report can be found on pages 68 to 70. A list of Directors who have served throughout the year up to the date of this report can be found in the Directors' report.

The Nomination and Governance Committee regularly reviews Board composition when considering succession planning. In line with best practice, it includes a review of the tenure of Directors. Further information regarding succession planning is included in the Nomination and Governance Committee report.

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 are set out in the explanatory notes accompanying the resolutions. The Board is satisfied that there is the right balance of skills and experience on the Board and its Committees to support the Group capture opportunities and deal with future challenges.

Composition of Board 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 and Governance Committee and approval by the Board. At each scheduled 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.

Induction, training and development

Upon her appointment to the Board, Mary Phibbs received a tailored induction plan to gain a thorough understanding of the business, our colleagues and culture, and her role as a Non-Executive Director. Mary Kerrigan received a formal induction upon joining the JRL and PLACL Boards in November 2019.

Mary Phibbs received an induction pack comprising a broad range of information including Board and Committee papers, meeting minutes and information on operational and financial performance, risk management and internal controls frameworks, and key policies to provide an overview of the business. Introductory meetings were held with each member of the Board and Executive team, the Group Company Secretary and key senior managers across the Group. For the Board Committees that Mary has been appointed to, additional time was spent with the Committee Chair and relevant senior managers covering key issues relevant to those Committees.

As part of the annual Board effectiveness review, the Chair discusses with each of the Directors their training and development needs which are reflected in their development plans. On an ongoing basis the Company will arrange for the Directors to develop and update their skills, knowledge and familiarity with the Company in the areas mutually identified.

Diversity and inclusion

The Board remains committed to improving diversity in its membership. While new appointments will be based on skill, experience and knowledge, careful consideration will also be given to diversity in line with the Board diversity policy. The Board continues to satisfy the diversity targets as set by the Hampton-Alexander and Parker reviews. In accordance with the Code requirements, the Board believes that it has the appropriate balance of skills, capabilities, expertise, diversity, independence and knowledge to enable it and its Committees to discharge their duties and responsibilities effectively.

Board and Board Committee effectiveness review

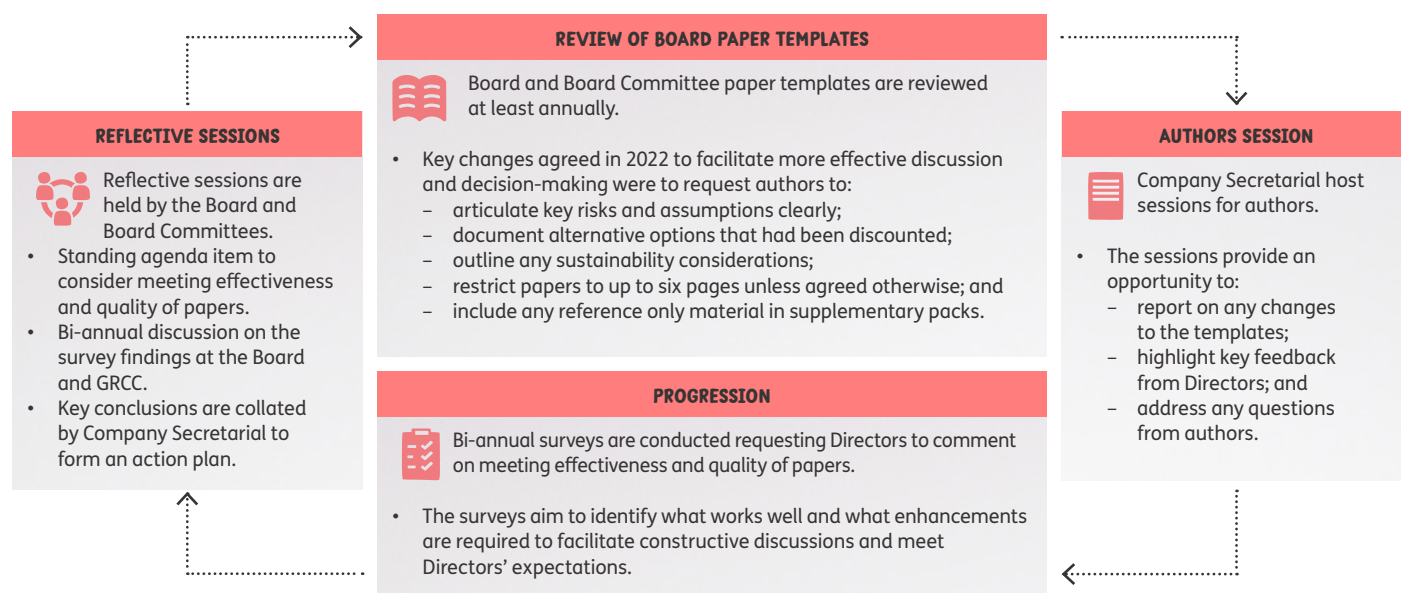
Evaluating Board effectiveness is crucial for the ongoing success of the Group, ensuring it has the structure, processes, people and performance to deliver the Group's long term strategy. The Board undertakes a formal and rigorous review to assess how it, its Committees, the Chair and individual Directors perform each year and implement any actions required to become a more effective Board. In line with the Code, the review is facilitated externally every three years. The effectiveness review in 2022 was conducted internally, and as performed in previous years, it also covered the regulated life companies' Boards.

Questionnaires were issued to every Board member in accordance with a tailored agenda set by the Chair with the assistance of the Group Company Secretary. The questionnaires sought input on a range of matters including: composition, engagement with management, oversight of the Group's business areas and quality of papers. In addition, the Senior Independent Director formally appraised the Chair's performance through meetings with the Non-Executive Directors.

The review concluded that the Board, its Committees and individual Directors continue to operate effectively and demonstrate high levels of skills, knowledge and experience across the Board and all Board Committees. Levels of diversity continue to improve and the appointment of new Directors as part of the Board refreshment programme has brought new perspectives to the Board in its discussions and decision making. Progress was found to have been made on the actions agreed following the 2021 review, as summarised in the table below.

Focus areas from the 2021 review	Action taken during 2022
Board succession	Board succession was considered throughout the year by the Nomination and Governance Committee, aided by a clear succession plan which was updated as the year progressed, and a capabilities matrix on the Non-Executive Directors focusing on their functional expertise and sectoral experience. As discussed in greater detail in the Nomination and Governance Committee report, clear progress has been made on the refreshment of the Board with further changes planned for later this year.
Maintaining the focus on strategy, development and identifying new business opportunities	The Board received a much greater level of visibility on both strategic initiatives and new business opportunities throughout the year. Quarterly deep dive Board sessions were held focusing on each of the key business areas including Defined Benefit and Investments. At the Board's annual strategy day in October 2022, focus was given entirely on the Group's strategic direction and the initiatives in progress, covering areas such as sustainability, transformation and market opportunities. Outcomes from the day formed part of the quarterly strategy execution reports brought to the Board with updates on the progress being made across the business.
Increasing Board visibility of the talent pipeline and strengthening executive succession planning	Executive succession planning is considered throughout the year by the Nomination and Governance Committee, supported by discussions held at the Group Executive Committee. Quarterly reports on the activities of the Nomination and Governance Committee are given by the Chair to the Board, focusing on areas including executive succession. There has been continued investment in leadership and development of both the executive and senior leadership team, with a number of mentoring programmes in place across the business. Further details on talent development can be found in the Colleagues and culture report.

BOARD EVALUATION

Focus areas
from the 2021 review

Action taken during 2022

Continuing to improve the quality of the Board and Committee papers	Following recommendations from the 2021 effectiveness review, the chart above illustrates the steps being taken. Further enhancements are planned in 2023 and beyond.
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Focus areas from the 2022 review

Proposed action for 2023

Board and Committee succession planning	For the Group Chair to review the composition of the Board and Committees including the number of Non-Executive Directors
Management information	To focus on streamlining information and the level of information provided in Committee papers and to consider the value of obtaining independent views on specialist areas of focus.
Training	To provide training on emerging specialist areas of focus such as illiquid asset classes.
Business development	For the Business Development team to provide quarterly competitor analysis and market share information to the Board to support the wider Board deep dive reviews.

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

Nomination and Governance Committee

The principles of section 3 of the Code on composition, succession and evaluation are applied in practice through the activities undertaken by the Nomination and Governance Committee, to which the Board has delegated responsibility. The Nomination and Governance Committee report sets out, as required by provision 23 of the Code:

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

AUDIT, RISK AND INTERNAL CONTROL

Preparation of the Annual Report and Accounts

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 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 Annual Report and Accounts is set out in the Group Audit Committee Report and Directors' Report. The Viability Statement is on page 61.

Assessing emerging and principal risks

The Board determines the nature and extent of the risks that it is willing to take to achieve its strategic objectives when setting its risk appetite framework. The Directors assessed the emerging and principal risks facing the Group, including risks that would impact its business model, future performance, capital and liquidity constraints. A description of the principal and emerging risks including the procedures in place to identify emerging risks is covered in the section on principal risks and uncertainties.

Risk management and internal control systems

The Board, with the assistance of the Group Audit Committee and Group Risk and Compliance Committee, and support from the Risk and Group Internal Audit functions, as appropriate, monitored the Company's risk management and internal control systems that have been in place during the year, and reviewed their effectiveness. The Group Internal Audit function provides an independent and objective assurance of the adequacy and effectiveness of the Group's controls to the Group Audit Committee each year. Information regarding this review is set out in the Group Audit Committee report.

Group Audit Committee

The Board has delegated responsibility for overseeing the financial reporting (including climate-related assumptions and disclosures), internal audit, external audit and the effectiveness of the internal controls to the Group Audit Committee. The Group 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 Group Audit Committee, its responsibilities and its activities during the year, including those activities required by provision 26 of the Code, please see the Group Audit Committee report.

GOVERNANCE IN OPERATION continued

Group Risk and Compliance Committee

The Board has delegated responsibility for the oversight of the Group's risk management, including oversight of risk appetite and the risk management framework, to the Group Risk and Compliance Committee. The Committee is also responsible for the oversight of compliance and regulatory matters. Information regarding the management of risk can be found in the Group Risk and Compliance Committee's report.

For information on the composition of the Group Risk and Compliance Committee, its responsibilities and its activities during the year, please see the Group Risk and Compliance Committee report.

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 as set out in provision 41 of the Code, including a description of how executive pay policy was determined in accordance with provision 40 of the Code, are included in the Directors' Remuneration report.

SUBSIDIARIES' GOVERNANCE

The effective governance of the wholly owned subsidiaries of the Group (the "subsidiaries") is of utmost importance to the Board to ensure its strategy, purpose, values and culture flows across all its business areas. Given the prominence of the regulated life companies ("life companies") in the Group's business model, the Board holds its meetings on a nested basis with the Boards of those companies. It also receives reports from its other regulated entities, as appropriate, on their activities and any material issues or concerns. The Group Chief Executive Officer reports on the performance and key developments of the Group as a whole.

The Group Board Committees oversee matters within their remit to the extent relevant and necessary for the subsidiaries. During 2022, this included the consideration and recommendation of changes to the composition of the Boards of various regulated companies by the Nomination and Governance Committee.

With the exception of Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL") who have established separate audit committees and investment committees as outlined below, the regulated companies have not established any separate Board Committees as it is more effective to manage any specific matters on a Group-wide basis.

The following provides an overview of the governance arrangements for our UK regulated entities.

Regulated life companies

JRL and PLACL are the Group's life companies. 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. The principal activities of the life companies are the manufacture of Retirement Income products.

Boards

Operating the life companies' Boards on a nested basis with the Board ensures the Group's strategy and governance are aligned and implemented effectively. To ensure their independence in mindset and decision-making, the JRL and PLACL Boards have two independent Non-Executive Directors who are not Directors of Just Group plc, one of whom chairs the life companies' Boards. There is a separate section on the nested meeting agendas on JRL and PLACL specific matters to ensure time is allocated for each Board to consider matters specific to each respective company.

The matters reserved for the JRL and PLACL Boards have been documented and approved by each Board. During 2022, there was a detailed review and update to ensure the matters reserved for the JRL and PLACL Boards continued to be in line with best practice and aligned with the matters reserved for the Board, where appropriate.

Board committees

Audit

The Boards of JRL and PLACL have established independent subsidiary audit committees to ensure effective oversight and to comply with relevant regulatory requirements. 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. The JRL and PLACL Audit Committees each comprise one independent Non-Executive Director who is not a Director of Just Group plc to ensure independent focus and good governance. Terms of reference, which set out the scope and responsibilities of each Committee have been reviewed and approved by the JRL and PLACL Boards. Further information on the activities of the JRL and PLACL Audit Committees is available in the Group Audit Committee report.

Investment

The Boards of JRL and PLACL have delegated responsibility for oversight of the investment activities within an investment management governance framework to the JRL and PLACL Investment Committees.

Key responsibilities include:

- recommending the investment framework, material changes to the investment strategy and any major strategic initiatives to the JRL and PLACL Boards for approval;
- overseeing the alignment of investment activities and performance to the Group's strategy, including the Group's targets for investments to be carbon net zero by 2050 with an interim target of a reduction of 50% by 2030;
- reviewing climate-related risks to the investment portfolio;
- reviewing the performance of external investment managers and the effectiveness of reporting procedures; and
- approving entry into investment management agreements and other documentation within the remit of their terms of reference.

In addition to the scheduled quarterly meetings, the JRL and PLACL Investment Committees now also meet biannually on a nested basis with the Group Risk and Compliance Committee to consider investment risk related matters.

The terms of reference, which set out the scope and responsibilities of each Committee have been reviewed and approved by the JRL and PLACL Boards.

Regulated distributor

HUB Financial Solutions Limited specialises in the provision of integrated financial retirement solutions and the distribution of products for the at and in-retirement market. The Board comprises three Non-Executive Directors and two Executive Directors. There were four scheduled Board meetings held during the year as well as a strategy day. The matters reserved for the Board have been documented and approved by the Board.

Regulated lifetime mortgage providers

The principal activity of the regulated lifetime mortgage providers, Just Retirement Money Limited and Partnership Home Loans Limited, is the origination and administration of loans secured by residential mortgages. Each Board comprises three Non-Executive Directors and two Executive Directors. Three scheduled Board meetings were held during the year and an additional meeting was held to consider the Consumer Duty implementation plan.

NOMINATION AND GOVERNANCE COMMITTEE REPORT



I am pleased to present my report on behalf of the Nomination and Governance Committee for the year ended 31 December 2022.

This report outlines the main activities carried out by the Committee during the year.

JOHN HASTINGS-BASS

Chair, Nomination and Governance Committee

COMMITTEE MEMBERSHIP

John Hastings-Bass
Chair

Paul Bishop
Independent
Non-Executive Director

Ian Cormack
Senior Independent Director

Michelle Cracknell
Independent
Non-Executive Director

Committee meeting attendance can be found on page 79.
Biographies of Committee members can be found on pages 68 to 70.

COMMITTEE ROLE

The Nomination and Governance Committee (the “Committee”) is responsible for regularly reviewing the structure, size and composition of the Board and its Committees, and where appropriate makes recommendations to the Board for the orderly succession of Executive and Non-Executive Director appointments. It oversees the refreshment of the Board and its Committees, and seeks to maintain an appropriate balance of skills, knowledge, independence, experience and diversity, taking into account the Group’s strategic priorities, its challenges and opportunities, all relevant corporate governance standards, and associated guidance on Board composition.

The Committee is also responsible for keeping under review compliance with the UK Corporate Governance Code 2018 (the “Code”), monitoring emerging trends in, and consultations on, corporate governance matters, considering the potential effect on the Group’s governance arrangements and recommending any relevant changes to the Board, as appropriate, on matters including the corporate governance framework of the Group. It is responsible for overseeing the induction, training and continuous professional development of the Group’s Directors.

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

REVIEW OF THE YEAR

The Committee’s key priority during the year was succession planning for the Board and its Committees, including the orderly transition of the Board as the longer serving Non-Executive Directors come to the end of their term. Since September 2019, there have been significant changes to the Board including my appointment as Chair, David Richardson as Group Chief Executive Officer and Andy Parsons as Group Chief Financial Officer. The Board has also welcomed new Non-Executive Directors as part of the succession plan to refresh the Board and said farewell to longer serving Directors over the past two years. The transition of the Board and induction of new Directors to ensure the smooth running of Board activities will be a key focus for the year ahead.

The Committee held four scheduled meetings during the year, which focused on regular reports on succession planning, Board effectiveness and a review of the Non-Executive Directors’ skills and capabilities. The Committee also considered and recommended for Board approval, new Director appointments. The Group Chief Executive Officer and Chief People Officer were invited to attend the meetings during the year. Other Group executives and senior managers were invited to attend the meetings to report, where appropriate, on their areas of responsibility.

The Committee follows an annual rolling forward agenda with standing items considered at each meeting in addition to any matters arising and topical issues which the Committee has decided to focus on. The key focus areas for the year are covered in the sections below.

BOARD AND BOARD COMMITTEES’ COMPOSITION

The Committee reviewed the composition and balance of the Board and Board Committees during the year. As part of this review, the Committee considered:

- whether the balance between Executive and Non-Executive Directors was appropriate;
- whether the structure, size and composition (including the balance of skills, knowledge, independence, experience and diversity) of the Board and membership of the Board Committees were appropriate, taking into consideration Board tenure;
- the independence of Non-Executive Directors, considering the judgement, thinking and constructive challenge that they demonstrate in meetings;
- whether the Board had appropriate skills and knowledge when considering the Group’s sustainability strategy and its impact on the climate; and
- the progress made on the diversity and inclusion plans for the Board and compliance with the new Listing Rule on diversity and inclusion.

NOMINATION AND GOVERNANCE COMMITTEE REPORT continued

After taking into consideration the above factors as part of its review, the Committee was satisfied that the refreshing of the Board was progressing well and that it will meet its diversity and inclusion targets in 2023.

Board changes

Mary Kerrigan was appointed as a Non-Executive Director on 1 February 2022. Longer serving Non-Executive Directors Clare Spottiswoode, who joined the Board in 2013 and Steve Melcher who was appointed in 2015, retired as Directors on 10 May 2022 and 31 December 2022 respectively. Mary Phibbs was appointed as a Non-Executive Director on 5 January 2023. External search firm, Teneo, which has no other connection to the Company or any Director, was engaged to support the recruitment. Further details of our recruitment process can be found later in the report. Paul Bishop and Ian Cormack have informed the Board of their intention not to seek re-election at the 2023 AGM and therefore will retire as Directors on 9 May 2023.

Board Committee changes

Following the retirement of Steve Melcher, Mary Phibbs was appointed to the Group, JRL and PLACL Audit Committees, Group Risk and Compliance Committee and Remuneration Committee on 5 January 2023.

With effect from 9 May 2023, when Paul Bishop and Ian Cormack retire, Mary Phibbs will take over the role of Chair of the Group, JRL and PLACL Audit Committees subject to regulatory approval and Mary Kerrigan will be appointed as a member of the respective Audit Committees. Mary Phibbs will also be appointed as a member of the Nomination and Governance Committee and Market Disclosure Committee, and Michelle Cracknell will take over as Chair of the Remuneration Committee subject to regulatory approval.

Director designated responsibilities

Following the introduction of the new FCA Consumer Duty requirements, Michelle Cracknell has accepted the role of acting as the Just Group Consumer Duty Champion. Following the retirement of Steve Melcher, Mary Kerrigan is now the Non-Executive Lead on Sustainability and Michelle Cracknell is now the sole Non-Executive Director responsible for employee engagement.

Non-Executive Director recruitment process

Over the last few years, as some Non-Executive Directors have approached their nine year tenure, the Committee has recruited new Non-Executive Directors for the Company and the regulated life companies' Boards.

In each case, a detailed description for the role is prepared, having considered the particular skills, experience and background required. As part of Board recruitment searches, an assessment of the balance of knowledge and expertise needed to ensure the continued effective leadership of the Group, and the development and oversight of strategy, purpose and culture, is taken into consideration. In all of the recent searches for Non-Executive Directors, external search firms with no other connection to the Company or any Director, have been used to identify candidates. In identifying and recommending candidates for appointment to the Board, the Committee considers candidates from a wide range of backgrounds, assessing them on merit against objective criteria and with due regard for the benefits of diversity on the Board.

Once a shortlist has been prepared, interviews are held involving both Non-Executive and Executive Directors. As part of the process the candidates' other time commitments are reviewed to ensure that they have sufficient time to dedicate to the Group. Following completion of the process and subject to satisfactory reference checks, a recommendation is made to the Board.

BOARD SKILLS, KNOWLEDGE AND EXPERIENCE

During the year, the Committee reviewed the Board skills matrix and capability gaps that had been identified and agreed on the areas of experience which would be beneficial to the composition and balance of the Board. The Board comprises individuals with significant financial services and actuarial

experience which continues to be valuable in supporting the complex issues that can arise from the external regulatory environment. As the Group's strategy has evolved towards a greater focus on profitable and sustainable growth, the Committee recognises the importance of having relevant skills, experience and capabilities within the Board to support Just in achieving its strategic objectives and priorities. The Committee has also added new metrics to the Board skills matrix relating to sustainability and climate change to ensure this is a consideration as part of future succession planning reviews.

A tailored induction programme was provided for Mary Phibbs in early 2023. To ensure that the Directors maintain relevant skills and knowledge of the Group, the training needs of the Directors are reviewed regularly. A comprehensive training programme is in place as covered in more detail in the Governance in operation report.

SUCCESSION PLANNING

Board succession

The Committee was very active in its consideration of Non-Executive Director succession in 2022 and there has been good progress in refreshing the Board with the recent appointments of Mary Kerrigan and Mary Phibbs as Non-Executive Directors and the retirement of longer serving Non-Executive Directors.

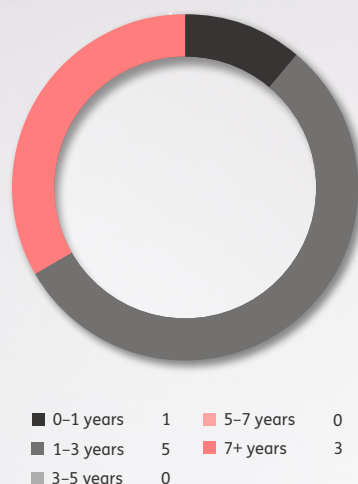
Senior Management succession

The Committee regularly reviews succession plans for the Group Executive Committee and Group Company Secretary to ensure they are orderly and aligned with Just's strategic objectives. As part of the review during the year, the Committee 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 comprehensive and robust. There were several changes to the Senior Leadership team in 2022 including the appointments of Pretty Sagoo as Managing Director of Defined Benefit Solutions and Ellie Evans as the Group's Chief People Officer.

DIVERSITY AND INCLUSION

The Board's diversity and inclusion strategy reinforces our pledge to build a culture at Just that has diversity and inclusion at its core. It outlines our commitment to hiring and developing diverse talent at all levels of the organisation. The Board's diversity policy, which includes references to its commitment to improve both the gender and ethnic diversity of the Board

BOARD TENURE¹



in line with the Hampton-Alexander and Parker Reviews, was reviewed during the year and updated to reflect Listing Rule 9.8.6 concerning diversity and inclusion requirements.

The Committee assessed the new UK Listing Rules effective in 2023 and the associated impact on the composition of the Board. In particular, the Committee considered the requirements to ensure at least one of the Chair, Group Chief Executive Officer, Group Chief Financial Officer or Senior Independent Director is female, at least 40% of the Board are female and that at least one Director is from a minority ethnic background.

As at 31 December 2022, we already met one of the three targets and I am pleased to report that, as at the date of this report, female representation on the Board is 44% and we have minority ethnic representation on the Board. Following the 2023 AGM, we will meet all of the new UK Listing Rules requirements when Mary Phibbs is appointed as the Senior Independent Director. Further information as required by Listing Rule 9.8.6 on the diversity of Group employees can be found in the Directors' report.

The Committee fully supports Just's commitment to all aspects of diversity, including gender, race, sexuality and disability, and welcomes Just's strong progress with respect to gender diversity since signing up to the Women in Finance Charter.

EFFECTIVENESS

Board and Committee effectiveness

In accordance with the Code, an internal annual evaluation of the performance of the Board, Board Committees and individual Directors was undertaken in 2022. The review concluded that the Board and its Committees were performing strongly and effectively. The Group Company Secretary has devised an action plan which will be owned by the Committee to oversee progress and provide periodic updates to the Board. Further information on the evaluation process, conclusions and agreed actions can be found in the Governance in operation report. In line with the three-yearly cycle, our annual Board evaluation process will be externally facilitated in 2023.

Time commitment and independence

The expected time commitment of the Group Chair and Non-Executive Directors is agreed and set out in writing in their Letters of Appointment. As part of the annual review of Director effectiveness, the Committee considered each Non-Executive Director's time commitments and whether they had sufficient time to carry out their roles.

In assessing the Non-Executive Directors' independence, the Committee noted the Code requirements, which states that serving more than nine years is one circumstance that may impair independence. The Committee considered the continued appointment of Ian Cormack noting his service on

the predecessor company, Partnership Assurance Group plc, pre-merger and concluded that he continued to meet all independence and time commitment expectations.

After assessing each Non-Executive Director, the Committee concluded that they remain effective, independent and have sufficient time to fulfil their roles.

The Committee provided oversight of the annual fitness and propriety assessments of Non-Executive Directors and Senior Management of all Just Group regulated entities including associated recommendations during the year, and no concerns were identified.

DIRECTOR RE-ELECTION

The Committee has considered the tenure and balance of skills, knowledge and experience of the Board as well as taking into consideration changes to the UK Listing Rules. The Committee and the Board believes that the current composition of the Board is in the best interests of our stakeholders, and that the Directors continue to challenge appropriately and act independently. In addition, the newly appointed Non-Executive Directors bring a fresh perspective to Board deliberations. Consequently, with the exception of Paul Bishop and Ian Cormack, all Directors will be standing for election and re-election to serve on the Board to promote the long-term success of the Company.

CORPORATE GOVERNANCE

The Committee monitors emerging trends and requirements on governance matters, and ongoing compliance with the Code. During the year, the Committee assessed and concluded that the Company complies with the Code. It also considered upcoming changes in the Listing Rules requirements, which aim to increase transparency for investors on the diversity of Boards and executive management.

PRIORITIES FOR THE YEAR AHEAD

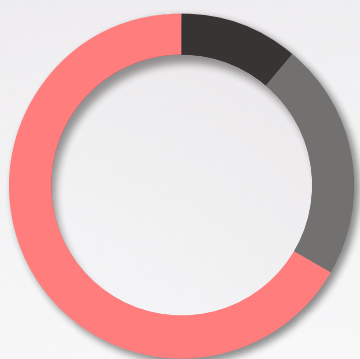
Following the upcoming changes to the Board composition detailed in this report, the focus of the Committee will change from refreshing the Board to maximising the effectiveness of the Board's governance structures including its oversight of sustainability matters. In addition, diversity and inclusion initiatives will continue to be a key focus area for the Committee.

On behalf of the Nomination and Governance Committee

JOHN HASTINGS-BASS

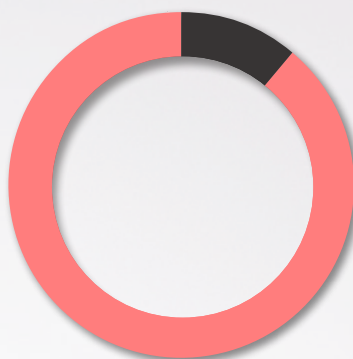
Chair, Nomination and Governance Committee
6 March 2023

INDEPENDENCE¹



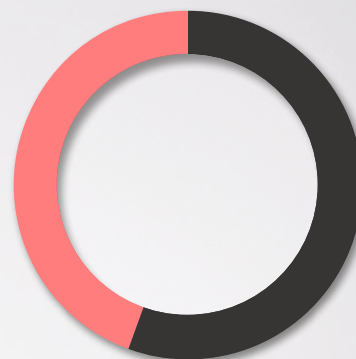
■ Chair 1
■ Executive Directors 2
■ Non-Executive Directors 6

ETHNIC DIVERSITY¹



■ Asian 1
■ Black 0
■ Mixed 0
■ White 8
■ Other 0

GENDER DIVERSITY¹



■ Male 5
■ Female 4

¹ As at March 2023.

GROUP AUDIT COMMITTEE REPORT



I am pleased to present my report on behalf of the Group Audit Committee which outlines the main activities and areas of focus during the year.

PAUL BISHOP
Chair, Group Audit Committee

COMMITTEE ROLE

The Group Audit Committee (the “Committee”) is responsible for assisting the Board in discharging its responsibility for the oversight of the Group’s financial and solvency reporting and the effectiveness of the Group’s systems of internal controls and related activities. The Committee is also responsible for the oversight of the work and effectiveness of Group Internal Audit and the external auditor.

The Committee regularly meets on a nested basis with the Audit Committees of the Group’s life companies, Just Retirement Limited (“JRL”) and Partnership Life Assurance Company Limited (“PLACL”) to ensure that there is adequate co-operation and to enable the Committees to discharge both their separate and mutual responsibilities effectively. The Committee also works closely alongside other Committees, in particular the Group Risk and Compliance Committee (“GRCC”), with close cooperation between the Chairs of these Committees. The Chair of the Committee is also a member of the GRCC. 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 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 effectiveness of the Committee was reviewed as part of the annual Board effectiveness review which took place in late 2022 and the Board was satisfied with the Committee’s performance.

COMMITTEE MEMBERSHIP AND MEETINGS

The Committee currently comprises three independent Non-Executive Directors. Its members bring a wide range of financial and commercial expertise necessary to fulfil the Committee’s duties including 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. Mary Phibbs joined as a member of the Committee with effect from 5 January 2023 and Steve Melcher retired as a Director and member of the Committee with effect from close of business on 31 December 2022.

The Committee held eight scheduled meetings during the year and one additional meeting was also convened to discuss progress on the implementation of IFRS 17. 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. The Committee regularly set aside time at the beginning of meetings without management present. It also met separately with the Director of Group Internal Audit and the external auditor without management being present during the year.

COMMITTEE MEMBERSHIP

Paul Bishop Chair	Mary Phibbs Independent Non-Executive Director
Kalpana Shah Independent Non-Executive Director	

On 31 December 2022, Steve Melcher retired as a Director and member of the Committee.

Committee meeting attendance can be found on page 79.
Biographies of Committee members can be found on pages 68 to 70.

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 the external auditor as outlined later in this report.

Key areas of focus during the year are outlined below.

Financial reporting

In 2022 and to date in 2023, 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 including climate related disclosures and IFRS 17;
- 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, lifetime mortgages and other illiquid assets;
- reviewed documentation prepared in support of the going concern basis and longer-term viability assessment;
- reviewed the IFRS operating profits of the Group for the year ended 31 December 2022;
- reviewed the existing ten key performance indicators ("KPIs") used by the Group to assess its financial performance;
- 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 2022 Group Annual Report and Accounts and the half-year financial statements to 30 June 2022;
- assessed whether the Group 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 annual Group Solvency and Financial Condition Report ("SFCR"), the Group and Solo Regular Supervisory Reports and the Annual Quantitative Reporting Templates prior to submission to the Prudential Regulation Authority ("PRA").

To assist with the execution of their duties, the Committee considered reports from the Group Chief Actuary. It also reviewed reports from the external auditor on the outcomes of their half-year review and financial 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 Group 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.

Financial Reporting Council ("FRC") review of earnings per share ("EPS") reported in the Annual Report and Accounts for the year ended 31 December 2021

The Committee reviewed and approved correspondence with the FRC following the enquiry from the Corporate Reporting Review Team. A limited scope review of the Group Annual Report and Accounts for the year ended 31 December 2021 was performed by the FRC in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. The review covered only those aspects of the Annual Report and Accounts that relate to the application of IAS 33, 'earnings per share', and compliance with its requirements. The outcome of the enquiry is that the Group has revisited its application of IAS 33 relating to the treatment of the loss on redemption of the Restricted Tier 1 notes issued in 2019 and repurchased in 2021. Accordingly the Group has restated the prior year balances relating to earnings per share and diluted earnings per share. Further details are given in Note 1.

Accounting standards

No new accounting standards were introduced during 2022. The Committee increased its level of oversight on the progress of the project to implement IFRS 17 and received regular status updates and training on the new requirements, including a briefing on the transition impacts of IFRS 17 and comparisons with the existing reporting basis. Subsequent to the training, the methodology for IFRS 17 was reviewed by the Committee. The Committee also reviewed the disclosures on the implementation and inclusion of IFRS 17 data in the Group Annual Report and Accounts and the architecture of Just's systems solution for computation of the new IFRS 17 accounting data.

Significant accounting judgements

The key areas of judgement considered by the Committee in relation to the 31 December 2022 Group Annual Report and Accounts, and how these were addressed, are set out in the table overleaf.

GROUP AUDIT COMMITTEE REPORT *continued*

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SIGNIFICANT JUDGEMENTS	APPROACH	ACTION
LONGEVITY ASSUMPTIONS	The length of time the Group's Retirement Income customers and Lifetime Mortgage ("LTM") customers will live, and therefore the projected cash flows for Retirement Income and LTM assets, are key assumptions when valuing the Group's insurance liabilities and LTMs.	Longevity experience is a key area of focus for the Board and the Committee, and the Board receives regular reports on the actual against the 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 expected impact on future mortality rates over the short and long term was considered. Mortality experience has been volatile and significantly higher in aggregate than expected since March 2020 as a result of the COVID-19 pandemic. Analysis indicates that the pandemic will have enduring, direct and indirect influences on future mortality experience. It was therefore considered appropriate to make explicit allowance in the Group's assumptions for the impact of the pandemic on future mortality experience. The Committee considered the deep dive review carried out on the methodology and concluded it was appropriate.
LIFETIME MORTGAGE VALUATION	The valuation of loans secured by residential 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") taking into account assumed future house price growth. The asset is valued at loan amount at issuance and assumes the spread above risk free rate calculated as at that point in time remains fixed for the lifetime of the loan.	The Committee reviewed the key assumptions including detailed analyses from management. Whilst there is additional short term uncertainty over property valuation, there is no clear indication of longer term effects. It was determined that the assumptions for property price volatility and future house price growth should remain unchanged from the 2021 year end.
VALUATION OF COMPLEX INVESTMENTS	The valuation of level 3 mark to model investments include unobservable inputs. They can involve significant judgement and utilise complex models. The level of valuation uncertainty differs by asset class and can be influenced by the illiquidity of the asset, the nature of the unobservable inputs and the complexity of the valuation model required. The largest illiquid asset for the Group is LTMs and is disclosed above.	In 2022, the Group changed valuation of illiquid assets to be based on internal models following the introduction of a new treasury management system. Previously, valuations were from third party asset managers. The Committee reviewed management's approach for commercial mortgages and ground rents. A key consideration of the valuation is the derivation of the spread over risk free rates with limited market data available and significant illiquidity in these asset classes. The Committee approved management's approach.
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 2022 Annual Report and 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, the Committee agreed with management's assessment that no impairment was required for any investments in subsidiaries.
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 LTMs 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 credit default assumptions used for corporate bonds, LTMs and other illiquid classes, which were consistent with 2021 reporting, and concluded that they should remain unchanged.
IFRS 17 INSURANCE CONTRACTS NEW ACCOUNTING POLICY DISCLOSURES	The 2022 financial statements include quantitative and qualitative disclosures of transitioning to the new standard. IFRS 17 represents a material change in accounting for the Group in 2023 and accordingly the estimated impact on transition has been disclosed in note 1 to the financial statements.	As noted under the heading 'Accounting Standards' the Committee held several sessions during the year on IFRS 17 training and reviewing proposed methodologies. The Committee reviewed the proposed disclosures' compliance with accounting standards (IAS 8). The Committee also considered the appropriateness of the qualitative and quantitative disclosures and the range provided for the impact on the opening balance sheet in the context of the progress of the implementation project.

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 2022, the Committee considered the impact of the current conflict in Ukraine and other uncertainties, which may impact the Group.

The Committee also considered various 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; further credit downgrades and property fall sensitivity; interest rate sensitivity; the findings of the Group Own Risk and Solvency Assessment; and the risk of regulatory intervention. In addition to risks, the Committee considered the Group business plan approved by the Board in November 2022 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 macro economic and geopolitical uncertainties.

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 ("PRA") of supervisory statements that set out its expectations for certain aspects of prudential regulation.

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 2022 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.

Finance transformation

During the year, the Committee received reports on progress against key milestones in the Group's Finance Transformation Programme. The Committee provided oversight on various workstreams, including the replacement of the General Ledger, implementation of the Financial Reporting Controls Framework, IFRS 17 implementation, and Treasury transformation and automation initiatives, which together, were designed to enhance controls and create a scalable Finance function that delivers increased value for the business.

EXTERNAL AUDIT

Appointment

The Company's external auditor is PwC. Following a formal tender process in 2019, PwC was formally appointed as the Company's external auditor by shareholders in 2020. The current lead audit engagement partner is Lee Clarke who has just completed the third year of his five year term.

The Committee is responsible for recommending to the Board the appointment, reappointment and removal of the external auditor, taking into account independence, effectiveness, lead partner rotation and any other relevant factors, and oversees the tender process for new appointments. Following recommendation by the Committee, the Board intends to propose the reappointment of PwC as the Company's auditor at the 2023 Annual General Meeting on 9 May 2023 to hold office until the conclusion of the next general meeting at which accounts are laid before the Company. It believes the independence and objectivity of the external auditor and the effectiveness of the audit process are safeguarded and remain strong.

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. There are no contractual obligations restricting the Group's choice of external auditor.

Oversight

The Committee is responsible for approving the terms of engagement of the external auditor. Throughout the year, the Committee has reviewed regular reports from the external auditor and has met with the lead audit engagement partner without the presence of management, providing an opportunity to raise any matters in confidence and for open dialogue. Private meetings were also held with the lead audit engagement partner and the Chair of the Committee on a regular basis.

In 2022 and to date in 2023, the Committee:

- reviewed the 2022 year end audit work plan including the scope of the audit and the materiality levels adopted by the external auditor;
- reviewed the recommendations made by the external auditor in their internal control report and considered the adequacy of management's response;
- received an update from the external auditor on their IFRS 17 audit activities and findings on the key IFRS 17 methodology judgements;
- 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 2022 Annual Report and Accounts; and
- reviewed the external auditor's explanation of how the significant risks to accounts were addressed.

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 2022 reporting period 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, the valuation of complex investments, credit default assumptions and the inclusion of IAS 8 disclosures on the expected impact of the implementation of IFRS 17. The significant judgements made in connection with these risks are set out in the table on page 88. The Committee challenged the work conducted by the external 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 2022 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.

GROUP AUDIT COMMITTEE REPORT continued

Safeguarding independence and non-audit services

The independence of the external auditor is essential to the provision of an objective opinion on the true and fair view presented in the financial statements. Auditor independence and objectivity are safeguarded by various control measures, including limiting the nature and value of non-audit services performed by the external auditor and partner rotation at least every five years.

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 external auditor while also ensuring that it maintains the same degree of objectivity and independence. During the year, the value of audit services to the Group was £3.7m (2021: £2.4m). The value of non-audit services during the year amounted to £0.7m (2021: £0.7m), comprising:

	£m
Audit-related assurance services (audit of regulatory returns)	0.5
Audit-related assurance services (other services)	0.2
Other assurance services	–

The ratio of non-audit services to audit services fees was 1:5:3. Non-audit services of £0.5m were provided during 2022 in relation to the audit of the Group's Solvency II regulatory returns and a further £0.2m of non-audit services were provided in relation to the review of the Group's interim report.

Non-audit services for 2022 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 4 to the consolidated financial statements. The Committee has approved PwC's remuneration and terms of engagement for 2022 and remains satisfied with the audit quality and that PwC continues to remain independent and objective.

RISK MANAGEMENT AND INTERNAL CONTROL

The Committee has responsibility to keep under review the system of internal financial controls that identify, assess, manage and monitor financial risks and other internal controls. In doing so 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, Group Compliance and Actuarial Assurance, which oversee the first line, ensure that the systems of internal controls are sufficient and are operated appropriately, and measure and report on risk to the GRCC. 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:

- clear and detailed matters reserved for the Board and terms of reference for 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;
- defined procedures for the approval of major transactions and capital allocation; and
- a Group Internal Audit function that provides independent and objective assurance on the effectiveness of the Group's risk management, governance and internal control processes.

The Group has specific internal mechanisms that govern the financial reporting process and the disclosure controls and procedures around the approval of the Group's financial statements. The results of the financial disclosure process are reported to the Committee to provide assurance that the Annual Report and Accounts is fair, balanced, and understandable, including the opportunity to challenge members of management and the external auditor on the robustness of those processes.

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

Group Internal Audit is an internal function that provides independent and objective assurance to the Committee that the Group's risk management, governance and internal control processes are operating effectively.

The Committee considers and approves the Internal Audit plan annually, which is constructed using a risk-based approach taking account of risk assessments, input from senior management and previous external and internal audit findings. 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. Monitoring and reviewing the scope, extent and effectiveness of the activity of the Group Internal Audit team is regularly reviewed by the Committee.

In 2022, the Committee:

- continued to oversee the Internal Audit function with the Director of Group Internal Audit reporting directly to the Committee Chair;
- received an independent view of the effectiveness of the Internal Control Framework of the Group;
- oversaw the engagement of EY to work with the Internal Audit team on the combined internal audit assurance work;
- 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;
- reviewed and approved the Internal Audit Data Analytics Strategy;
- conducted an assessment of the Internal Audit function;
- 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 2022.

The Committee regularly considers the resource requirements of the Internal Audit team and oversees steps taken and any associated contingency plans to ensure it remains adequately resourced. The Committee 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 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. During the year, the Committee Chair, in conjunction with the Director of Group Internal Audit, set key actions to continue to develop the Group Internal Audit function regarding its effectiveness, impact and influence, and the Committee received updates on the status of these actions.

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, which is the highest rating that can be achieved. To provide ongoing assurance to senior management and the Committee, Group Internal Audit has developed its control framework to undertake regular external assessments, which are supplementary to EQA. The next EQA is scheduled to take place in 2023.

WHISTLEBLOWING

The Group has a whistleblowing framework that is designed to enable colleagues to raise concerns confidentially about conduct they consider contrary to the Group's values such as unsafe or unethical practices. Any concerns can be reported directly to the Group Company Secretary or by contacting an external confidential dedicated telephone hotline or via a secure web portal. The concern can be given anonymously. The Committee receives regular updates on any concerns identified and, where appropriate, what action has been taken to address the issues raised.

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 Whistleblowing policy which is reviewed annually.

On behalf of the Group Audit Committee

PAUL BISHOP

Chair, Group Audit Committee
6 March 2023

GROUP RISK AND COMPLIANCE COMMITTEE REPORT



I am pleased to present my report on behalf of the Group Risk and Compliance Committee which outlines the main activities and areas of focus during the year.

KALPANA SHAH

Chair, Group Risk and Compliance Committee

COMMITTEE MEMBERSHIP

Kalpana Shah
Chair

Paul Bishop
Independent Non-Executive
Director

Ian Cormack
Senior Independent Director

John Hastings-Bass
Chair of the Board

Mary Phibbs
Independent Non-Executive
Director

On 31 December 2022, Steve Melcher retired as a Director and member of the Committee.

Committee meeting attendance can be found on page 79.
Biographies of Committee members can be found on pages 68 to 70.

COMMITTEE ROLE

The Group Risk and Compliance Committee (the “Committee”) is responsible for assisting the Board in discharging its responsibility to maintain effective systems of risk management, compliance and internal control throughout the Group. 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 of the principal and emerging risks inherent in the business including climate risk and conduct risk. The Committee is also responsible for the oversight of regulatory compliance matters.

The Committee is responsible for considering the above matters from the perspectives of Just Group plc (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.

REVIEW OF THE YEAR

Six scheduled meetings and one unscheduled meeting were convened during 2022. Four of the scheduled meetings focused on regular risk and compliance reports and two meetings were to allow time to review a range of risk and compliance matters and certain key risk documents. There was one unscheduled meeting to consider risk preferences as part of the wider review of the Group’s risk appetite framework. The Chair of JRL and PLACL, who is not a member of the Committee, was invited to attend the meetings and contributed, at the invitation of the Chair, to the challenge and debate. There were standing invitations for the Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer and Director of Group Internal Audit to attend the meetings during the year. Other Group executives and senior managers were invited to present on their areas of responsibility as required.

The Committee Chair regularly engages 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. The effectiveness of the Committee was reviewed as part of the annual Board effectiveness review which took place in late 2022 and the Board concluded that it was satisfied with the Committee’s performance. In addition, the Committee considers the quality of papers and effectiveness of its discussions as a standing item at the end of each meeting and reviews the results of a meeting effectiveness survey which is conducted biannually.

The Committee follows an annual rolling forward agenda with various standing items considered throughout the year in addition to other key focus areas as outlined in more detail in the section below. A report from the Group Chief Risk Officer is considered at each scheduled meeting. Group Own Risk and Solvency Assessment (“ORSA”) updates, compliance oversight reports and regulatory development updates are received at least on a quarterly basis or earlier if required. Various annual reports are considered by the Committee including the internal model validation report, annual money laundering reporting officer’s report and an annual report from the Group Data Protection Officer. The Committee also approves the compliance monitoring plan annually and any changes during the course of the year.

AREAS OF FOCUS

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

MATTERS CONSIDERED

HOW THE COMMITTEE ADDRESSED THE MATTER

RISK MANAGEMENT, CONTROLS AND CULTURE

RISK MANAGEMENT AND CONTROLS FRAMEWORK

The Committee reviewed and approved the risk management plan for the year and ensured that the risk framework continued to be developed in line with the business needs. The Committee monitored the progress of various actions that had been agreed following a review of risk management and control activities, and culture conducted in 2021 including an action to further delineate the activities of Business Operations ("1st Line") and Oversight Functions ("2nd Line"). The Committee now receives an annual report on the delineation of activities as well as a regular summary of risk opinions given by the 2nd Line on work conducted by the 1st Line requiring the attention of the Boards or Board Committees.

Following a review of the controls framework in 2021, it was agreed by the Committee that certain developments were required to enhance and streamline processes. The Committee received regular reports on activity to enhance the documentation of the control environment over non-financial reporting core risks to ensure the Group's activities continue to evolve in line with leading practice. Separate updates on the approach to implementing the financial control reporting framework were provided to the Group Audit Committee during the year and there has been close engagement between the Chairs of both Committees to ensure the approaches are aligned. In response to a request from the Committee, Group Internal Audit are reviewing the completeness and effectiveness of both the Financial Reporting and Non-Financial Reporting Controls Framework as they develop and will report their findings to the Committee including any concerns that require further attention.

RISK CULTURE

During the year, key risk indicators were developed in relation to Just's risk culture following a review conducted in 2021. The Committee received the first of its new biannual reports on risk culture which includes management information on the key risk indicators and observations from the Group Risk function. This facilitated a constructive discussion on the positive developments and areas requiring more focus by the business in the year ahead. The Committee also considered key findings from the risk culture questions included in an annual survey to colleagues. This provided a useful insight for the Committee as to how our colleagues feel about Just's risk culture and the survey highlighted key themes that required further attention. The Committee also reviewed findings from an in depth review of the process for risk event and breach reporting. The Committee was satisfied that, overall, there is a healthy risk culture to report risk events and breaches, and that processes are in place to address any weaknesses identified as part of ongoing monitoring and oversight.

ORSA

The ORSA is the ongoing process of identifying, measuring, monitoring, managing and reporting the risks to which the Group is exposed and to assess the capital adequacy of the Group and its life companies. The Committee considered and recommended to the Group Board for subsequent approval, the annual 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 considered key themes which emerged from the analysis undertaken. This included understanding changes in the macroeconomic regime and the associated impact on Just's risk profile and business model, and capital, liquidity and human factors that require continued focus to achieve the Group's growth ambitions. The Committee also received quarterly updates on the Group's evolving risk profile for review and discussion. Key areas of focus for the Committee included the management of operational and conduct risk, strategic risk and reputational risk. Further details of the Group's principal risks can be found in the Principal risks and uncertainties report.

RECOVERY AND RUN-OFF PLANS

Each year, the Committee conducts in depth reviews of the Group's recovery plan and run-off plan and the attendant risks. As part of the review of the recovery plan in 2022, the Committee considered whether the Group had credible and realistic options to effect recovery in the event of a range of possible shocks, both short term and medium term, and impacting capital and liquidity. When considering the key execution risks of the run-off Plan, the Committee was supportive that the scenarios had evolved to be more clearly aligned with the business plan and recovery plan. After consideration, the Committee recommended, and the Group Board subsequently approved, the recovery plan and run-off plan.

RISK APPETITES

A comprehensive review of the risk appetite framework was undertaken in 2022 to ensure it continued to align with developments in the Group's strategy and business plan, risk preferences and regulatory capital model. There was extensive engagement on the decision making framework and how to rank key risks for impact and likelihood during Committee workshops and meetings in the year. The Directors considered the appropriateness of the risk appetites, against which the business plan and strategy are assessed, and agreed on various changes which included updates to the overarching capital risk appetite statement to better align it with the recovery plan and run-off plan. In addition, the Committee agreed to change the risk expression of "seek" to "prefer" and to change the risk preference for various lower level risks to reflect the Director's discussions in the risk appetite workshops held during the year. The various changes were recommended by the Committee and subsequently approved by the Group Board. The Committee agreed that further consideration should be given to the interest rate risk appetite framework in early 2023 taking into consideration recent events in the macroeconomic environment to determine whether any refinements are required.

During the year, the Committee also considered options on the approach towards conduct risk management to ensure that it continued to receive the appropriate level of focus within the wider risk management framework. It was concluded to rename operational risk as conduct and operational risk and to update the risk definition and risk appetite statement to reflect the addition of conduct risk as a core risk category. The recommended change was subsequently approved by the Group Board.

INVESTMENT RISK OVERSIGHT

A proposal to convene nested meetings of the Committee and the JRL and PLACL Investment Committees was considered and approved by the respective Committees during the year. The additional meetings commenced in January 2023 and will be held biannually. The key purpose of the nested Committee meetings is to review the key investment activities to ensure they are in line with risk appetite and to oversee any proposed changes to risk frameworks that are impacted by investment activities, and ensure they are effectively and efficiently challenged before being recommended for approval.

GROUP RISK AND COMPLIANCE COMMITTEE REPORT continued

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MATTERS CONSIDERED	HOW THE COMMITTEE ADDRESSED THE MATTER
OPERATIONAL RESILIENCE	
OPERATIONAL RESILIENCE FRAMEWORK	The Committee considered a self-assessment including a scenario testing plan, which described Just's operational resilience at a specific date together with plans for remediation to be completed before March 2025 to meet defined regulatory requirements for operational risk. As part of this review, the Committee considered actions required to improve the business continuity management programme, including further disaster recovery testing, and noted plans to improve resilience in 2022.
CYBER SECURITY	The Committee received an update on work being carried out to enhance the Group's information security strategy, including cyber security, and steps being taken to attain an industry recognised accreditation for information security and audit. A key focus for the year ahead is to enhance the governance and oversight of the Group's information security strategy at Board level. The Committee met with the new Chief Information Security Officer which provided an opportunity to raise questions and engage on various matters including the resilience of the current information security infrastructure, scenario testing and cyber security developments.
SUSTAINABILITY	
CLIMATE CHANGE	During 2022, the Committee continued to receive regular updates on various ongoing actions to further develop the Group's Climate-related Financial Disclosures and ensure that climate risk management is fully embedded in the Group's governance processes and day-to-day activities. The Committee noted the progress on climate risk actions that had been made during the year and discussed future actions and concerns in relation to their delivery. The Committee considered potential reputational risks on various matters including the governance framework. After consideration, the Committee concluded that although it was satisfied that the governance processes were appropriate, there should be a review of the governance arrangements and reporting at Board level to determine whether there should be any enhancements to the governance and oversight of sustainability matters including climate change. Further details can be found in the Section 172 report.
SOLVENCY II	
INTERNAL MODEL	The Committee received regular updates on the planned Internal Model developments in 2022 including any key risks to their delivery. A key focus area for the Committee was the review of a major model change application for submission to the PRA for its approval. The application set out proposed changes to the credit risk module of the JRL internal model to ensure that it continued to appropriately reflect the underlying risks to the Group and to align it with the latest regulatory expectations and market practice. The Committee recommended, and the Group Board subsequently approved, the major model change application, which was approved by the PRA on 28 November 2022. The Committee also considered a business case review to move PLACL from the standard formula to an internal model to align PLACL's capital model to the Group's view of the underlying risk to PLACL. The Committee assessed the options available for PLACL and the associated risk implications, and concluded that the move to an internal model should be a priority for the business in 2023.
COMPLIANCE, CONDUCT AND REGULATORY RISK	
CONDUCT RISK AND CONSUMER DUTY	The Committee regularly reviews and challenges management's view of conduct risks across the Group. During the year, the Committee continued to provide oversight on the programme of work to update the conduct risk framework and related policies to ensure that consumer outcomes are properly considered. The conduct risk dashboard presented to the Committee has evolved to include a number of new metrics and there will be further enhancements in 2023 to reflect the new Consumer Duty requirements. Following the publication of final rules and guidance on the new Consumer Duty by the FCA in 2022, the Committee considered the steps that need to be taken by Just to meet the new requirements, including the appointment of Michelle Cracknell as Just's Board level Consumer Duty Champion. Implementation plans were approved by the relevant Group entity Boards.
GROUP POLICY FRAMEWORK	The Committee engaged on a proposal to revise the Group Policy Framework to clearly articulate and demonstrate how all core risks and underlying risks are identified, measured, monitored, managed and reported. The Committee took into consideration how the revised Group Policy Framework was aligned with the wider Risk Management Framework, the governance and oversight arrangements, and the proposed approach to implementation. After consideration, the Committee recommended the proposal to the Group Board who subsequently approved it.
REGULATORY RISK	The Committee receives regular updates on key regulatory developments relevant to the Group and the associated actions being undertaken by management. During 2022, there continued to be a high level of regulatory activity as covered in more detail in the Principal risks and uncertainties report.

On behalf of the Group Risk and Compliance Committee

KALPANA SHAHChair, Group Risk and Compliance Committee
6 March 2023

DIRECTORS' REMUNERATION REPORT



I am pleased to present the Remuneration Committee Report for the year ended 31 December 2022.

IAN CORMACK

Chair, Remuneration Committee

MEMBERSHIP AND MEETINGS

Ian Cormack
Chair

Michelle Cracknell
Independent Non-Executive
Director

John Hastings-Bass
Chair of the Board

Mary Phibbs
Independent Non-Executive
Director

Committee meeting attendance can be found on page 79.
Biographies of Committee members can be found on pages 68 to 70.

IFRS NET ASSETS

£2,178M

2021: £2,440m

UNDERLYING ORGANIC CAPITAL GENERATION¹

£29M

2021: £51m

UNDERLYING OPERATING PROFIT BEFORE TAX¹

£249M

2021: £238m

NEW BUSINESS PROFIT¹

£233M

2021: £225m

IFRS LOSS BEFORE TAX

£(317)M

2021: £(21)m

RETURN ON EQUITY¹

11%

2021: 8%

¹ Alternate performance measure.

COMMITTEE ROLE AND MEMBERSHIP

Role

The Remuneration Committee (the "Committee") determines the policy for the remuneration, benefits, pension rights and compensation payments of the Chair, Executive Directors, Senior Management and Solvency II identified staff. The Committee ensures that no director or employee is involved in decision making on their own remuneration or is present in Committee meetings when their own remuneration is being decided.

The Committee also reviews and recommends for approval by the Board (and where required, the shareholders) the design of, and determine the targets for, the operation of all share incentive plans, including all schemes involving the grant of shares awards, in which Executive Directors, Senior Management and identified staff participate. For any such schemes or plans, it determines each year whether the awards will be made, and if so, approves the levels of participation in such schemes or plans by those individuals.

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.

STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Dear Shareholder

This year the business has faced a number of challenges as a result of an uncertain macro economic climate, in particular the interplay between rising interest rates to combat inflation and a fragile economy post COVID-19. However, through strong leadership and culture, and a clear understanding of our risks, we have delivered profitable and sustainable growth and helped more of our customers achieve a better later life. Our financial position has never been stronger as a result of continued high delivery against stretching objectives in 2022.

Sales in 2022 were up 17% to £3.1bn, driven by growth in DB sales which were up 33% to £2.6bn. This was as a result of almost double the number of DB transactions from 2021. Underlying operating profit increased by 19% helped by improved in-force returns and lower financing costs.

We achieved these financial results in an increasingly sustainable way and reduced our market based buildings emissions by 13% (see the Sustainability and environment section on page 33) and invested £279m of our investment portfolio in eligible green and social assets.

Alongside the good progress being made on the financial business priorities, the Group continued to enjoy excellent employee engagement levels as reported in the Colleagues and culture section, and positive progress on building a diverse and inclusive workforce. In addition, we have received well-deserved external recognition for products and service to customers (see page 3 for details).

DIRECTORS' REMUNERATION REPORT continued

We have continued to ensure Board members and colleagues have opportunities to connect and share information throughout the year. The sessions have covered multiple topics including the role of the Board in guiding our organisation and our approach to reward, specifically how executive remuneration aligns with that of our colleagues across the Group.

REMUNERATION COMMITTEE 2022

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

The terms of reference of the Committee are available at www.justgroupplc.co.uk/investors/shareholder-information/board-and-committee-governance. 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 and Director's Remuneration Policy for 2023;
- approval of the grant of the 2022 awards and performance conditions under the Long Term Incentive Plan ("LTIP");
- approval of the grant of share options under the all-employee Sharesave scheme ("SAVE");
- assessment of the performance of the Executive Directors against the 2022 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;
- review and approval of bonus plans across the Group, where they are not aligned to the Group Short Term Incentive Plan ("STIP") or the LTIP;
- review and approval of the all employee remuneration policy for 2023;
- review and approval of share schemes;
- review of the Company's gender and ethnicity pay gap data; and
- monitoring the developments in the corporate governance environment and investor expectations.

REMUNERATION IN 2022

At the Company's Annual General Meeting ("AGM") in May 2020, a new Directors' remuneration policy was approved with 89% of votes in favour and an advisory vote on the Directors' Remuneration Report for the year ended 2021 was approved at the 2022 AGM with 89% of votes in favour and continued to reflect the Group's strategic priorities in 2022.

Consistent with the approach adopted each year and as reported last year, the Committee considers the performance measures attached to the bonus plan and to the LTIP to ensure they remain aligned with both our strategic priorities and approach to risk mitigation. Accordingly, in 2022, the financial measures within the scorecard for the Group STIP were changed to reflect the focus on profitable and sustainable growth. Changes were also made to the measures in the LTIP by replacing the adjusted earnings per share ("EPS") measure with return on equity ("ROE") aligned with the strategic KPIs being used, and with the inclusion of an ESG measure. As such, the Committee is satisfied that the approach to reward continues to support the strategic priorities of the business and aligns with company purpose and our values.

The Board approved a challenging business plan for 2022. 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 Richardson and his team have delivered a strong set of results in 2022, demonstrated by the STIP outturn of 66.7% of maximum. This creates the overall pool from which payments are made with individual allocations based on personal performance.

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 a salary increase on 1 April 2022 of 2% for the CEO and 1.9% for the CFO, against an average increase received by other employees (excluding promotions and joiners shortly prior to year end) of 3.2%. Due to rising living costs as a result of high inflation, a tiered approach to the salary review was used, resulting in higher percentage increases for those on lower salaries.

In October 2022, one-off payments were made to over 65% of our UK based colleagues to support with the cost of living. Employees with an annual base salary of less than £50,000 received a one-off payment of £1,200 and those with a salary of between £50,000 and £60,000 received a one-off payment of £600. Further support in relation to salary advances and interest free loans were also made available to employees facing financial hardship.

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 105 details the targets and outcomes relating to 2022. For performance in 2022 the Committee approved awards for David Richardson and Andy Parsons at 75% of maximum. These payments reflect their strong personal performance and financial results, which in aggregate exceeded the challenging business plan approved by the Board. No discretion was applied to adjust the out-turn. The Committee is satisfied that this level of bonus pay out is reflective of the financial performance delivered and the significant progress made against the Company's strategic objectives, balanced with the significant external challenges.

No payments were made to past Directors. Share options that were retained post-termination and vested during the year to Rodney Cook and Simon Thomas are disclosed later in the report

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 for 2022. The balanced scorecard approach determines the core bonus opportunity through a basket of financial and strategic performance measures, which is distributed to Executive Directors against their achievement of their personal objectives. Details of key achievements are provided on page 105.

Financial performance measure	IFRS new business profit	IFRS operating profit	Underlying organic capital generation
Weighting	40%	20%	40%
Outturn	£233m	£336m	£29m
Achievement	19.2%	20.0%	19.2%
Strategic performance measure	Customer		People
Adjustment	3.8%		4.6%
Aggregate Scores	Corporate outturn	66.7%	
	Moderated outturn	66.7%	
Outturn	Award Level		Difference
David Richardson	75%		+8.3%
Andy Parsons	75%		+8.3%

Long Term Incentive Plan

In March 2022, awards under the LTIP were made to David Richardson and Andy Parsons over shares worth 200% and 175% of base salary respectively. These LTIP awards included underlying organic capital generation at a weighting of 25%, total shareholder return ("TSR") performance compared with the constituents of the FTSE 250 at 30%, return on equity at 35% and environmental, social and governance ("ESG") performance for the remaining 10% of the LTIP.

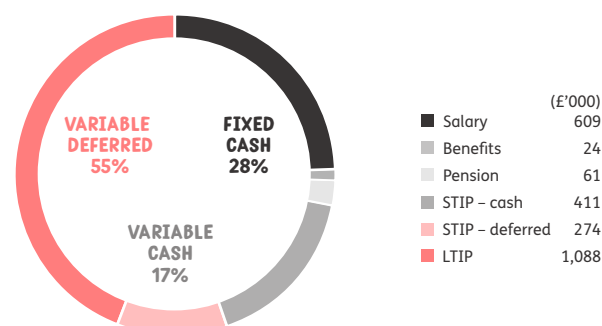
The LTIP awards made in 2020 are due to vest in May 2023 with reference to performance to 31 December 2022. The threshold TSR performance condition was achieved at 71.5%, the adjusted EPS condition was achieved at 100% and the capital self-sufficiency was achieved at 100%. Therefore 93% of the 2020 LTIP awards will vest in May 2023.

The Committee felt that outturns under the STIP and LTIP in respect of 2022 were appropriate and did not exercise discretion. In this regard, the Committee noted institutional shareholder guidelines have been updated to ask for disclosure of the issues considered in allowing grants made in the immediate aftermath of COVID to vest. The first lockdown started on 23 March 2020, which was the same date as the grant of the LTIP awards, using a 5 day average price (consistent with past practice) of 52.42p. If the Group had delayed the grant to the 5 dealing days following lockdown, it would have been 51.60p and, therefore, not materially different.

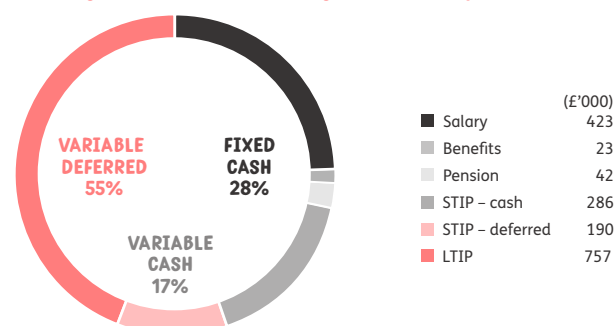
The Committee noted that:

- The price used was slightly less than 20% below the price used for the 2019 grant and was not, therefore, material within the various guidelines.
- The prior policy was to grant the CEO's LTIP at 200% of salary and the then new 2020 policy was a 150% grant level, which reflected the share price at grant.
- Compared with 2019 (and pre-Covid) the financial performance to the end of 2022 was at least consistent with the change in share price.
- The performance conditions had been set at an earlier meeting and were not adjusted for COVID so continued to reflect our pre-COVID aspirations. The performance achieved, therefore, reflects genuine out-performance and there was no 'windfall' gain under the LTIP. In addition, the vesting achieved was broadly consistent with the financial achievement compared with the pre-COVID position.

Summary of remuneration for David Richardson in respect of 2022



Summary of remuneration for Andy Parsons in respect of 2022



IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2023

For the reasons set out as part of the policy review, the Committee considers that the arrangements remain clear, simple, predictable, proportionate, aligned to culture, values and purpose and mitigate risk, as required by paragraph 40 of the Corporate Governance Code. This will be kept under periodic review.

The Committee agreed that both David Richardson and Andy Parsons would receive a salary increase with effect from 1 April 2023 of 4.5%. This figure is below those awarded to most colleagues with the salary increase budget available for the general employee population eligible to be considered for an increase sitting at 6%, with individual increases varying within a range, depending on a number of factors. Similar to the approach taken in 2021, the salary increase budget was set at different levels depending on employee base salary. For employees on a base salary of £49,999 or less per annum, the budget was 7%, for those with a salary of between £50,000 and £99,999 the budget was 6% and those with a salary of over £100,000, the budget was 5%.

Having considered both external benchmark data and relative pay levels across the Company, the Committee considers these increases to be appropriate. The maximum STIP opportunity continues to be 150% of base salary for Executive Directors, subject to stretching corporate financial and personal non-financial measures. 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.

In line with 2022, the Committee anticipates making awards under the LTIP over shares worth 200% of salary to David Richardson and 175% of salary to Andy Parsons in 2023.

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

The Policy allows the Committee some discretion to make adjustments to the performance conditions and weightings from year to year. For the LTIP awards to be made in 2023, there have been some minor changes to the conditions and their weightings. There will be four performance conditions and the associated targets are disclosed on page 114. The Committee has approved the following changes:

- amending the condition from underlying organic capital generation to organic capital generation (including management actions) and reducing the weighting from 25% to 15% considering this condition to better reflect our strategic priorities;
- reducing the weighting for relative TSR from 30% to 25%
- increasing the weighting for return on equity ("ROE") from 35% to 45% to reflect our increased focus on returns following the Company's return to capital self-sufficiency; and
- increasing the weighting for the ESG condition from 10% to 15% with amended targets to include: Net zero by 2025 and investment into sustainable assets as per the 2022 measure.

As a result, the following performance conditions will apply to the 2023 LTIP award:

- Organic capital generation 15%
- Relative TSR vs FTSE 250 (excluding investment trusts) 25%
- ROE 45%
- ESG 15%

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

For the 2023 STIP performance year, there have been some changes to reflect the increasing focus of the Group on profitable growth. There will continue to be three performance measures. The Committee has approved the following:

- leaving the IFRS New Business Profit measure and weighting unchanged
- replacing IFRS Operating Profit with Underlying Operating Profit and increasing the weighting to 30%
- replacing Underlying Organic Capital Generation with New Business Strain to ensure new business is written with low capital strain and hence low capital consumption, ensuring continued strong internal rate of return ("IRR") for capital used to fund new business.

As a result of the above, the following performance measures will apply to the 2023 STIP award:

- IFRS new business profit 40%
- Underlying operating profit 30%
- New business strain 30%

DIRECTORS' REMUNERATION REPORT continued

These will continue to be subject to moderation by plus or minus 7.5% of opportunity according to performance against each of the following non-financial measures:

- Customer (customer experience)
- People (engagement, belonging and gender diversity)

The existing Policy was approved by shareholders at the 2020 AGM and following three years of its use we are required to submit a new Policy for shareholder approval at the 2023 AGM.

The 2020 Policy took account of the various developments in best practice guidelines including the 2018 UK Corporate Governance Code. While the business itself continues to evolve, the 2020 policy includes sufficient flexibility to cater for these developments and the Company adjusted the LTIP grant levels last year and added ESG factors to the reward mix. Both of these were permitted under the 2020 policy. While the choice of measures will continue to evolve to reflect business priorities (including those outlined in the previous section of this statement), no changes to the policy are proposed for the 2023 policy.

Accordingly, no material changes to the policy are proposed.

Chairman's concluding comments

I hope you will agree that we have struck an appropriate balance between retaining and motivating both the Executive Directors and, indeed, the wider workforce and aligning their interests with those of our shareholders and other stakeholders.

I continue to make myself available to discuss these arrangements with key stakeholders and welcome feedback.

I hope that you will support the resolutions at the AGM on each of the policy, the annual report on remuneration and various resolutions renewing the share plans which have now reached the end of their 10 year life.

DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy sets out the Group's remuneration policy for its Executive and Non-Executive Directors. The Policy has been developed taking into account the principles of the UK Corporate Governance Code, guidelines from major investors and guidance from the UK regulators, the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), on best practice. The Committee has regard to market data and to internal relativities when considering the appropriateness of pay levels for its Executive Directors and members of the Committee bring their own experience and knowledge in considering any proposals.

COMPONENTS OF REMUNERATION Executive Directors

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

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
SHORT TERM INCENTIVE PLAN ("STIP")	Incentivises the execution of annual goals by driving and rewarding performance against individual and corporate targets. 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 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 STIP².	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 equivalents (which may assume reinvestment of dividends) will accrue on DSBP awards over the vesting period and be paid out either as cash or as shares on vesting or later, 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 shares¹ 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. 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 to apply if they leave employment during either the vesting or holding period. Awards are normally subject to a combination of conditions which may include financial and/or strategic conditions and/or TSR relative to the constituents of a relevant comparator index or peer group. The Committee retains the flexibility to vary the performance conditions 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 LTIP².	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 200% and 175% of base salary for the CEO and the CFO respectively. Dividends equivalents (which may assume reinvestment of dividends) will accrue on LTIP awards over the vesting period (and for any portion of the holding period in respect of which an award is left unexercised) and be paid out either as cash or as shares on vesting or later, in respect of the number of shares that have vested.
SHARESAVE ("SAYE")	Encourages employee share ownership and therefore increases alignment with shareholders.	A tax-advantaged share scheme which the Executive Directors are eligible to participate as well as all of the UK based employees. Participants are allowed to save a maximum of £500 per month and acquire the Company's shares at a discount of up to 20% of the market value at the date of grant, within a six-month period following the maturity of their savings contracts in either three or five years.	The scheme is subject to the limit and rules set by HMRC from time to time.
SHARE INCENTIVE PLAN ("SIP")	Encourages employee share ownership and therefore increases alignment with shareholders.	A tax-advantaged share scheme which the Executive Directors are eligible to participate as well as all of the UK based employees. Free shares were awarded to the UK based employees in 2016 and this scheme is not currently in operation.	The scheme is subject to the limit and rules set by HMRC from time to time.

DIRECTORS' REMUNERATION REPORT continued

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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 post cessation guideline is that, with the lower of the holding on cessation or the full guideline applying for two years. The post cessation guideline only applies to awards granted after the last Remuneration Policy was approved in May 2020.	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 and other specific roles including roles on subsidiary boards 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 CEO 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 (including any tax thereon) 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.

PERFORMANCE MEASURES

The performance measures applicable to the STIP and LTIP for 2023 are set out on pages 113 and 114 respectively of this report. The measures are considered each year to ensure they are appropriately aligned with any evolution in the Company's strategy and priorities. The targets are set using a number of reference points including, but not limited to, the Group's business plan and external market expectations of the Company.

COMMITTEE DISCRETIONS

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

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

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

REMUNERATION POLICY ON RECRUITMENT OR PROMOTION

Remuneration package on appointment

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

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

Maximum opportunity under the incentive plans

Currently, for an Executive Director, STIP payments will not exceed 150% of base salary and LTIP awards will not exceed 250% of base salary. This does not include any arrangements to replace forfeited entitlements.

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

Payments beyond the remuneration policy

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

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

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

Internal appointments

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

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

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

DIRECTORS' TERMS OF EMPLOYMENT AND LOSS OF OFFICE

Executive Director service agreements and notice periods

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

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

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

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

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

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

Chair and Non-Executive Director letters of appointment

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

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

DIRECTORS' REMUNERATION REPORT continued

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, by giving one month's notice, 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.

Contract/letter of
appointment effective dates

Paul Bishop	4 April 2022
Ian Cormack	4 April 2022
Michelle Cracknell	1 March 2020
John Hastings-Bass	13 August 2020
Mary Kerrigan	1 February 2022
Mary Phibbs	5 January 2023
Kalpna Shah	1 March 2021

TREATMENT OF INCENTIVE PLANS ON LOSS OF OFFICE

In certain prescribed circumstances, such as death, ill-health, injury, disability, redundancy, retirement with the consent of the Committee, the sale of the entity that employs him/her out of the Group, or any other circumstances at the discretion of the Committee, "good leaver" status may be applied. In determining whether a departing Executive Director should be treated as a good leaver, the Committee will take into account the performance of the individual and the business unit/Group over the whole period of employment and the reasons for the individual's departure. In these circumstances, the Executive Director would still be subject to the minimum shareholding requirements. None of the Executive Directors are currently participating in the SAYE or SIP.

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

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

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

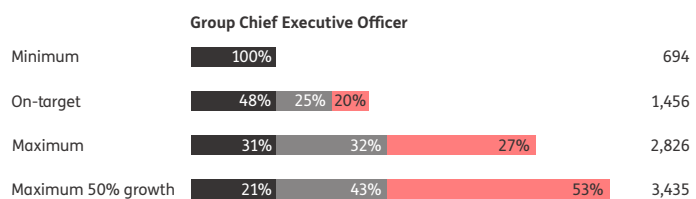
External Directorships

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

Illustration of the 2023 Remuneration Policy

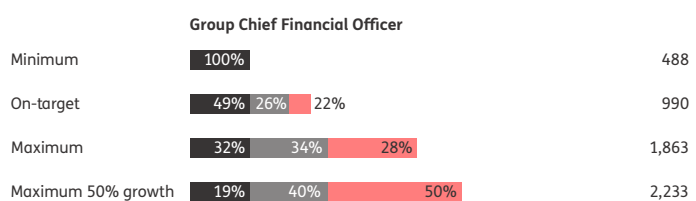
Under the Directors' Remuneration Policy, a significant proportion of total remuneration is linked to Group performance. The following charts illustrate how the Executive Directors' total pay package varies under four different performance scenarios:

- Minimum = fixed pay only (salary + benefits + pension allowance)
- On-target = fixed pay plus 50% pay out of the maximum STIP opportunity (75% of salary) and 25% vesting under the LTIP (50% and 43.75% of salary for the CEO and CFO respectively)
- Maximum = fixed pay plus maximum pay out of the STIP (150% of salary) and maximum vesting under the LTIP (200% and 175% of salary for the CEO and CFO respectively)
- Maximum + 50% growth = fixed pay plus maximum pay out of the STIP (150% of salary), maximum vesting under the LTIP (200% and 175% of salary for the CEO and CFO respectively) and 50% share price growth on the LTIP



Remuneration (£'000)

■ Fixed pay ■ STIP ■ LTIP



Remuneration (£'000)

■ Fixed pay ■ STIP ■ LTIP

FACTORS CONSIDERED AS PART OF THE POLICY REVIEW

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

As set out in the UK Corporate Governance Code, the proposed Policy has been viewed in the context of six factors:

- **Clarity** – the proposed Policy has a clear objective; to enable the Group to recruit, retain and motivate high-calibre individuals to deliver long-term sustainable performance which benefits all stakeholders. The Policy itself is in line with standard UK market practice, and represents an evolution of the current Policy, so should be well understood by participants and shareholders
- **Simplicity** – the Policy includes a standard annual bonus plan and a single LTIP, so the incentive arrangements are considered easy to communicate. Payments are made either in cash or via Just Group shares. No artificial or complex structures are used to facilitate the operation of the incentive plans. The rationale for each element of the Policy is clearly explained in the Policy table and links to the overall Company strategy
- **Risk** – relevant individual and plan limits prevent excessive outcomes under the annual bonus or LTIP. Regular interaction with the Group Chief Risk Officer ensures relevant risk implications are understood when setting or assessing performance targets. Comprehensive clawback and malus provisions are in place across all incentive plans and the Committee's ability to use its discretion to override formulaic outcomes are considered important controls to prevent inappropriate reward outcomes
- **Predictability** – the possible reward outcomes are quantified and reviewed at the outset of the performance period. The "Illustration of 2023 Remuneration Policy", clearly shows the potential scenarios of performance and the resulting pay outcomes which could be expected
- **Proportionality** – incentives only pay out if strong performance has been delivered by the Executive Directors. The performance measures used have a direct link to the KPIs of the business and there is a clear separation between those used in the annual bonus and the LTIP. The Committee has the discretion to override formulaic outcomes if they are deemed inappropriate in light of the wider performance of the Company and considering the experience of stakeholders
- **Alignment to culture** – incentive structures incentivise and reward for strong performance in accordance with the Company's expected behaviours and values; they do not reward for poor performance. The Policy seeks to retain Executive Directors to deliver long-term, sustainable performance which benefits all stakeholders

Consideration of employment conditions when setting executive pay

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

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

Colleague views

As part of the Board's regular engagement with colleagues, Michelle Cracknell led a 'Conversation with the Board' session for colleagues at which Executive Director remuneration and how it aligns with wider colleague pay was discussed. This included discussion on the role of the Remuneration Committee in ensuring our incentive plans are driving appropriate behaviours to provide the right outcomes for all stakeholders. Colleagues were able to ask questions throughout the session.

Shareholder views

The Group values and is committed to dialogue with its shareholders. The Committee will consider investor feedback and the voting results received in relation to relevant AGM resolutions each year. In addition, the Committee will engage proactively with shareholders, and will ensure that shareholders are consulted in advance where any material changes to the Directors' Remuneration Policy are proposed. In December 2022, we engaged with our major shareholders and proxy voting agencies who expressed broad consent with the Policy.

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

DIRECTORS' REMUNERATION REPORT continued

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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 2022.

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, PricewaterhouseCoopers LLP.

Total single figure of remuneration (audited)

£'000	Salary/fees		Taxable Benefits		STIP		LTIP ^{2,3}		Pension		Other ⁴		Total		Total fixed remuneration		Total variable remuneration	
	2022	2021	2022	2021 ⁵	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
David Richardson	606	597	30	27	685	716	1,088	177	61	60	–	–	2,470	1,577	691	680	1,779	897
Andy Parsons	421	415	26	25	476	498	757	–	42	42	296	604	2,018	1,584	486	480	1,532	1,104
Paul Bishop	80	80	–	–	–	–	–	–	–	–	–	–	80	80	80	80	–	–
Ian Cormack	85	75	–	–	–	–	–	–	–	–	–	–	85	75	85	75	–	–
Michelle Cracknell	60	60	1	–	–	–	–	–	–	–	–	–	61	60	61	60	–	–
John Hastings-Bass	200	200	1	–	–	–	–	–	–	–	–	–	201	200	201	200	–	–
Mary Kerrigan ⁵	69	–	–	–	–	–	–	–	–	–	–	–	69	–	69	–	–	–
Steve Melcher	75	75	–	–	–	–	–	–	–	–	–	–	75	75	75	75	–	–
Kalpana Shah ¹	80	50	–	–	–	–	–	–	–	–	–	–	80	50	80	50	–	–
Clare Spottiswoode	22	60	–	–	–	–	–	–	–	–	–	–	22	60	22	60	–	–

1 Kalpana Shah was appointed as a Non-Executive Director of the Company with effect from 01 March 2021 and her remuneration for 2021 represents her fees from this date.

2 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 2022 includes the 2020 LTIP awards. The 2020 LTIP award was earned but did not vest during 2022. For the purposes of valuation, the 2020 LTIP has been estimated based on a share price of £0.6850 (the average share price from 1 October to 31 December 2022). This estimate will be updated to reflect the actual valuation in next year's report. The 2021 value has been updated to reflect the actual share price of £0.8010 at the time of vesting of David's 2019 LTIP award, on 16 May 2022.

3 The estimate of value vesting under the 2020 LTIP shown in the 2022 column, represents vesting of 93% of maximum based on achievement of performance conditions. The share price used for this estimate of £0.6850 (being the average share price from 1 October 2022 to 31 December 2022) represents an increase of 30.7% when measured against the share price at the time of grant of £0.5242.

4 'Other' relates to Buy-out awards negotiated as part of Andy Parsons' joining and paid to him in 2021 and 2022. The 2021 value includes cash and shares released to him in 2021 together with the value of his Award III, which has the same performance conditions as the 2019 LTIP and which vested on 16 May 2022 for nil consideration at a market price of £0.8045. The 2022 value includes the 333,735 shares released to him on 31 March 2022, for nil consideration at a market price of £0.888114.

5 Mary Kerrigan was appointed as a Non-Executive Director of the Company with effect from 01 February 2022 and her remuneration for 2022 represents her fees from this date.

6 The taxable benefits for 2021 have been re-stated to include various business expenses primarily relating to entertainment to conform with the treatment adopted for 2022.

2022 FIXED PAY (AUDITED)

Base salaries

David Richardson and Andy Parsons received a salary increase in 2022 of 2.0% and 1.9% respectively, increasing their salaries to £609,000 and £423,000 respectively. The salaries of the wider employee population were reviewed and increases were awarded selectively within a budget of 3.2%.

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.

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 2022 are as detailed in the table below. These remain unchanged from 2019 with the exception of the Board Chair fee which has reduced from £250,000 to £200,000:

£'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.

2022 EXECUTIVE DIRECTORS' SHORT TERM INCENTIVE PLAN (AUDITED)

The 2022 bonus outturn was calculated on corporate financial performance measures, split across three 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 2022 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	75% of maximum	£411	£274	400,073
Andy Parsons	75% of maximum	£286	£190	277,883

1 The estimated number of shares deferred under the DSBP were determined using the average closing share price between 1 October 2022 and 31 December 2022, being £0.6850. 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 2022 STIP was as follows:

Core bonus (balanced scorecard)

	Weighting	Threshold (25%)	On-target (50%)	Maximum (100%)	Actual	% achieved
IFRS new business profit	40%	£210m	£235m	£260m	£233m	19.2%
IFRS operating profit	20%	£215m	£240m	£265m	£336m	20%
Underlying organic capital generation	40%	£20m	£30m	£50m	£29m	19.2%
Total						58.4%

The financial component of the pool is subject to adjustment of up to +/- 15% of potential based on various pre-set non-financial performance measures. This is a change from 2021 where the non-financial performance measures could only decrease the pool by up to 15%.

As explained earlier in the report, the non-financial performance measures increased the financial outturn of 58.4% by 8.4% to achieve a final corporate outturn of 66.7%. The bonus metrics lead to a pool setting the overall cost with individual allocations then determined by reference to personal objectives, with individuals allocated up to 100% of their maximum. Both Executives were assessed to have outperformed against the on-target level, having each successfully achieved an extensive range of stretching objectives set at the beginning of the year, including exceeding expectations on several of them, with their personal outturns moderated to 75% (+8.3% compared to the formulaic pool) for both the CEO and CFO.

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	75%
David Richardson	Key achievements
Enhance Just's position in the DB market.	The considerable expansion and transformation of the DB proposition has enabled Just to fully participate in the market shift from Buy-in to Buy-out transactions. In addition, a competitive advantage has been established at the smaller end of the market which is supporting profitable growth.
Increase the resilience and scalability of the business model.	2022 was a landmark year for the business through the achievement of £1bn invested in illiquid assets. This achievement was delivered a year ahead of the original target. Combined with the increased scale of deferred DB business, David has built a more viable business model with less reliance on LTMs. It will also allow the Group to target more ambitious growth for DB in the coming years.
Strengthen the talent within the executive team to set the business up to achieve its future ambitions.	Two new hires into the executive team within 2022 has strengthened the team, signalling greater ambition on building talent and a performance driven culture within the Group.
Maintain effective regulatory relationships.	Constructive relationships maintained and reputation enhanced through strong delivery.
Strategic personal objective	75%
Andy Parsons	Key achievements
Achieve Group business plan targets (primarily measured through STIP targets) and identify cost effective opportunities to improve solvency and reduce risk.	Andy has delivered strongly against the business plan targets, with the target for IFRS operating profit significantly exceeded, despite the very volatile economic backdrop impacting the balance sheet, hedging, financial dynamics and products. BAU costs were within budget despite inflationary pressures and the capital ratio was close to 200% at the end of the year.
Deliver the finance division transformation programme to build efficiency and effectiveness.	Delivery on the finance transformation was very strong. Excellent progress was made on implementing an overarching financial controls framework, and a new treasury system. The new finance platform went live successfully in January 2023. The investment in this area will improve reliability of data and strengthen financial processes and controls across the business.
Improve shareholder value through showcasing the value and growth potential in the business, engaging with analysts in particular to explain the transition to IFRS 17.	Very positive feedback from analysts and investors on the investments and DB seminars in Q2 and Q4 with good progress made gaining support from analysts regarding their assessment of the business as an investment opportunity. Encouraging initial progress has been made with a number of potential new investors.
Maintain effective regulatory relationships.	Constructive relationships maintained with regulators.
Support development of business capabilities to strengthen and broaden DB de-risking market presence.	Business capabilities (investments, reinsurance, operations) enhanced to enable a stronger presence in the DB de-risking market, reducing reliance on LTMs.

DIRECTORS' REMUNERATION REPORT continued

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VESTING OF LTIP AWARDS WITH A PERFORMANCE PERIOD ENDING IN 2022 (AUDITED)

2020 awards

The 2020 LTIP award performance period ended on 31 December 2022. The award is forecast to vest at 93% on 23 March 2023 based on earnings per share growth, relative TSR performance and performance against capital self-sufficiency targets over the three year period ending 31 December 2022.

	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	23 March 2020	Nil-cost options	1,708,317	93%	£23,831	1,588,734	£1,088,282
Andy Parsons	23 March 2020	Nil-cost options	1,187,523	93%	£16,565	1,104,396	£756,511

¹ The value shown is based on the three month average share price to the year end, being £0.6850. 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

Condition	Weighting	Target	Vesting
Adjusted earnings per share growth ¹	25%	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%
		Actual: 16.5% p.a.	100%
Relative TSR vs FTSE 250	25%	Threshold: median	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: upper quartile or above	100%
		Actual: Between median and UQ	71.49%
Capital self-sufficiency	25%	Threshold: SCR of 145%	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: SCR of 150% or above	100%
		Actual: 196%	100%
Capital self-sufficiency	25%	Threshold: £80m organic capital generation	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: £230m organic capital generation	100%
		Actual: £434m	100%
Total	–	–	93%

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 £8m, thereby increasing operating profit to £345m and the number of shares to 1,007m, resulting in an adjusted EPS of 34.3 pence.

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 on 20 March 2020 as three conditional share awards and the following were paid to him in 2022:

- The last tranche of award (I) and the second tranche of award (II) vested on 31 March 2022. A total of 333,735 shares were released to Andy for nil consideration at a market price of £0.888114. 157,408 shares were sold to cover his tax liability and 176,327 shares were retained.
- The award (III) of 618,024 shares is subject to the same performance conditions applied to the 2019 LTIP grant based on EPS and TSR which were achieved at 31.8%. Consistent with past practice and the 2019 LTIP outturn, the adjustment to the interest and number of shares reduced the reinsurance and bank financing costs by £16m, thereby increasing operating profit to £251m and the number of shares to 933m resulting in an adjusted EPS of 26.9p. 196,531 shares were therefore vested and released to Andy on 16 May 2022 for nil consideration at a market price of £0.8045. 95,161 shares were sold to cover his tax liability and 101,370 shares were retained.

2022 LTIP AWARDS GRANTED (AUDITED)

The following awards were made to the Executive Directors in 2022:

	Date of grant	Type of award	Face value of award	Number of shares ¹	End of performance period
David Richardson	24 March 2022	Nil-cost options	£1,218,000 (200% of salary)	1,391,681	31 December 2024
Andy Parsons	24 March 2022	Nil-cost options	£740,250 (175% of salary)	845,806	31 December 2024

¹ The actual share price calculated as the average price over the five days preceding the grant was £0.8752.

Performance conditions and targets applying to the 2022 LTIP awards

Condition	Weighting	Target	Vesting
Underlying organic capital generation	25%	Below £90m	0%
		Threshold: £90m	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: £130m	100%
Relative TSR vs FTSE 250	30%	Below median	0%
		Median	25%
		Between median and upper quartile	Between 25% and 100% on a straight-line basis
		Upper quartile or above	100%
Return on equity	35%	Below 8% p.a.	0%
		Threshold: 8% p.a.	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: 12% p.a. or above	100%
ESG – investment into sustainable assets over the 3 year period	10%	Below £300m	0%
		Threshold £300	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: £750m	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. 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 2022	Interest in share awards – subject to performance conditions	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 ²	1,399,276	4,059,702	1,156,649	–	200%	226%
Andy Parsons ³	577,629	2,700,460	651,970	–	200%	149%
Paul Bishop	36,754	–	–	–	n/a	n/a
Ian Cormack	130,000	–	–	–	n/a	n/a
Michelle Cracknell	59,000	–	–	–	n/a	n/a
John Hastings-Bass	210,200	–	–	–	n/a	n/a
Mary Kerrigan ⁴	61,715	–	–	–	n/a	n/a
Steve Melcher ⁵	154,439	–	–	–	n/a	n/a
Mary Phibbs ⁶	–	–	–	–	n/a	n/a
Kalpana Shah	–	–	–	–	n/a	n/a
Clare Spottiswoode ⁷	20,000	–	–	–	n/a	n/a

¹ Based on the average closing price of £0.6850 between 1 October 2022 and 31 December 2022.

² 334,172 of David Richardson's shares owned outright were financed by way of a company loan, of which £420k was outstanding as at 31 December 2022. 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.

³ Andy Parsons has not yet met the shareholding guideline of 200% with a current holding of 149%. Until this is met, he retains 50% of any LTIP or DBSP awards, net of tax, and NICs.

⁴ Mary Kerrigan was appointed to the Board on 1 February 2022 and her interests are shown at the date of appointment and at the date of signing the accounts.

⁵ Steve Melcher retired from the Board with effect from 31 December 2022. His share interest shown is as at the end of his appointment.

⁶ Mary Phibbs was appointed to the Board on 5 January 2023.

⁷ Clare Spottiswoode stepped down from the Board with effect from 10 May 2022. Her share interest shown is as at the end of her appointment.

There have been no changes in the Directors' interests in shares in the Company between the end of the 2022 financial year and the date of this Annual Report.

DIRECTORS' REMUNERATION REPORT continued

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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 31/12/2021	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 31/12/2022	Vesting date	Expiry date
LTIP										
24 Mar 2022	Nil	–	1,391,681	–	–	–	–	1,391,681	24 Mar 2025	24 Mar 2032
24 Mar 2021	Nil	959,704	–	–	–	–	–	959,704	24 Mar 2024	24 Mar 2031
23 Mar 2020	Nil	1,708,317	–	–	–	–	–	1,708,317	23 Mar 2023	23 Mar 2030
16 May 2019	Nil	694,567	–	–	220,872	473,695	220,872	–	16 May 2022	16 May 2029
28 Sep 2016	Nil	3,030	–	–	–	–	3,030	–	28 Sep 2019	27 Sep 2026
DSBP										
24 Mar 2022	Nil	–	323,796	–	–	–	–	323,796	24 Mar 2025	24 Mar 2032
24 Mar 2021	Nil	331,305	–	–	–	–	–	331,305	24 Mar 2024	24 Mar 2031
23 Mar 2020	Nil	501,548	–	–	–	–	–	501,548	23 Mar 2023	23 Mar 2030
28 Mar 2019	Nil	318,564	–	–	318,564	–	318,564	–	28 Mar 2022	28 Mar 2029

1 2016 LTIP, 2019 LTIP and DSBP were exercised on 8 December 2022 at a price of £0.7357.

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

Date of grant	Exercise price	Interest as at 31/12/2021	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 31/12/2022	Vesting date	Expiry date
LTIP										
24 Mar 2022	Nil	–	845,806	–	–	–	–	845,806	24 Mar 2025	24 Mar 2032
24 Mar 2021	Nil	667,131	–	–	–	–	–	667,131	24 Mar 2024	24 Mar 2031
23 Mar 2020	Nil	1,187,523	–	–	–	–	–	1,187,523	23 Mar 2023	23 Mar 2030
DSBP										
24 Mar 2022	Nil	–	225,084	–	–	–	–	225,084	24 Mar 2025	24 Mar 2032
24 Mar 2021	Nil	216,757	–	–	–	–	–	216,757	24 Mar 2024	24 Mar 2031
BUY-OUT AWARDS¹										
20 Mar 2020 (I) ²	Nil	123,606	–	–	123,606	–	123,606	Nil	31 Mar 2020-22	n/a
20 Mar 2020 (II) ³	Nil	420,258	–	–	210,129	–	210,129	210,129	31 Mar 2021-23	n/a
20 Mar 2020 (III) ⁴	Nil	618,024	–	–	196,531	421,493	196,531	Nil	16 May 2022	n/a

1 As detailed in the 2019 Directors' Remuneration Report, Andy's 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 last tranche of the 2020 March (I) award vested on 31 March 2022 and 123,606 shares were released to Andy on such day for nil consideration at a market price of £0.888114. 58,299 shares were sold to cover his tax liability and 65,307 shares were retained.

3 The second tranche of the 20 March 2020 (II) award vested on 31 March 2022 and 210,129 shares were released to Andy on such day for nil consideration and at a market price of £0.888114. 99,109 shares were sold to cover his tax liability and 110,020 shares were retained.

4 The 20 March 2020 (III) award is subject to the same performance conditions applied to the 2019 LTIP grant based on EPS and TSR which were achieved at 31.8%. 196,531 shares were therefore vested and released to Andy on 16 May 2022 for nil consideration and at a market price of £0.8045. 95,161 shares were sold to cover his tax liability and 101,370 shares were retained.

Dilution

The Company's employee share plans operate within the dilution limits in the Investment Association principles of remuneration, of 10% under all share plans and 5% under the executive share plans in any rolling ten-year period. Awards granted under the LTIP, DSBP and SAYE are satisfied by either using newly issued shares or market purchased shares held in the employee benefit trust, however it is the intention of the Company to use only market purchased shares to satisfy future awards under LTIP and DSBP.

Should the decision be made to issue new shares to satisfy LTIP or DSBP in the future, the current dilution is 3.19% (10% in 10 years under the all shares plans) and 1.94% (5% in 10 years under the executive share plans).

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

No payments were made for loss of office to Directors during 2022.

PAYMENTS TO PAST DIRECTORS (AUDITED)**Rodney Cook**

Rodney stepped down from the Board in 2019 and the treatment of his awards granted under the LTIP and DSBP was disclosed in the 2019 annual report. All of his awards vested prior to 2022 and he did not exercise any of those awards during 2022.

Simon Thomas

Simon stepped down from the Board in 2018 and the treatment of his awards granted under the LTIP and DSBP was disclosed in the 2018 annual report. All of his awards vested prior to 2022. He exercised and sold all his 2016 LTIP of 6,504 shares on 1 April 2022 for nil consideration and at a market price of £0.904014.

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

External appointments

Andy Parsons was appointed as a non-executive director of RSA Insurance Group Limited on 1 June 2021 and retains the fees of £95,000 per annum.

STATEMENT OF VOTING AT THE ANNUAL GENERAL MEETING (UNAUDITED)

At the Company's 2022 AGM, shareholders were asked to vote on the Directors' Remuneration Report for the year ended 31 December 2021. The current Directors' Remuneration Policy was put to shareholders at the 2020 AGM. The resolutions received significant votes in favour by shareholders and there were no significant adverse votes in 2021 or 2022 as that term is envisaged in the Corporate Governance Code. The votes received were:

Resolution	Votes for	% of votes	Votes against	% of votes	Votes withheld
To approve the Directors' Remuneration Report (2022 AGM)	836,645,279	98%	17,059,622	2%	76,503
To approve the Directors' Remuneration Policy (2020 AGM)	782,674,741	89%	92,145,984	11%	70,000

EXTERNAL ASSISTANCE PROVIDED TO THE COMMITTEE

FIT Remuneration Consultants ("FIT") were approved by the committee and appointed as the independent adviser to the Remuneration Committee on 24 August 2020, following a robust and competitive tender process. FIT have since been retained as the independent adviser to the Remuneration Committee and provide no additional services to the Company. 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 regularly reviews and satisfies itself that all advice received is objective and independent (through assessing the advice against their own experience and market knowledge), and fully addresses the issues under consideration. FIT is a member of the Remuneration Consultants Group and subscribes to its Code of Conduct.

Fees paid to FIT for services to the Committee in 2022 were £0.1m 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. While there are distinct bonus arrangements for certain business areas, 61% of the workforce (including the 2 Executive Directors) participate in a common bonus plan (which led to an outturn of 66.7% for 2022). Individual bonuses are then determined based on delivery against personal objectives. The Executive Directors are subject to the same process as other colleagues.

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.

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 remunerations 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.

DIRECTORS' REMUNERATION REPORT continued

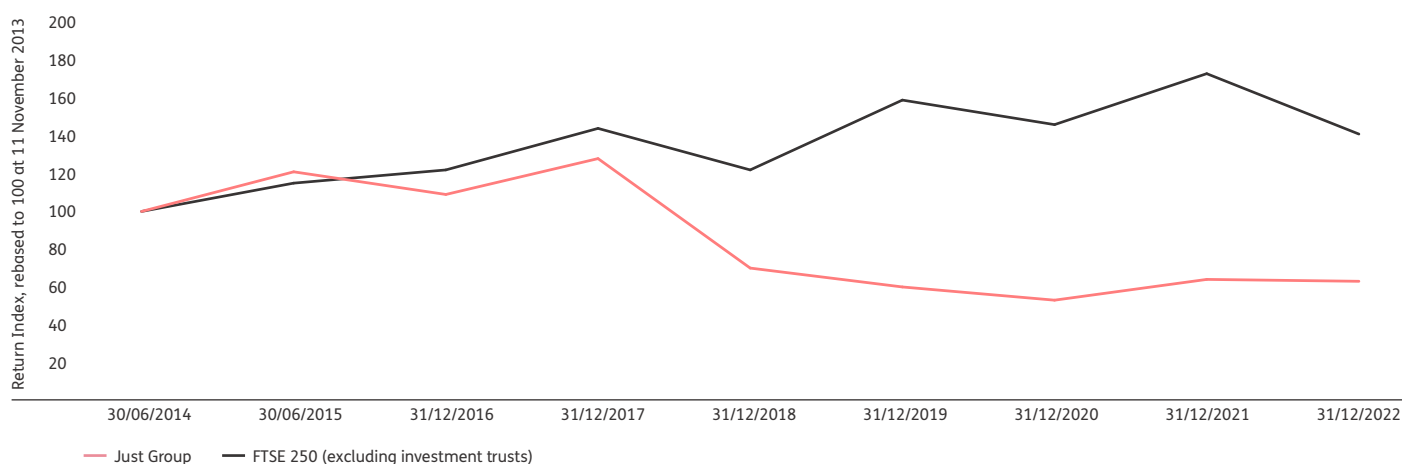
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Summary of the remuneration structure for employees below Executive Director

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 2022, the average salary increase (excluding promotions and joiners shortly prior to year end) for all employees awarded in April 2022 was 3.2%. 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 up to 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 ("STIP")	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 variable remuneration deferred into shares for three years.
LONG TERM INCENTIVE PLAN ("LTIP")	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 2022, 54 individuals were granted awards under the LTIP.
DEFERRED SHARE BONUS PLAN ("DSBP")	The Company operates a DSBP which provides the vehicle for the deferral of the STIP awards.
SHARESAVE ("SAYE")	The Company operates a SAYE which is a tax-advantaged share scheme and is open to all UK based employees as well as the Executive Directors. Participants are allowed to save a maximum of £500 per month and acquire the Company's shares at a discount of up to 20% of the market value at the date of grant, within a six-month period following the maturity of their savings contracts in either three or five years.
SHARE INCENTIVE PLAN ("SIP")	The SIP is a tax-advantaged share scheme which all of the UK based employees are eligible to participate as well as the Executive Directors. Free shares were awarded to the UK based employees in 2016. This scheme is not currently in operation but the Company may choose to do so in the future.

TOTAL SHAREHOLDER RETURN (UNAUDITED)**Group's share performance compared to the FTSE 250 Index**

The Company's ordinary shares were admitted to trading on the premium section of the London Stock Exchange in November 2013. The following graph shows a comparison of the Group's total shareholder return (share price growth plus dividends paid) with that of the FTSE 250 Index (excluding investment trusts). The Group has selected this index as it comprises companies of a comparable size and complexity across the period and provides a good indication of the Group's relative performance.

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

The total remuneration of the CEO over the last ten 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	2021	2022
Chief Executive	RC	RC	RC	RC	RC	RC	RC	DR	DR	DR	DR
Total remuneration (£'000)	1,052	1,196	1,357	2,630	2,369	2,507	438	1,440	1,541	1,577	2,470
STIP (% of maximum)	86%	63%	89%	97.5%	95.0%	91.2%	0%	83.1%	85%	80%	75%
LTIP (% of maximum)	n/a	n/a	n/a	39.5%	50.0%	50.0%	50.0%	50.0%	19.75%	31.8%	93%

- 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.
- Rodney Cook ("RC") stood down as CEO from 30 April 2019 and David Richardson ("DR") 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 fourth 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
2022	Option A	73 : 1	44 : 1	25 : 1
2021	Option A	47 : 1	29 : 1	17 : 1
2020	Option A	42 : 1	26 : 1	16 : 1
2019 ²	Option A	44 : 1	28 : 1	17 : 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 as at 31 December of the relevant year and used this to identify the three employees who represent the 25th percentile, 50th percentile and 75th percentile by total pay. FTE remuneration was determined by reference to pay across 260 working days per year over a 35 hour week. Cases where employees were on maternity leave have been excluded as their remuneration in the year was not felt to be an accurate reflection of their ordinary pay levels. This did not have a material impact on the ratios and so the Committee is satisfied that the three individuals are reflective of the three percentiles.
- The 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.

The median pay ratio was fairly consistent between 2019 to 2021. The slight reduction between 2019 and 2020 was due to a reduction in CEO remuneration. An increase was then seen in 2021 as a result of a reduction in management layers affecting the employee mix and reducing the average cost of total pay for employees. The movement in the ratio between 2021 and 2022 is solely attributable to the vesting percentage of the 2020 LTIP at 93% being notably higher than the vesting percentage of the 2019 LTIP at 31.8%. Had the 2020 LTIP vested at the same percentage as the 2019 LTIP, the ratio would have decreased slightly.

DIRECTORS' REMUNERATION REPORT continued

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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 2022.

£'000	Total pay and benefits	Salary component of total pay
25th percentile	34	25
50th percentile	56	45
75th percentile	100	72
Group Chief Executive	2,463	606

The Group Chief Executive Officer was paid 44 times the median employee in 2022. The Remuneration Committee is confident that this is consistent with the pay, reward and progression policies for the Company's UK employees. The base salary and total remuneration for the CEO and the median representative employee are competitively positioned within the relevant markets and reflect our remuneration structures which are effective in appropriately incentivising and rewarding employees for both what they achieve, as well as how they do so, while having due regard to our risk appetite. Just provides competitive reward and benefit packages to all employees ensuring pay is at or above the real living wage, while allowing for full participation in the pension arrangements. We have a career progression framework for our operations teams providing incremental salary increases as they develop in role and gain new skills. Annual benchmarking is conducted for all roles and corrective action taken where an individual is remunerated below the target level. Our competitive pension scheme provides for employer contributions of up to 10%. We have a comprehensive benefits package allowing employees to select benefits of value to them and employees are invited to participate in the annual SAYE offering. The Committee will continue to monitor the CEO pay ratio and gender pay gap statistics as part of its overview of all employee pay.

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 2020 and 2022, compared to that for the average employee of the Group (on a per capita (FTE) basis).

The movement in the percentage change of benefits for Andy Parsons between 2020 and 2021 is due to his travel allowance being removed after his first 12 months of employment.

		Percentage change between 2021 and 2022			Percentage change between 2020 and 2021		
		Base salary	Benefits	Annual bonus	Base salary	Benefits	Annual bonus
	Average employee ¹	5.85%	1.06%	-2.80%	2.5%	2.2%	-7.4%
Executive Directors	David Richardson	1.51%	1.16%	-4.37%	1%	-2%	-6%
	Andy Parsons	1.45%	1.01%	-4.44%	0%	-51%	0%
Non-Executive Directors	John Hastings-Bass ²	0%	n/a	n/a	0%	n/a	n/a
	Keith Nicholson ³	0%	n/a	n/a	0%	n/a	n/a
	Clare Spottiswoode ³	0%	n/a	n/a	0%	n/a	n/a
	Paul Bishop	0%	n/a	n/a	0%	n/a	n/a
	Ian Cormack	0%	n/a	n/a	0%	n/a	n/a
	Steve Melcher ⁵	0%	n/a	n/a	0%	n/a	n/a
	Michelle Cracknell	0%	n/a	n/a	0%	n/a	n/a
	Kalpana Shah ⁴	0%	n/a	n/a	n/a	n/a	n/a

1 All permanent employees (excluding the Executive Directors) of the Group in the UK who were in employment during 2020 and 2022 were selected as the most relevant comparator. This was chosen as the listed Company has no employees.

2 John Hastings-Bass joined 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.

3 Keith Nicholson retired as Senior Independent Director from the Board on 31 December 2021 and Clare Spottiswoode stepped down on 10 May 2022.

4 Kalpana Shah joined Just Group with effect from 1 March 2021. In order to compare her remuneration year on year, her fees for 2021 have been adjusted to reflect a full year appointment to the Board.

5 Steve Melcher retired from the board on 31 December 2022.

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 2022	Year ended 31 December 2021	% difference
Total personnel costs (£m)	106.3	101.5	+4.7%
Dividends paid (£m)	15.5	–	n/a

Implementation of the remuneration policy in 2023 for Executive Directors (unaudited)

BASE SALARY

- David Richardson, CEO: £636,500
- Andy Parsons, CFO: £442,000

David Richardson and Andy Parsons' salaries increased by 4.5% from 1 April 2023, compared to 6% for the wider workforce.

NON-EXECUTIVE DIRECTORS FEES

£'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

BENEFITS AND PENSIONS

The Executive Directors will receive a benefits allowance of £20,000 for 2023 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 2023 will be determined by a balanced scorecard of performance against financial and strategic measures. The financial measures are:

- 40% based on IFRS new business profit measures – unchanged from 2022
- 30% based on underlying operating profit – replacing the 2022 measure of 20% based on IFRS operating profit
- 30% based on new business strain – replacing the 2022 measure of 40% based on underlying organic capital generation.

The strategic measures, which can increase or decrease the bonus pool available (subject always to a maximum bonus pool of 100%) are:

- 'Customer' (customer experience)
- 'People' (engagement, belonging and gender diversity)

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 200% 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 pay outs 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.

DIRECTORS' REMUNERATION REPORT continued

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**LONG TERM
INCENTIVE PLAN
("LTIP")**

Awards will be made over shares with a face value of 200% and 175% of salary in 2023 to the CEO and CFO respectively. The awards made in 2023 will be subject to the conditions below, calculated over the three financial years to 31 December 2025, and will be subject to a further two year post-vesting holding period.

Performance conditions and targets applying to the 2023 LTIP awards

Condition	Weighting	Target	Vesting
Organic capital generation	15%	Below £50m	0%
		Threshold: £50m	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: £200m	100%
Relative TSR vs FTSE 250, excluding investment trusts	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%
Return on equity	45%	Below 8% p.a.	0%
		Threshold: 8% p.a.	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: 12% p.a. or above	100%
ESG – net zero by 2025 and 3 year investment into sustainable assets	15%	Failing to achieve net zero with 10% offset/less than £330m invested in sustainable assets	0%
		Threshold: Achieving net zero with 10% offset/£330m invested in sustainable assets	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: Achieving net zero with 8% offset/£825m invested in sustainable assets	100%

APPROVAL

This report was approved by the Board of Directors on 6 March 2023 and signed on its behalf by:

IAN CORMACK

Chair, Remuneration Committee
6 March 2023

DIRECTORS' REPORT

The Directors present their report for the financial year ended 31 December 2022.

The Strategic report, the Corporate Governance report and the Directors' 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 is a specialist UK financial services group focusing on attractive segments of the UK retirement income market. Just Group plc (the "Company") 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 35.

Commentary on the Group's performance in the financial year ended 31 December 2022 and likely future developments is included in the Strategic report. Our approach to stakeholder engagement, including our Section 172 statement, can also be found in the Strategic report.

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, Board Committee reports, and the Directors' Remuneration report, all of which is incorporated in the Directors' report by reference.

Requirements under Listing Rule 9.8.4C

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

Information	Page number
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 any 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	Share plans on page 117
Shareholder waivers of future dividends	Share plans on page 117
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 54(1) of the Modern Slavery Act 2015, the Group published its slavery and human trafficking statement online.

Articles of Association

The Company may make amendments to the Articles of Association by way of special resolution of the shareholders in accordance with the Companies Act. The Company adopted new Articles of Association at its 2022 Annual General Meeting on 10 May 2022. The latest Articles of Association can be found on the Company's website at www.justgroupplc.co.uk/investors/shareholder-information/board-and-committee-governance.

Business relationships

The Board is committed to foster the Company's business relationships with suppliers, customers and other stakeholders. Details on how the Board engages with our principal suppliers and customers, as well as other stakeholders can be found in the Relationship with stakeholders report.

GOING CONCERN AND VIABILITY STATEMENT

The Directors are required to assess the prospects of the Company and the Group as a going concern over the next 12 months in accordance with Provision 30 of the UK Corporate Governance Code 2018 (the "Code"), and also the longer-term viability of the Group in accordance with Provision 31 of the Code.

The going concern and longer-term viability assessment includes the consideration of the Group's business plan approved by the Board; the projected liquidity position of the Company and the Group; on-going impacts of economic stresses; current financing arrangements and contingent liabilities; and a range of forecast scenarios with differing levels of new business and associated additional capital requirements to write anticipated levels of new business.

The Group and its regulated insurance subsidiaries are required to comply with the requirements established by the Solvency II Framework, and to measure and monitor its capital resources on this basis.

It is fundamental to the Group that the Directors manage and monitor the key risks the Group is exposed to, including longevity risk, property risk, credit risk, and interest rate risk, so that it can protect policyholders and meet their payments when due.

The resilience of the solvency capital position has been tested under a range of adverse scenarios, which considers the possible impacts on the Group's business, including stresses to UK residential property prices, house price inflation, the credit quality of assets, mortality 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.

Furthermore, the Directors note that in a scenario where the Group ceases to write new business the going concern basis would continue to be applicable while the Group continued to service in-force policies.

Having due regard to these matters and after making appropriate enquiries, the Directors confirm that they consider it appropriate to prepare the financial statements on the going concern basis.

DIRECTORS' REPORT continued

The Viability Statement as required by the Code, has been undertaken for a period of five years to align with the Group's business planning. It is contained within the Strategic report and can be found on page 61.

THE BOARD

Directors

The Directors who served during the year and up to the date of this report are set out below.

- John Hastings-Bass, Chair
- Paul Bishop
- Ian Cormack
- Michelle Cracknell
- Mary Kerrigan
- Andrew Stephen Melcher (known as Steve Melcher) (retired on 31 December 2022)
- Andrew Parsons (known as Andy Parsons)
- Mary Phibbs (appointed on 5 January 2023)
- David Richardson
- Kalpana Shah
- Clare Spottiswoode (retired on 10 May 2023)

The biographies of the Directors in office as at the date of this report can be found in the Governance section of the Annual Report. The rules governing the appointment and retirement of Directors are set out in the Company's Articles of Association and all appointments are made in accordance with the Code. All current Directors will retire and stand for election or re-election at the 2023 Annual General Meeting ("AGM") with the exception of Paul Bishop and Ian Cormack who have informed the Board of their intention to retire as Directors at the conclusion of the 2023 AGM on 9 May 2023.

Directors' Powers

The Board is responsible for the management of the business of the Company and may exercise all powers of the Company subject to the provisions of the Company's Articles of Association and relevant legislation.

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 Financial Conduct Authority (the "Listing Rules") are as set out in the Directors' Remuneration report and details of the Directors' long-term incentive awards are also set out on page 108.

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. None of the 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 AGM in respect of the 2022 financial year will be held at 10.00 am on Tuesday 9 May 2023 at 1 Angel Lane, London EC4R 3AB. More information about the 2023 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 2022 and are shown on pages 129 to 133.

The Board is recommending a final dividend for the year ended 31 December 2022 of 1.23 pence per ordinary share (2021: 1.0 pence). Subject to approval by shareholders at the Company's 2023 AGM, the Company will pay the final dividend on 17 May 2023 to shareholders on the register of members at the close of business on 14 April 2023.

The final dividend resolution provides that the Board may cancel the dividend and, therefore, payment of the dividend at any time before payment, if it considers it necessary to do so for regulatory capital purposes. You can find detailed explanations about this in the Notice of Meeting for the 2023 AGM.

SHARE CAPITAL

Ordinary share capital

As at 31 December 2022, the Company had an issued share capital of 1,038,702,932 ordinary shares of 10 pence each, all fully paid up and listed on the premium section of the London Stock Exchange. No shares are held in treasury.

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 2022 was 81.60 pence.

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

Restricted Tier 1 bonds

The Company has £325m 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 acquirer 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.

Share capital authorities

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 authority from shareholders at a general meeting of the Company 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.

The Directors were granted the following authorities at the 2022 AGM held on 10 May 2022:

- to allot ordinary shares in the Company up to a maximum aggregate nominal amount of £69,242,103;
- to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £5,193,158 and further granted an additional power to disapply pre-emption rights representing a further 5% only to be used in specified circumstances;
- to make market purchases of up to an aggregate of 103,863,154 ordinary shares, representing approximately 10% of the Company's issued ordinary share capital as of 21 March 2022; and
- to allot ordinary shares in the Company and to grant rights to subscribe for or to convert any security into ordinary shares in the Company, on a non pre-emptive basis, up to an aggregated nominal amount of £50,000,000 in relation to any issue(s) by the Company or any subsidiary undertaking of the Company (together the "Group") of contingent convertible securities.

Details of the shares issued by the Company during 2022 and 2021 can be found in note 21. No shares were purchased by the Company during the year.

The Directors propose to renew these above mentioned authorities at the 2023 AGM for a further year and will take into account the revised Statement of Principles published by the Pre-Emption Group for the disapplication of pre-emption rights.

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 whereby the Directors and certain employees of the Company require clearance from 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 the Company's ordinary 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 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 in the Directors' Remuneration report.

The rules for the Company's LTIP, DSBP and SAYE were adopted shortly prior to the Company's admission to the London Stock Exchange in November 2013. The LTIP and DSBP each have a ten year life expiring in November 2023. The SAYE has a ten year life expiring in March 2024. The Board will seek shareholder approval for the renewal of these rules for another ten years at the 2023 AGM. Details of the proposed amendments can be found in the notice of 2023 AGM which will be made available to shareholders separately.

Awards under the LTIP, DSBP and SAYE are satisfied by using either newly issued 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.

During the 12 months to 31 December 2022, 165,888 ordinary shares of 10 pence each were issued to employees in satisfaction of the exercise of share options under the SAYE (2021: 408,488). No shares were issued to the EBT or to employees in respect of other plans during the year.

Major shareholders

The Company had been notified in accordance with DTR 5 of the Disclosure Guidance and Transparency Rules of the following major interests of 3% or more in the Company's issued ordinary share capital. The information in the following table was correct at the date of notification.

Shareholder	Ordinary shareholdings at 31 Dec 2022	% of capital	Ordinary shareholdings at 6 Mar 2023 ¹	% of capital
Baillie Gifford	58,515,211	5.63	58,515,211	5.63
Fidelity International	57,253,643	5.51	57,253,643	5.51
Aegon N.V.	51,584,569	4.97	51,584,569	4.97
AXA Investment	49,615,299	4.78	49,615,299	4.78
Ameriprise	48,341,471	4.65	48,341,471	4.65
Credit Suisse Group AG	40,054,845	3.86	40,054,845	3.86

1 Being the last practical date prior to publication of the Annual Report.

No notifications have been received from the year end to 6 March 2023.

EMPLOYEES

Equal opportunities employment

Just Group plc is an equal opportunities employer and has policies in place to ensure decisions on recruitment, development, promotions 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, 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.

We are a Disability Confident Committed employer and our recruitment process ensures we give full and fair consideration to applications made by disabled persons and any reasonable adjustments are made as required during the recruitment process to ensure disabled persons have the same opportunity to demonstrate their skills as all other applicants. 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

2022 was a year in which our colleagues once again rose to the challenge, providing support and certainty to our customers when needing it most. A key business priority is that all of our colleagues feel proud to work at Just. The combination of our strong purpose and having highly engaged teams working the 'Just Way', is a competitive advantage which will help drive high performance and our growth strategy.

We continue to have a well-defined communication and engagement programme in place so that all colleagues understand our organisation's strategy and goals and the role they play in achieving them. This includes quarterly town hall business updates, regular emails to all colleagues, videos and news items on our intranet.

We consistently monitor the engagement of our colleagues and their views on matters that are important to them. During the year we introduced a new tool called Peakon for formal surveying, and we combine these insights with informal approaches, such as gathering feedback via word of mouth.

In light of the challenging external environment, we have increased our focus on the financial wellbeing of colleagues, and put in place specific financial support for over 65% of UK based colleagues with a one-off cost of living payment. This focused our support on those individuals who were likely to be most negatively impacted financially by inflation over the past year, to help ease the challenges they faced over the winter period. We have also made interest free loans and salary advances available to those requiring additional support.

DIRECTORS' REPORT continued

Performance-based 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 colleague engagement and how the Directors have engaged with colleagues, 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 12% of the most senior employees) by three percentage points from 27% to 30%. 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 the end of 2023.

Of 123 senior managers, 45 directly report to members of the Group Executive Committee and of these, 14 (31%) are female and 4 (9%) are from a Black, Asian and minority ethnic background.

Board and Executive Management diversity

The tables below set out the Group's data on the gender identity or sex and ethnic diversity of the Board and Executive Management as at 31 December 2022 (the reference date) in accordance with the Listing Rules requirements. Further details on the Board's progress to meet the new Board diversity targets can be found in the Nomination and Governance Committee report.

Gender identity or sex

	Number of Board Members	% of the Board	Number of senior positions on the Board ¹	Number in executive management	% of executive management
Male	6	67	4	7	78
Female	3	33	0	2	22
Not specified/ prefer not to say	0	0	0	0	0

Ethnic background

	Number of Board Members	% of the Board	Number of senior positions on the Board ¹	Number in executive management	% of executive management
White British or other White (including minority white groups)	8	89	4	8	89
Mixed/multiple ethnic groups	0	0	0	0	0
Asian/Asian British	1	11	0	1	11
Black/African/Caribbean/Black British	0	0	0	0	0
Not specified/ prefer not to say	0	0	0	0	0

¹ Senior positions on the Board, as defined by the Listing Rules, comprise the Chair, Senior Independent Director, Group Chief Executive Officer and Group Chief Financial Officer.

Further information on colleagues, culture and diversity can be found in the Culture and colleagues report.

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 he or she 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 can be found in the Group Audit Committee report.

ENVIRONMENT AND EMISSIONS

In accordance with LR 9.8.6R, climate-related financial disclosures consistent with the Task Force on Climate-related Financial Disclosures (“TCFD”) recommendations and recommended disclosures are contained in the Strategic report on pages 36 to 43. Information on the Group's greenhouse gas emissions is set out in the Sustainability and the environment report.

OTHER DISCLOSURES

Change of control provisions

There are various 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.

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 in the Strategic report and in note 33 to the financial statements.

Political donations

No political donations were made, or political expenditure incurred, by the Company and its subsidiaries during the year (2021: nil).

POST BALANCE SHEET EVENTS

Details of post-balance sheet events are set out in note 38 to the financial statements.

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

SIMON WATSON

Group Company Secretary
6 March 2023

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 UK-adopted International Accounting Standards.

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 applicable UK-adopted International Accounting Standards;
- 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 the relevant financial reporting framework, 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
6 March 2023

INDEPENDENT AUDITORS' REPORT

to the members of Just Group plc

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Report on the audit of the financial statements

OPINION

In our opinion, Just Group plc's Group 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 2022 and of the Group's loss and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions 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 2022;
- 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 Group Audit Committee.

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.

Other than those disclosed in note 4, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

OUR AUDIT APPROACH

Context

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 has two regulated insurance companies, Just Retirement Limited and Partnership Life Assurance Company Limited, in addition to other financial services companies. In planning our audit, we met with the Audit Committee and members of management across the Group to discuss and understand business developments during the year, and to understand their perspectives on associated business risks. We used this insight and our knowledge of the Group and our industry experience when forming our own views regarding the audit risks and as part of developing our planned audit approach to address those risks. Given the activities of the Group, we have built a team with the relevant industry experience and technical expertise.

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)
- Recoverability of the Company's investments in Group undertakings (Company)
- Disclosure of the expected impact of initial application of IFRS 17 'Insurance Contracts' in accordance with IAS 8 (Group)

Materiality

- Overall Group materiality: £21,778,000 (2021: £24,400,000) based on 1% of Total equity.
- Overall Company materiality: £12,852,000 (2021: £12,574,000) based on 1% of Total equity.
- Performance materiality: £16,333,500 (2021: £18,300,000) (Group) and £9,639,000 (2021: £9,430,000) (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.

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.

Disclosure of the expected impact of initial application of IFRS 17 'Insurance Contracts' in accordance with IAS 8 is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter

How our audit addressed the key audit matter

Valuation of insurance contract liabilities (Group)

Refer to Group Audit Committee Report, Accounting policy 1.21 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 as these are considered the most significant and judgemental.

The work to address the valuation of the insurance contract liabilities included the following procedures:

- 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 model;
- Tested the design and, where applicable, the 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 policyholder 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, model and assumptions used against recognised actuarial practices;
- Performed testing over the actuarial model calculations. We have placed reliance on model baselining carried out as part of our first year audit (in 2020), whereby we independently replicated the liability cash flows for a sample of policies in order to validate that the model calculations were operating as intended. In 2022 we performed model baselining for the deferred annuities model, given the increase in size of business this year, using the same sample-based approach. In addition to this, we performed procedures over changes in the model and examined the analysis of change in modelled results, to assess whether the model continues to operate as expected;
- Tested the derivation of the valuation rates of interest 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; 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.

INDEPENDENT AUDITORS' REPORT continued

Key audit matter

How our audit addressed the key audit matter

Valuation of insurance contract liabilities – Annuitant mortality assumptions (Group)

Refer to Group Audit Committee Report, Accounting policy 1.21 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 in setting them. 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 annuities.

The annuitant mortality assumptions have two main components as set out below and a margin for prudence is then applied to these components.

Base mortality assumptions

This component of the assumption is mainly driven by internal experience analyses. It requires expert judgement, in determining the most appropriate granularity at which to carry out the analysis; the period used for historic experience (considering COVID-19 in recent periods); 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 future mortality improvements

This component 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, with additional uncertainty around the longer term impact of COVID-19 on future mortality rates. 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 calculated by the CMIB based on the most recent available population data.

We performed the following audit procedures to test the annuitant mortality assumptions (including base mortality assumptions, rate of future mortality improvements and margin for prudence):

- Assessed 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 over the performance of annuitant mortality experience analysis studies, approval of the proposed assumptions and implementation within the actuarial model;
- Assessed the appropriateness of areas of expert judgments used in the development of the mortality improvement assumptions, including the assessment of COVID-19 adjustments applied to future mortality rates as well as the selection and parameterisation of the CMI model such as the choice of the smoothing parameter, initial rate, long term rate and tapering at older ages;
- Assessed the appropriateness of the margin for prudence and its consistency over time;
- Compared the annuitant mortality assumptions selected by management against those used by peers using our independent annual benchmarking survey of assumptions (to the extent available);
- Assessed the disclosure of the annuitant mortality assumptions and the commentary to support the impact, 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 annuitant mortality to be appropriate.

Valuation of insurance contract liabilities – Credit default assumptions (Group)

Refer to Group Audit Committee Report, Accounting policy 1.21 Insurance liabilities and note 23 Insurance contracts and related reinsurance.

The credit default assumptions are applied as a deduction to the valuation rate of interest and therefore have a significant impact on the valuation of the insurance contract liabilities. The appropriate deduction is subjective and requires expert judgement. The Group's investment portfolio primarily consists of corporate bonds and a material amount of illiquid assets, including Lifetime Mortgages, where there is greater uncertainty.

For corporate bonds, the assumption is based upon historical observed default rates with an additional allowance when current observed spreads are in excess of an assumed long-term level. For Lifetime Mortgages, the assumption is set with reference to the No Negative Equity Guarantee ("NNEG") and for other illiquid assets, the assumption is set as an adjustment to the equivalent corporate bond assumption. In addition, a margin for prudence is applied to the credit default assumptions.

We performed the following audit procedures to test the credit default assumptions:

- Assessed the methodologies used to derive the assumptions (including margin for prudence) with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience;
- Assessed significant assumptions used by management against market observable data (to the extent available and relevant) and our experience of market practises;
- Tested the controls in place over the application of credit default assumptions within the valuation interest rate calculation; approval of the proposed assumptions and implementation within the actuarial model;
- Compared the assumptions selected against those adopted by peers using our independent annual survey of assumptions (to the extent available);
- Assessed the appropriateness of the margin for prudence for each asset class individually and in aggregate and its consistency over time; and
- Assessed the disclosure of the credit default risk assumptions and the commentary to support the impact, 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.

Key audit matter

How our audit addressed the key audit matter

Valuation of insurance contract liabilities - Expense assumptions (Group)

Refer to Group Audit Committee Report, Accounting policy 1.21 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 audit procedures to test the expense assumptions:

- Tested the design and, where applicable, the operating effectiveness of controls related to the expense assumption setting process; 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;
- Tested the completeness and accuracy of the total cost base and allocation of expenses to the appropriate cost centre;
- 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 allocation of expenses between acquisition and maintenance costs and the allocation of costs to products;
- 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 allocation of expenses between acquisition and maintenance costs and the allocation of costs to products;
- Assessed the appropriateness of the rate at which expenses are assumed to inflate in the future, taking into account current and future market expectations of both price and earnings inflation;
- Assessed the appropriateness of the margin for prudence 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 impact, if any, from changes in these assumptions over 2022.

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 Group Audit Committee Report, Accounting policy 1.17 Financial investments and note 17 Financial assets and liabilities measured at fair value.

The valuation of investments classified as Level 3 is typically calculated using a discounted cash flow model with significant unobservable inputs. This is inherently complex and requires expert judgement. Furthermore, the balances are material to the financial statements. This comprises investments in certain illiquid debt instruments, commercial mortgages and Lifetime Mortgages.

For Lifetime Mortgages, an internal model which projects the future cash flows expected to arise is used to value each mortgage. This is based on a current valuation of the underlying property. The future cash flows allow for expected future expenses, mortality and voluntary redemption experience and any potential repayment shortfalls due to the existence of the NNEG. A key judgement in the assessment of the NNEG is the best estimate future house price growth assumption. The illiquidity premium used within the discount rate is set at outset for each mortgage to ensure there is no day 1 gain and it is unchanged thereon unless there are further advances.

We performed the following audit procedures to test the valuation of the investments classified as Level 3 (excluding Lifetime Mortgages):

- Tested the design and, where applicable, the operating effectiveness of controls related to the valuation of investments; and
- Obtained independent confirmations from third party asset managers (where relevant).

For a sample of investments, we performed the following procedures:

- Engaged our valuation experts to assess the reasonableness and appropriateness of the 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 audit procedures:

- Understood the process and tested controls in place over the determination of the valuation, including those relating to model inputs, model operation and extraction and consolidation of results from the valuation model;
- Tested the design and, where applicable, the 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;
- Assessed the appropriateness of current property prices by obtaining evidence to support the latest property value used (based on valuations by Hometrack AVM or property surveyors) and recalculating the application of the Nationwide indices to property data;
- Using our actuarial specialists, applied our industry knowledge and experience to assess the appropriateness of the methodology, model and assumptions used to measure the NNEG component against recognised actuarial practices;
- 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;
- 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;
- Performed testing over the actuarial model calculations. We have placed reliance on our model baselining carried out as part of our first year audit (in 2020), whereby we independently replicated the asset cash flows for a sample of loans in order to validate that the model calculations were operating as intended. In 2022 we performed additional procedures over changes in the model and tested the analysis of change in modelled results, to assess whether the model continued to operate as expected;
- Assessed the valuation implications (if any) from the Group's recent portfolio sales; and
- Used the results of our independent annual benchmarking survey of assumptions to further challenge the assumptions and modelling approach adopted, relative to the Group's industry peers.

We have 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 assumptions.

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

Recoverability of the Company's investments in Group undertakings (Company)

Refer to Group 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 is 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.

The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount 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.

Under IAS 36 the recoverable amount is the higher of value in use ("ViU") and fair value less costs of disposal ("FVLCD") and calculating both the ViU and the FVLCD is not necessary if either of these amounts exceeds the asset's carrying amount.

Management calculated a ViU which exceeds the carrying amount of the investment at year end, indicating no impairment is required. We performed the following audit procedures related to the recoverability of the Company's investments in Group undertakings:

- Assessed the reasonableness and appropriateness of the assumptions used in the cash flows 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 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.

Based on the work performed and the evidence obtained, we consider the carrying amount of the Company's investments in Group undertakings to be appropriate.

INDEPENDENT AUDITORS' REPORT continued

Key audit matter

How our audit addressed the key audit matter

Disclosure of the expected impact of initial application of IFRS 17 'Insurance Contracts' in accordance with IAS 8 (Group)

Refer to Note 1(ii) New accounting standards and new significant accounting policies.

International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8), requires the disclosure of reasonably estimable information relevant to assessing the possible impact of new accounting standards issued but not yet effective. International Financial Reporting Standard 17, Insurance Contracts, (IFRS 17 or "the standard") became effective for periods beginning on or after 1st January 2023.

The related IAS 8 disclosures in these financial statements are intended to provide users with an understanding of the estimated impact of the new standard, and as a result, are more limited than the disclosures which will be required within the 2023 interim and annual reports.

In addition, IFRS 9 'Financial instruments' replaced IAS 39 Financial Instruments: Recognition and Measurement, which will also be applied as of 1 January 2023, having previously been deferred until implementation of IFRS 17. However, this does not have a significant impact on the financial statements or IAS disclosures and is therefore not considered to be a key audit matter.

We have determined the disclosure of the impact of IFRS 17 to be a key audit matter because of the significant changes introduced under the new standard, and the judgements required to estimate the impact on 1 January 2022 (the "transition date").

IFRS 17 adoption is expected to significantly reduce the Group's accumulated profit as at the transition date. This is primarily due to the establishment of the Contractual Service Margin ("CSM") on adopting IFRS 17 which reflects the slower release of profits compared to IFRS 4. The CSM is the mechanism in IFRS 17 by which profits are deferred and amortised over the duration of a contract.

The implementation of IFRS 17 requires the Group to interpret the requirements of the new standard and make significant judgments and assumptions to develop its accounting policies. Key judgments made include:

- The determination of the date before which it is impracticable to apply the fully retrospective approach;
- The approach for how the fair value has been determined to calculate the CSM on transition; and
- The CSM amortisation approach for deferred annuities.

New models and processes are required in order to calculate the transition impact, in addition to changes to end-state models and processes following transition.

Consideration is required as to whether the models developed adequately incorporate the methodology and have been through an appropriate governance and review process.

We performed the following procedures to assess the appropriateness of the IAS 8 disclosures with respect to the estimated impact of the initial adoption of IFRS 17:

- Understood and evaluated the relevant controls and governance process in place for the determination and approval of key methodologies, judgments and assumptions;
- Understood and evaluated the relevant controls in place with respect to the valuation of the impact on the Group's accumulated profit on adopting IFRS 17 at the transition date;
- Challenged management's conclusions with respect to impracticability and the transition approach and ensured it was in accordance with the requirements of IFRS 17;
- Obtained an understanding of and challenged the key methodologies, judgements and assumptions used to develop and calculate the impact on the Group's accumulated profit on adopting IFRS 17 at the transition date. We involved our actuarial specialists to evaluate the key actuarial judgments made including the approach to the fair value calculation at the transition date; the calculation of the fully retrospective CSM at inception; and an estimation of the change in this CSM to the transition date;
- Performed testing over the fair value models used to calculate the impact on the Group's accumulated profit on adopting IFRS 17 at the transition date. In doing so we determined whether the model adequately incorporated the methodology adopted; and
- Reviewed the quantitative and qualitative disclosures to ensure they comply with the requirements of IAS 8.

Based on the audit procedures performed and evidence obtained, we consider the disclosures related to the initial impact of IFRS 17 to be appropriate.

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 of 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 93% coverage of consolidated total assets, 98% coverage of consolidated total liabilities and 96% coverage of consolidated loss before tax.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the governance and process adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support the disclosures made within the Annual Report.

In addition to enquiries with management, we also read the Group's climate risk assessment documentation, reviewed board minutes and considered disclosures in the annual report and accounts in relation to climate change (including the Task Force on Climate-related Financial Disclosures ("TCFD")) in order to assess the completeness of management's climate risk assessment.

Management has made commitments to aim for the operations of the Group to be carbon net zero by 2025 and for emissions from the investment portfolio, properties on which lifetime mortgages are secured and supply chain to be net zero by 2050, with a 50% reduction in emissions from the portfolio by 2030.

The key areas of the financial statements where management evaluated that climate risk has a potential impact are Lifetime Mortgage and investment portfolios. Whilst management has assessed the risks, no allowances or changes have been made to current valuation methodology as the estimated potential impact is not expected to be material.

We have assessed the risks of material misstatement to the Annual Report and Accounts as a result of climate change and concluded that for the year ended 31 December 2022, the main audit risks are related to disclosures included within the 'Sustainability and the environment', 'Sustainable investment strategy' and 'Sustainability strategy: TCFD disclosure framework' sections.

We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures section) within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2022.

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	£21,778,000 (2021: £24,400,000).	£12,852,000 (2021: £12,574,000).
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 or loss 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 £3.6 million and £14.6 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% (2021: 75%) of overall materiality, amounting to £16,333,500 (2021: £18,300,000) for the Group financial statements and £9,639,000 (2021: £9,430,000) 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 Group Audit Committee that we would report to them misstatements identified during our audit above £1.1 million (Group audit) (2021: £1.25 million) and £0.7 million (Company audit) (2021: £0.6 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

INDEPENDENT AUDITORS' REPORT continued

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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 34, 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; 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 directors' 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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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 2022 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 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 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 and Company 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.

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 Group 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' Responsibility 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, 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 ("PRA") and the Financial Conduct Authority ("FCA"), 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 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 PRA and FCA 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 Group Audit Committee meetings;
- Reviewing relevant meeting minutes including those of the Board of Directors, Group 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;

INDEPENDENT AUDITORS' REPORT continued

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- 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; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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.

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 Group 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. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2020 to 31 December 2022.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Lee Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
 Chartered Accountants and Statutory Auditors
 London
 6 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

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	Note	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Gross premiums written	6	3,391.3	2,676.1
Reinsurance premiums ceded		(271.5)	(23.3)
Net premium revenue		3,119.8	2,652.8
Net investment expense	2	(4,778.5)	(130.3)
Fee and commission income		14.0	15.6
Share of results of associates accounted for using the equity method	35	(2.9)	–
Total revenue net of investment expense		(1,647.6)	2,538.1
Gross claims paid		(1,446.5)	(1,381.3)
Reinsurers' share of claims paid		236.5	239.9
Net claims paid		(1,210.0)	(1,141.4)
Change in insurance liabilities:			
Gross amount		3,487.4	(706.7)
Reinsurers' share		(552.4)	(332.0)
Net change in insurance liabilities		2,935.0	(1,038.7)
Change in investment contract liabilities	24	2.6	(0.8)
Acquisition costs	3	(55.5)	(48.6)
Other operating expenses	4	(209.2)	(193.2)
Finance costs	5	(132.7)	(136.8)
Total claims and expenses		1,330.2	(2,559.5)
Loss before tax	6	(317.4)	(21.4)
Income tax	7	85.7	5.6
Loss for the year		(231.7)	(15.8)
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of land and buildings	7, 14	0.2	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		0.5	(0.6)
Other comprehensive income/(loss) for the year, net of income tax		0.7	(0.6)
Total comprehensive loss for the year		(231.0)	(16.4)
Loss attributable to:			
Equity holders of Just Group plc		(231.1)	(15.0)
Non-controlling interest	35	(0.6)	(0.8)
Loss for the year		(231.7)	(15.8)
Total comprehensive loss attributable to:			
Equity holders of Just Group plc		(230.4)	(15.6)
Non-controlling interest	35	(0.6)	(0.8)
Total comprehensive loss for the year		(231.0)	(16.4)
Basic earnings per share (pence) ¹	11	(23.70)	(7.97)
Diluted earnings per share (pence) ¹	11	(23.70)	(7.97)

The notes are an integral part of these financial statements.

1 Restated see note 1.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

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Year ended 31 December 2022	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	Total owners Equity £m	Non- controlling interest £m	Total £m
At 1 January 2022		103.9	94.6	348.4	597.1	2.8	(4.3)	977.0	2,119.5	322.4	2,441.9	(1.9)	2,440.0
Loss for the year		–	–	–	–	–	–	(231.1)	(231.1)	–	(231.1)	(0.6)	(231.7)
Other comprehensive income for the year, net of income tax		–	–	–	–	0.2	–	0.5	0.7	–	0.7	–	0.7
Total comprehensive income/(loss) for the year		–	–	–	–	0.2	–	(230.6)	(230.4)	–	(230.4)	(0.6)	(231.0)
Contributions and distributions													
Shares issued	21	–	0.1	–	–	–	–	–	0.1	–	0.1	–	0.1
Dividends	12	–	–	–	–	–	–	(15.6)	(15.6)	–	(15.6)	–	(15.6)
Interest paid on Tier 1 notes (net of tax)	22	–	–	–	–	–	–	(13.6)	(13.6)	–	(13.6)	–	(13.6)
Share-based payments		–	–	–	–	–	(5.9)	3.8	(2.1)	–	(2.1)	–	(2.1)
Total contributions and distributions		–	0.1	–	–	–	(5.9)	(25.4)	(31.2)	–	(31.2)	–	(31.2)
Total changes in ownership interests		–	–	–	–	–	–	–	–	–	–	–	–
At 31 December 2022		103.9	94.7	348.4	597.1	3.0	(10.2)	721.0	1,857.9	322.4	2,180.3	(2.5)	2,177.8

1 Includes currency translation reserve of £1.1m, 31 December 2021 £1.6m.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *continued*

for the year ended 31 December 2022

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Year ended 31 December 2021	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	Total owners Equity £m	Non- controlling interest £m	Total £m
At 1 January 2021		103.8	94.5	348.4	597.1	3.3	(5.4)	1,056.6	2,198.3	294.0	2,492.3	(1.9)	2,490.4
(Loss)/income for the year		–	–	–	–	–	–	(15.0)	(15.0)	–	(15.0)	(0.8)	(15.8)
Other comprehensive (loss)/income for the year, net of income tax		–	–	–	–	(0.5)	–	(0.1)	(0.6)	–	(0.6)	–	(0.6)
Total comprehensive (loss)/income for the year		–	–	–	–	(0.5)	–	(15.1)	(15.6)	–	(15.6)	(0.8)	(16.4)
Contributions and distributions													
Shares issued	21	0.1	0.1	–	–	–	–	–	0.2	–	0.2	–	0.2
Tier 1 notes issued (net of costs)	22	–	–	–	–	–	–	–	–	322.4	322.4	–	322.4
Tier 1 notes redeemed	22	–	–	–	–	–	–	(47.0)	(47.0)	(294.0)	(341.0)	–	(341.0)
Dividends	12	–	–	–	–	–	–	–	–	–	–	–	–
Interest paid on Tier 1 notes (net of tax)	22	–	–	–	–	–	–	(20.4)	(20.4)	–	(20.4)	–	(20.4)
Share-based payments		–	–	–	–	–	1.1	3.7	4.8	–	4.8	–	4.8
Total contributions and distributions		0.1	0.1	–	–	–	1.1	(63.7)	(62.4)	28.4	(34.0)	–	(34.0)
Changes in ownership interest													
Acquisition of non-controlling interest	35	–	–	–	–	–	–	(0.8)	(0.8)	–	(0.8)	0.8	–
Total changes in ownership interests		–	–	–	–	–	–	(0.8)	(0.8)	–	(0.8)	0.8	–
At 31 December 2021		103.9	94.6	348.4	597.1	2.8	(4.3)	977.0	2,119.5	322.4	2,441.9	(1.9)	2,440.0

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

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	Note	31 December 2022 £m	31 December 2021 £m
Assets			
Intangible assets	13	103.8	119.7
Property, plant and equipment	14	22.4	14.2
Investment property	15	40.3	69.6
Financial investments	16	23,477.2	24,681.7
Investments accounted for using the equity method	35	194.3	–
Reinsurance assets	23	2,286.9	2,808.2
Deferred tax assets	18	93.2	–
Current tax assets		5.7	30.2
Prepayments and accrued income		85.0	75.6
Insurance and other receivables	19	322.8	35.4
Cash available on demand	20	482.0	510.2
Assets classified as held for sale	14	–	3.1
Total assets		27,113.6	28,347.9
Equity			
Share capital	21	103.9	103.9
Share premium	21	94.7	94.6
Reorganisation reserve		348.4	348.4
Merger reserve	21	597.1	597.1
Revaluation reserve	14	3.0	2.8
Shares held by trusts		(10.2)	(4.3)
Accumulated profit		721.0	977.0
Total equity attributable to shareholders of Just Group plc		1,857.9	2,119.5
Tier 1 notes	22	322.4	322.4
Total equity attributable to owners of Just Group plc¹		2,180.3	2,441.9
Non-controlling interest	35	(2.5)	(1.9)
Total equity		2,177.8	2,440.0
Liabilities			
Insurance liabilities	23	18,332.9	21,812.9
Reinsurance liabilities	23	305.8	274.7
Investment contract liabilities	24	32.5	33.6
Loans and borrowings	25	699.3	774.3
Lease liabilities	26	8.6	3.9
Other financial liabilities	27	5,250.2	2,865.6
Deferred tax liabilities	18	–	5.3
Other provisions		1.1	1.2
Accruals and deferred income		42.9	43.1
Insurance and other payables	30	262.5	93.3
Total liabilities		24,935.8	25,907.9
Total equity and liabilities		27,113.6	28,347.9

1 Total equity attributable to owners of Just Group plc has been restated to include Tier 1 notes, which were previously presented separately within total equity.

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 6 March 2023 and were signed on its behalf by:



ANDY PARSONS
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Note	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Cash flows from operating activities			
Loss before tax		(317.4)	(21.4)
Depreciation of property, plant and equipment	14	3.3	4.2
Share of results from associates		2.9	–
Impairment of property, plant and equipment	14	–	0.3
Amortisation of intangible assets	13	20.5	20.4
Property revaluation loss		0.5	–
Share-based payments		(3.4)	4.8
Interest income	2	(637.9)	(572.1)
Interest expense	5	132.7	136.8
Realised and unrealised gains on financial investments		2,914.4	(1,103.8)
Decrease in reinsurance assets		552.4	332.0
Increase in prepayments and accrued income		(9.4)	(1.3)
Increase in insurance and other receivables		(287.8)	(3.8)
(Decrease)/increase in insurance liabilities		(3,480.0)	694.5
Decrease in investment contract liabilities		(1.1)	(9.2)
Decrease in deposits received from reinsurers		(540.8)	(270.3)
Increase/(decrease) in accruals and deferred income		1.4	(10.8)
Increase in insurance and other payables		169.2	1.7
Increase/(decrease) in other creditors		1,339.6	(60.4)
Interest received		401.9	337.8
Interest paid		(74.7)	(78.7)
Taxation received/(paid)		16.0	(12.7)
Net cash inflow/(outflow) from operating activities		202.3	(612.0)
Cash flows from investing activities			
Additions to internally generated intangible assets	13	(4.6)	(6.6)
Acquisition of property and equipment	14	(3.5)	(0.7)
Disposal of assets		3.1	–
Acquisition of associates/subsidiaries	35	(197.3)	(70.6)
Net cash outflow from investing activities		(202.3)	(77.9)
Cash flows from financing activities			
Issue of ordinary share capital (net of costs)	21	0.1	0.2
Proceeds from issue of Tier 1 notes (net of costs)	22	–	321.8
Redemption of Tier 1 notes (including costs)	22	–	(350.6)
Decrease in borrowings (net of costs)	25	(76.5)	–
Dividends paid	12	(15.6)	–
Coupon paid on Tier 1 notes	12	(16.9)	(25.2)
Interest paid on borrowings		(57.1)	(56.7)
Payment of lease liabilities – principal	26	(2.9)	(3.6)
Payment of lease liabilities – interest	26	(0.1)	(0.1)
Net cash outflow from financing activities		(169.0)	(114.2)
Net decrease in cash and cash equivalents		(169.0)	(804.1)
Foreign exchange differences on cash balances		4.7	–
Cash and cash equivalents at 1 January		1,820.7	2,624.8
Cash and cash equivalents at 31 December		1,656.4	1,820.7
Cash available on demand		482.0	510.2
Units in liquidity funds		1,174.4	1,310.5
Cash and cash equivalents at 31 December	20	1,656.4	1,820.7

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 (the “Company”) is a public company limited by shares, incorporated and domiciled in England and Wales. The Company’s registered office is Enterprise House, Bancroft Road, Reigate, Surrey, RH2 7RP.

Restatement

A limited scope review of the Company’s Annual Report and Accounts to 31 December 2021 was performed by the FRC in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. The review covered only those aspects of the Annual Report and Accounts that relate to the application of IAS 33, ‘Earnings per Share’, and compliance with its requirements.

As a result of the review of the 2021 Annual Report by the FRC, the Directors reconsidered the accounting for the loss on redemption of the Restricted Tier 1 (“RT1”) notes redeemed in 2021. The requirements in IAS 33 regarding redemption of preference shares should have been applied to the redemption of the RT1 notes and as such the loss on redemption should have been deducted from earnings for the purposes of calculating earnings per share and diluted earnings per share. The impact of correcting this error is shown below.

	As originally disclosed pence	Adjusted pence	As restated pence
Earnings per share	(3.42)	(4.55)	(7.97)
Diluted earnings per share	(3.42)	(4.55)	(7.97)

The above restatement has no effect on the 2021 adjusted earnings per share.

The FRC’s enquiry, which was limited to only those aspects of the 2021 Annual Report and Accounts that relate to the application of IAS 33, Earnings per share, and compliance with its requirements is now complete. The FRC review does not benefit from detailed knowledge of our business or an understanding of the underlying transaction entered into in redemption of the Restricted Tier 1 notes, and accordingly the review provides no assurance that the Annual Report and Accounts are correct in all material respects.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and the disclosure guidance and transparency rules sourcebook of the United Kingdom’s Financial Conduct Authority.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and financial assets and financial liabilities (including derivative instruments and investment contract liabilities) at fair value. Values are expressed to the nearest £0.1m.

i) Going concern

A detailed going concern assessment has been undertaken and having completed this assessment, 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.

This assessment includes the consideration of the Group’s business plan approved by the Board; the projected liquidity position of the Company and the Group, impacts of economic stresses, the current financing arrangements and contingent liabilities and a range of forecast scenarios with differing levels of new business and associated additional capital requirements to write anticipated levels of new business.

The Group has a robust liquidity framework designed to withstand 1-in-200 year stress events. The Group liquid resources includes an undrawn revolving credit facility of up to £300m for general corporate and working capital purposes. The borrowing facility is subject to covenants that are measured biannually in June and December, being the ratio of consolidated net debt to the sum of net assets and consolidated net debt not being greater than 45%. The ratio on 31 December 2022 was 14.6% (2021: 15.8%). The Group’s business plan indicates that liquidity headroom will be maintained above the Group’s borrowing facilities and financial covenants will be met throughout the period.

The Group and its regulated insurance subsidiaries are 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 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. Insurers are required to maintain eligible capital, or “Own Funds”, in excess of the value of the Solvency Capital Requirement (“SCR”). The SCR represents the risk capital required to be set aside to absorb 1-in-200 year stress tests, over the next year’s time horizon, of each risk type that the insurer is exposed to, including longevity risk, property risk, credit risk, and interest rate risk. These risks are aggregated together with appropriate allowance for diversification benefits.

The resilience of the solvency capital position has been tested under a range of adverse scenarios, before and after management actions within the Group’s control, which considers the possible impacts on the Group’s business, including stresses to UK residential property prices, house price inflation, the credit quality of assets, mortality, 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 of over 40%. Eligible own funds exceeded the minimum capital requirement in all stressed scenarios described above.

1 SIGNIFICANT ACCOUNTING POLICIES continued

Based on the assessment performed above, the Directors conclude 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.

Furthermore, the Directors note that in a scenario where the Group ceases to write new business the going concern basis would continue to be applicable while the Group continued to service in-force policies.

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. The Directors also considered the findings of the work performed to support the long-term viability statement of the Group in the Risk management section of the Annual Report and Accounts, which is undertaken together with the going concern assessment. The Board and Audit Committee considered going concern over 12 months as well as the consistency with the longer-term viability of the Group, reviewing this over five years. Accordingly, the going concern basis has been adopted in the valuation of assets and liabilities.

ii) New accounting standards and new significant accounting policies

The following amendments to existing accounting standards are effective from 1 January 2022 but do not have a significant impact on the Group's financial statements. The amendments include clarifications that are not inconsistent with the Group's existing accounting treatment and other insignificant changes.

- IFRS 3, Business combinations – Amendments to references to the conceptual framework for financial reporting in order to avoid the unintentional recognition of day-two gains following revisions to the conceptual framework in 2018;
- IAS 16, Property, plant and equipment – Amendments in respect of proceeds before intended use that prohibits deducting proceeds from selling items from the cost of an item of property, plant and equipment;
- IAS 37, Provisions, contingent liabilities and contingent assets – Amendments in respect of costs of fulfilling a contract to clarify that such costs include both direct costs and an allocation of costs that relate directly to fulfilling the contract.

The following new accounting standards and amendments to existing accounting standards have not yet been adopted and are expected to have a significant impact on the Group.

- IFRS 9, Financial instruments (effective 1 January 2018).
Amendments to IFRS 4, Insurance Contracts, published in September 2016 and adopted by the Group with effect from 1 January 2018, permits the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2023 for eligible insurers. Just continues to defer IFRS 9.

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 2022 would be unchanged at £23,474.1m. 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.

- IFRS 17, Insurance contracts (effective 1 January 2023).

i) IFRS 17

Background

IFRS 17 Insurance Contracts 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. During 2022, the IASB Interpretation Committee ("IFRIC") signalled its conclusion regarding the approach to assessing coverage units for annuity contracts in payment and this has been adopted in Just's approach. IFRS 17 was approved for adoption by the UK Endorsement Board in May 2022. Results in the 2023 financial year will comply with IFRS 17, with the first Annual Report published in accordance with IFRS 17 being that for the year ending 31 December 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4, Insurance Contracts. IFRS 17 represents a significant conceptual change from IFRS 4, with recognition of profits over lives of contracts instead of mainly at point of sale for annuity business. Furthermore, recognition of demographic and expense assumption changes will also be deferred under IFRS 17, with recognition over the remaining lives of contracts, which will result in reduced volatility in reported profits in future. There is no change to the interpretation of significant insurance risk and its application to Just's products, and hence the scope of contracts within IFRS 17 is consistent with IFRS 4.

IFRS 17 Project

The Group has deployed a cross-functional project team dedicated to the implementation of IFRS 17. This team has been engaged in determining accounting policies under the new standard, quantifying the transitional adjustments and developing and implementing a new system for calculating the contractual service margin together with a new accounting system which will support the extensive financial statements disclosures required by IFRS 17. The team is currently focussed on validating transition results, producing the 2022 year end results on an IFRS 17 basis, and the embedding of new IFRS 17 processes and controls across reporting, planning and relevant operational functions.

Transition

On the transition date, 1 January 2022, the Group will:

- Identify, recognise, and measure each group of gross insurance contracts and associated reinsurance contracts, as if IFRS 17 had always applied unless impracticable;
- Derecognise any existing IFRS 4 balances, including the Present Value of In Force Business and other relevant balances that would not exist had IFRS 17 always applied;
- Classify reinsurance balances separately depending whether they are in an asset or liability position at a portfolio level, where previously they were classified at a treaty level;
- Reclassify reinsurance deposits previously classified as financial instruments, to be included within the value of reinsurance contracts; and
- Recognise any resulting net difference in accumulated profit net of any related tax adjustments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 SIGNIFICANT ACCOUNTING POLICIES continued

Firms are required to apply IFRS 17 fully retrospectively, unless it is impracticable to do so, in which case either a modified retrospective approach or fair value approach may be taken. For insurance and reinsurance contracts where the effective date of the contract was prior to 1 January 2021, management have concluded that it would be impracticable to apply the standard on a fully retrospective basis due to the inability of determining the risk adjustment, a new requirement in terms of IFRS 17, in earlier years without the application of hindsight. Guidance contained in the IAS 8 accounting standard 'Accounting Policies, Changes in Accounting Estimates and Errors' requires that hindsight should not be applied in the application of an accounting standard on a retrospective basis. The risk adjustment is a new requirement of IFRS 17 and represents the compensation that an entity requires to take on non-financial risk. Defining "compensation that the entity requires" to take on non-financial risk differs to any of the risk-based allowances adopted by the Group for either existing regulatory or statutory reporting purposes. The Group's new risk adjustment policy was developed and adopted during 2021 with calculation of the risk stresses to be applied from 1 January 2021. Under this policy, management determines a target confidence level based upon an assessment of the current level of risks that the business is exposed to and the compensation required to cover those risks. Key factors for consideration here include: the size of the business, products offered, reinsurance structures, regulatory challenges and market competitiveness. These factors are not necessarily stable from period to period, and today's understanding of these aspects should be excluded from any historic assessment of risk as doing so would be to apply hindsight.

Management have assessed whether other information used in previous reporting cycles, including for pricing new business, could be used to determine the risk adjustment, but have concluded that none of these alternatives would be appropriate. The development of the new approach for IFRS 17 represents a significant enhancement in the approach used to determine the Group's allowance for non-financial risk, with the use of a target confidence interval and probability distributions providing a more meaningful quantification of allowance for risk compared with IFRS 4 reporting. The reinsurance risk adjustment in IFRS 17 reflects the "amount of risk being transferred" to the reinsurer, so where the risk adjustment for insurance contracts is impracticable then, by definition, the reinsurance risk adjustment is also impracticable. For contracts for which the Fully Retrospective Approach is impracticable, the Group will apply the Fair Value Approach. A reconciliation of our primary financial statements under IFRS 17 to those in accordance with IFRS 4 will be provided in the 2023 interim financial statements.

Fair value calculations

Under the fair value approach, the Contractual Service Margin ("CSM") will be determined as the difference between the fair value of a group of contracts and the fulfilment cash flows at the transition date. Fair values have been calculated in accordance with IFRS 13 which requires that entities should consider market observable data. There is no active observable market for the transfer of insurance liabilities and associated reinsurance between market participants and therefore there is limited market observable data. The fair value methodology adopted by the Group calculates the premium that would be required by a market participant to accept the insurance liabilities together with associated reinsurance. The fair value models have been based on Just's internal pricing models as used for pricing new business. By basing the fair values on results from pricing models used in the active insurance markets, management believes that the results are representative of market fair values. Key assumptions used as inputs within the models are the Solvency Capital Requirement coverage ratio, the Return on Capital ("RoC") assumption and the backing asset mix. These assumptions and other key inputs into the fair value calculations have been reviewed by an independent firm of accountants who have access to industry surveys and other benchmarking, and their review conclusions made available to the Group Audit Committee. The fair value result has been benchmarked against any publicly available and relevant market information as well as an independent internal calculation based upon a Dividend Discount Model ("DDM") approach sometimes used in industry for the valuation of insurance business.

Contractual Service Margin

The recognition of the Contractual Service Margin ("CSM") liability represents a major change from existing accounting treatment under which profits in excess of prudence margins are immediately recognised in the income statement. The CSM is held on the balance sheet as part of insurance contract liabilities, and represents the unearned profit of insurance contracts. The CSM in respect of contracts gross of reinsurance cannot be negative; in this event, a loss will be reported in the statement of comprehensive income (the "income statement") to the extent that fulfilment cash flows represent a net outflow over the coverage period.

Under the general model, the CSM is adjusted at each subsequent reporting period, using discount rate determined at inception, for changes in expected future cash flows. Changes in fulfilment cash flows are recognised as follows:

- Changes relating to future services adjusted against the CSM (or recognised in the insurance service result in the income statement if the group is onerous).
- Changes relating to current or past services are recognised in the insurance service result in the income statement.
- Effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expenses in the income statement.

Interest is accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). The CSM will be released into the income statement based on coverage units which reflect the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

The Group provides the following services to customers:

- Investment return service when a customer is in the deferred or guarantee phase; and
- Insurance coverage services when an annuitant is in payment period for annuities.

By their nature, coverage units will vary depending on the type of service provided. A weighting then needs to be applied to the different types of coverage unit in order to calculate an aggregate value of the proportion of the CSM balance that is to be released. The Group will use the probability of the policy being in force in each time period for weighting the disparate types of coverage unit. This weighting reflects management's view that the value of services provided to policyholders is broadly equivalent across the different phases in the life of contracts. These weightings are applied to the coverage units which are defined as follows:

- In the deferred phase, investment return service coverage units are represented by the return on the funds backing the future cash flows in this accumulation phase and the insurance service is considered insignificant;
- In the guaranteed phase when payments outwards are being made, investment return service is represented by the payments to annuitants; and
- In the life contingent phase, insurance service is represented by payments to annuitants.

The coverage units and the weightings used to combine coverage units are discounted using the locked-in discount rates and financial risk assumptions as at inception of the contracts. The weightings applied are updated each period for changes in life expectancies.

1 SIGNIFICANT ACCOUNTING POLICIES continued

IFRS 17 fulfilment cash flows

The IFRS 17 fulfilment cash flows comprise a best estimate component, the 'estimate of present value of future cash flows', and a risk adjustment for non-financial risks. The best estimate cash flows are expected to be consistent with the current IFRS 4 cash flows after removing the prudence margins.

Risk adjustment for non-financial risks

A further change introduced by IFRS 17 is the inclusion of the risk adjustment for non-financial risk (risk adjustment) as an explicit reserve within insurance liabilities to reflect the compensation required by the Group for bearing the uncertainty in respect of the amount and timing of the future cash flows. This component replaces an implicit allowance for prudence within the IFRS 4 reserves. The determination of the risk adjustment within Just follows a value-at-risk type approach, representing the maximum loss within a retained confidence level. Applying a confidence level technique, the Group will estimate the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. The Group is targeting a confidence level of 70% on an ultimate run off basis. This target level has been chosen in light of it being commensurate to a 1 in 10 year risk confidence level on a one-year basis. No diversification of risk adjustment for non-financial risk between legal entities is assumed.

Discount rates

The Group will continue to use the 'top-down' approach for determining the discount rates as it currently does for IFRS 4. Following this approach, the effect of factors within the yield that are not characteristic of the insurance cash flows, notably credit risk, both expected and unexpected, must be removed. This marks a change from IFRS 4, which simply requires that a prudent allowance is made for credit risk. The quantification of the allowance for credit risk within asset yields is not observable in the market or readily available data sources and hence involves subjective judgement. The Group will make an allowance for unexpected default risk and remove the IFRS 4 prudence for different investment types, with the overall change not expected to be significant in the context of the insurance contracts balance. No adjustment for liquidity differences between the reference portfolio and the liabilities is made.

Discount rates at the inception of each contract are based on the yields within a hypothetical reference portfolio of assets which the Group expects to acquire to back the portfolio of new insurance liabilities (the "target portfolio"). This is consistent with the approach taken for the current new business operating profit metric. For the purposes of the CSM relating to each group of contracts, a weighted average of these discount rate curves is determined to lock-in each annual cohort.

At each valuation date, the estimate of the present value of future cash flows and the risk adjustment for non-financial risk are discounted based on the yields within a reference portfolio of assets consisting of the actual asset portfolio backing the net of reinsurance liabilities. The reference portfolio is adjusted in respect of new contracts incepting in the period to allow for a period of transition from the target portfolio to the actual asset portfolio.

Level of aggregation

The Group's life companies will aggregate all insurance contracts into single portfolios as their products bear similar risks and are managed together. The CSM is computed for separate contract groupings based on annual cohorts split between DB, GifL and Care products. These groupings are further subdivided at the date of initial recognition into three groupings: onerous (if any); contracts which have no significant possibility of becoming onerous subsequently (if any); and the remaining contracts.

Reinsurance

The Group will measure reinsurance contracts separately to the underlying contracts using consistent assumptions in cases where the reinsurance is transacted or in place in the same accounting period, in accordance with the standard. The level of aggregation for CSM calculation purposes will be at treaty (contract) level. The existing treaties for which the deposit back arrangements are currently reported separately as financial liabilities will be included within the value of the associated reinsurance contracts under IFRS 17.

Impact

We have estimated that the post-tax impact on accumulated profit of the Group at transition will be a decrease of between £0.9bn and £1.1bn. The corresponding impact will primarily be recorded as CSM within the insurance contract balance. The results from the models used to calculate the post-tax impact on accumulated profit have been through validation processes by the company which have enabled us to present the range above. Further checks and system refinements are being undertaken as part of the production of the transition balance sheet which will be reported as part of our interim results for the six month period ending 30 June 2023. The implementation of the comprehensive end state control environment will continue as Just introduces business as usual controls throughout the first half of 2023, and in the meantime we have only presented the impact on accumulated profits of the Group at transition.

The impact of the transition to IFRS 17 will be to de-recognise profits that were previously taxed under IFRS 4, thereby creating a tax loss. Transition relief for tax purposes was enacted in December 2022 which spreads relief for the tax loss over a ten year period. The Group anticipates full recovery of this tax loss against profits to be earned in future years.

Under IFRS 17, new business profits and changes in non-economic assumptions will be recognised in the income statement over the lifetime of the contracts. The timing of the recognition of the CSM in the income statement will be determined based on services that are provided, and the risk adjustment for non-financial risk as the related risk expires. The Group expects that, even though the total profit recognised over the lifetime of the contracts will not change, it will emerge more slowly under IFRS 17. Under IFRS 4, profits are currently recognised in the income statement account on initial recognition of the contracts. The different timing of profit recognition will result in an increase in liabilities on adoption of IFRS 17 because a portion of profits previously recognised and accumulated in equity under IFRS 4 will be included in the measurement of the liabilities under IFRS 17.

Disclosures

IFRS 17 requires extensive new financial statement disclosures. The format of the Statement of Comprehensive Income will be fundamentally altered to report a net profit or loss from insurance services separately from the investment result. New detailed disclosures will include a roll-forward from the prior period of the insurance balances split by component, including risk adjustment and CSM. Information on the expected CSM emergence pattern will be provided, as well as disclosures about significant judgements made when applying IFRS 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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1 SIGNIFICANT ACCOUNTING POLICIES continued

ii) IFRS 9 'Financial instruments'

Background

IFRS 9 'Financial instruments' replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for accounting periods beginning on or after 1 January 2018. However, the Group has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023, the date at which IFRS 17 becomes effective. Consequently, the Group will apply IFRS 9 commencing 1 January 2023, with comparative periods restated. The IFRS 9 standard is applicable to financial assets and financial liabilities and covers the classification, measurement, impairment and de-recognition of financial assets and liabilities together with a new hedge accounting model.

Financial assets

The Group's business model is to manage financial instruments on a fair value basis. The Group will therefore adopt the approach allowed within the standard to continue to measure the majority of its financial assets at fair value through profit or loss. This remains appropriate as it is consistent with the Group's business model and the management of the underlying instruments. The Group is investigating the opportunity to create a separate amortised cost portfolio of newly acquired surplus assets which would back the CSM reserve which is not interest rate sensitive.

For the residual financial assets which are measured at amortised cost, IFRS 9 operates an expected credit loss model rather than an incurred credit loss model. Providing for an expected credit loss on our existing financial assets, measured at amortised cost, is not expected to have a material impact on Group shareholders' funds.

Financial liabilities

As explained above in the section on IFRS 17, the existing reinsurance deposit-back IAS 39 financial liabilities will move to within the scope of IFRS 17. Other than this, IFRS 9 retains the requirements in IAS 39 for the classification and measurement of financial liabilities, and hence there are no further changes required in this area.

Hedge accounting

The Group does not currently apply hedge accounting and therefore will not be impacted by the new requirements of IFRS 9.

The following amendments to existing standards in issue have not been adopted by the Group and are not expected to have a significant impact on the financial statements.

- IAS 1, Presentation of financial statements – Amendments in respect of disclosures of accounting policies (effective 1 January 2023, not yet endorsed);
- IAS 1, Presentation of financial statements – Amendments in respect of the classification of liabilities as current or non-current (effective 1 January 2024, not yet endorsed);
- IAS 8, Accounting policies – Amendments in respect of the definition of accounting estimates (effective 1 January 2023, not yet endorsed);
- IAS 12, Income taxes – Amendments in respect of deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023, not yet endorsed).

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 regarding 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 in applying accounting policies are as follows.

Accounting policy	Item involving judgement	Critical accounting judgement
1.6	Classification of insurance and investment contracts	Assessment of significance of insurance risk transferred. A contract is classified as an insurance contract if it transfers significant insurance risk from the policyholder to the insurer, or from the cedent to the reinsurer in the case of a reinsurance contract. 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. Any contracts that do not include the transfer of significant insurance risk are classified as investment contracts.
1.17	Classification of financial investments	Classification of financial investments and determining whether an active market exists for a financial investment. Financial investments classified at fair value through profit or loss include those that are designated as such by management on initial recognition as they are managed on a fair value basis. Management's assessment of the market activity of a financial investment determines the fair value hierarchy of the valuation method used to determine the fair value of the financial investment.
1.17	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.

1 SIGNIFICANT ACCOUNTING POLICIES continued

The table below sets out those items the Group considers most susceptible to changes in critical estimates and assumptions. Management applies judgement in making estimates and assumptions that are applied to the balances described in the table below.

Accounting policy and notes	Item involving estimates and assumptions	Critical estimates and assumptions
1.17, 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.
1.17, 17(a) and (d)	Measurement of fair value of Financial investments - illiquids	The critical estimates used in valuing investments in illiquid financial assets include the projected future cashflows from settlement of the investment. The key assumption used as part of the valuation calculation is the discount rate which includes a credit spread allowance associated with the asset. The redemption and default assumptions are derived from the assumptions for the Group's bond portfolio.
1.18, 17(a) and (d), 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, 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.
1.21, 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 and 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.

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.

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 investments 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 the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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1 SIGNIFICANT ACCOUNTING POLICIES continued

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.

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.

An operating segment is a component of the Group that engages in business activities from which it derives income and incurs expenses.

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.

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 Retirement Income 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. DB, GifL, Care Plan and Protection policies currently written by the Group are classified as insurance contracts.

Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts. Capped Drawdown pension business is classified as investment contracts as there is no transfer of longevity risk due to the premium protection option within these fixed term contracts. Capped Drawdown contracts are no longer marketed by the Group. Loans secured by residential mortgages ("LTM's") are accounted for as financial instruments in accordance with IAS 39.

1.7 Premium revenue

Premium revenue in respect of individual GifL contracts is accounted for 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 accounted for when the insurance contract commences.

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.

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

Revenue from contracts with customers is recognised at the 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 commission on GifL contracts, commission on LTM advances and other income which includes investment management fees, administration fees and software licensing fees.

Fee income excludes facilitated adviser charges collected on behalf of advisers.

1 SIGNIFICANT ACCOUNTING POLICIES continued**1.10 Claims paid**

Claims paid includes policyholder benefits and claims handling expenses. Policyholder benefits are accounted for when due for payment. Death claims are accounted for when notified.

Reinsurance claim recoveries are accounted for in the same period as the related claim.

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 Finance costs

Finance costs on deposits received from reinsurers are recognised as an expense in the period in which they are incurred.

Interest on loans and borrowings is accrued in accordance with the terms of the loan agreement. Issue costs are added to the loan amount and interest expense is calculated using the effective interest rate method.

1.13 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.

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 of each scheme, based on the Group's estimate of the equity instruments that will eventually vest, is expensed in the Consolidated statement of comprehensive income on a straight-line basis over the vesting period, with a corresponding credit to equity.

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.

1.14 Intangible assets

Intangible assets consist of goodwill, which is deemed to have an indefinite useful life, Present Value of In-Force business ("PVIF"), acquired and internally generated intellectual property (including Prognosys™), and purchased and internally developed software, 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 future economic benefits attributable to the asset will flow to the Group, and are measured at cost less accumulated amortisation and any impairment losses. 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.

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 up 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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1 SIGNIFICANT ACCOUNTING POLICIES continued

The 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
Intellectual property	12 – 15 years	Estimated replacement cost

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
Prognosis™	12 years
Software	3 years

1.15 Property, plant and equipment

Land and buildings are measured at their revalued amounts less any subsequent depreciation, and impairment losses. Valuations are performed periodically but at least triennially 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. 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. Reversals of revaluation deficits follow the original classification of the deficit in the Statement of comprehensive income.

All other property, plant and equipment is measured 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.

The useful lives over which depreciation is charged for all categories of property, plant and equipment are as follows:

Property, plant and equipment	Estimated useful economic life
Land	Indefinite – land is not depreciated
Buildings	25 years
Computer equipment	3 – 4 years
Furniture and fittings	2 – 10 years

1.16 Investment property

Investment property includes property that is held to earn rentals and/or for capital appreciation. Investment property is initially recognised at cost, including any directly attributable transaction costs and subsequently measured at fair value.

Investment property held by the Group relates to the Group's investment in a Jersey Property Unit Trust ("JPUT"). Cost represents the transaction price paid for the investment in the JPOT. Although the Group obtained control of the JPOT, the investment was not accounted for as a Business Combination because substantially all of the fair value of the gross assets acquired was concentrated in a single identifiable asset or group of similar identifiable assets. As such, no goodwill was recognised and the cost of the group of assets was allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

Fair value is the price that would be received to sell a property in an orderly transaction between market participants at the measurement date. The subsequent measurement of fair value reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions. Gains and losses arising from the change in fair value are recognised as income or an expense in the Consolidated statement of comprehensive income. Where investment property is leased out by the Group, rental income from these operating leases is recognised as income in the Consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

1.17 Financial investments

Classification and measurement

The Group continues to apply IAS 39, prior to adoption of IFRS 9 concurrently with IFRS 17 in 2023. Investments are classified at fair value through profit and loss; including those assets designated by management as such on inception, as they are managed on a fair value basis, and also derivatives that are classified as held for trading. Financial investments include loans secured by residential mortgages ("LTM's") which are classified as financial assets. Investments are measured at fair value with any gains and losses recognised in Net investment income in the Consolidated statement of comprehensive income. Transaction costs are recognised in Other operating expenses when incurred.

The Group does not apply hedge accounting.

Recognition and derecognition

Regular-way 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. Loans secured by residential mortgages are recognised when cash is advanced to borrowers.

Financial investments are derecognised when our rights to the contractual cash flows expire or the IAS 39 derecognition criteria for transferred financial assets are met. The criteria include assessment of rights and obligations to the cash flows and assessment of the transfer of substantially all the risks and rewards of ownership.

1 SIGNIFICANT ACCOUNTING POLICIES continued

Collateral

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. Cash collateral received that is not legally segregated from the Group is recognised as an asset with a corresponding liability for the repayment in other financial liabilities. Cash collateral pledged that is legally segregated from the Group is derecognised and a receivable for its return is recorded in the Consolidated statement of financial position. Non-cash collateral received is not recognised as an asset unless it qualifies for derecognition by the transferor. Non-cash collateral pledged continues to be recognised in the Consolidated statement of financial position within the appropriate asset classification when the Group continues to control the collateral and receives the economic benefit.

The Group has various reinsurance collateral arrangements including funds withheld, funds transferred and premium deposit-back arrangements. The recognition/derecognition of the collateral assets is determined by the IAS 39 recognition/derecognition criteria. An assessment is made of the contractual terms, including consideration of the Group's exposure to the economic benefits. See accounting policy 1.18 and note 29 for further details.

Determination of fair value

The financial investments measured at fair value are classified into the three-level hierarchy described in note 17 on the basis of the observability of the inputs that are significant to the fair value measurement of the financial investment concerned.

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 as described below.

The Group holds certain financial investments which are not quoted in active markets. These 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. For all listed fixed maturity securities, a third party fixed income liquidity provider is used to determine whether there is an active market for a particular security.

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, discounted cash flow analysis and option pricing models. 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.

Deferral of IFRS 9

IFRS 4, Insurance contracts, permits the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2023 to align with the effective date of IFRS 17, the replacement insurance contracts standard. The option to defer the application of IFRS 9, which the Group has continued to adopt for 2022, 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 the 90% threshold required for the carrying amount of the Group's total liabilities. In the Statement of financial position at this date, the Group's total liabilities were £22,283.9m and liabilities connected with insurance were £21,497.7m, consisting of insurance contracts within the scope of IFRS 4 of £15,748.0m, investment contract liabilities of £222.3m, and amounts within other financial liabilities and insurance payables which arise in the course of writing insurance business of £5,527.4m, giving a predominance ratio of 96%.

1.18 Reinsurance

Reinsurance assets and liabilities

Amounts recoverable from reinsurers are measured in a consistent manner with insurance 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. Reinsurance longevity swap arrangements are classified as either reinsurance assets or reinsurance liabilities based on the net position on the swap at the reporting date.

Amounts receivable/payable

Where reinsurance contracts entered into by the Group 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. Amounts due on quota share reinsurance contracts are included within Insurance and other payables.

Financial liabilities

The Group has reinsurance collateral arrangements whereby the reinsurer deposits back the reinsurance premium. An assessment against the IAS 39 recognition/derecognition criteria is made based on the collateral terms within the reinsurance contracts in order to conclude whether such deposit assets are recognised on the Group's balance sheet. Where the assets are recognised the Group also recognises an obligation for the repayment of the collateral. This obligation is not exposed to longevity risk and is only exposed to financial risk. As such it is unbundled from the IFRS 4 Reinsurance contract balance and is classified in accordance with IAS 39 within Other financial liabilities. The obligation for the return of deposits received from reinsurers is designated at fair value through profit or loss in order to avoid an accounting mismatch with the valuation of the associated IFRS 4 reinsurance balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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1 SIGNIFICANT ACCOUNTING POLICIES continued

The obligation is subsequently valued using an appropriate discount rate for the timing of expected cash flows. The resulting gain or loss is recognised in Net investment income. Interest is charged on the liability in accordance with the terms of the reinsurance contracts and is recognised in finance costs.

1.19 Cash and cash equivalents

Cash and cash equivalents in the Consolidated statement of cash flows consist of amounts reported in Cash available on demand in the Consolidated statement of financial position and also cash equivalents that are reported in Financial investments in the Consolidated statement of financial position.

Cash available on demand includes cash at bank and in hand and deposits held at call with banks. Additional cash equivalents reported in the Consolidated statement of cash flows include other short-term highly liquid investments with less than 90 days' maturity from the date of acquisition. These do not meet the definition of cash available on demand and are therefore reported in financial investments (note 16).

1.20 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 period in which they are paid. Final dividends require shareholder approval prior to payment and are therefore 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.

Loan notes are classified as either debt or equity based on the contractual terms of the instruments. Loan notes are classified as equity where they do not meet the definition of a liability because they are perpetual with no fixed redemption or maturity date, they are only repayable on liquidation, conversion is only triggered under certain circumstances of non-compliance, and interest on the notes is non-cumulative and cancellable at the discretion of the issuer.

1.21 Insurance liabilities

Measurement

Long-term insurance liabilities arise from writing Retirement Income contracts, including Defined Benefit De-risking solutions, Guaranteed Income for Life products, long-term care insurance, and 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 mortality assumptions taken from the appropriate mortality tables and adjusted to reflect actual and expected experience, expense level and inflation assumptions, discounted using discount rates, adjusted for default allowance. The assumptions in the valuation are set on a prudent basis.

Liability adequacy test

Insurance liabilities are subject to adequacy testing to ensure the carrying amount is sufficient to cover the current estimate of future cash flows. Any deficit is immediately charged to the Consolidated statement of comprehensive income.

1.22 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.

1.23 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.

1.24 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. Current and deferred tax is charged or credited to Profit or loss unless it relates to items recognised in Other comprehensive income or directly in equity.

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. Deferred tax assets and liabilities are measured using substantively enacted rates based on the timings of when they are expected to reverse.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 NET INVESTMENT EXPENSE

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Interest income:		
Assets at fair value through profit or loss	637.9	572.1
Movement in fair value:		
Financial assets and liabilities designated on initial recognition at fair value through profit or loss	(4,311.0)	(832.1)
Derivative financial instruments (note 28)	(1,105.4)	129.7
Total net investment expense	(4,778.5)	(130.3)

3 ACQUISITION COSTS

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Commission	15.9	17.2
Other acquisition expenses	39.6	31.4
Total acquisition costs	55.5	48.6

4 OTHER OPERATING EXPENSES

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Personnel costs (note 9)	106.3	101.5
Investment expenses and charges	30.1	16.8
Depreciation of property, plant and equipment (note 14)	3.3	4.2
Amortisation of intangible assets (note 13)	20.5	20.4
Impairment of property, plant and equipment (note 14)	–	0.3
Other costs	49.0	50.0
Total other operating expenses	209.2	193.2

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

Reconciliation of Other operating expenses to Management expenses

Management expenses are costs that are incurred in the routine running of the business and is included as an APM.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Total other operating expenses	209.2	193.2
Investment expenses and charges	(30.1)	(16.8)
Reassurance management fees	(7.1)	(8.4)
Amortisation of acquired intangible assets	(18.0)	(18.0)
Other costs	(0.8)	(2.6)
Total management expenses	153.2	147.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4 OTHER OPERATING EXPENSES continued

Fees payable for services provided by the Group's auditor during the year, net of VAT and expenses, are as follows:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Fees payable for the audit of the Parent Company and consolidated accounts	616	550
Fees payable for other services:		
The audit of the Company's subsidiaries pursuant to legislation	3,042	1,876
Audit-related assurance services	705	656
Other assurance services	48	65
Other non-audit services not covered above	1	–
Auditor remuneration	4,412	3,147
Total	4,412	3,147

Fees payable for the audit of the Company's subsidiaries pursuant to legislation includes fees of £1.7m (2021: £0.45m) for audit activities related to the implementation of IFRS 17. Audit-related assurance services mainly include fees relating to the audit of the Group's Solvency II regulatory returns and review procedures in relation to the Group's interim results.

5 FINANCE COSTS

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Interest payable on deposits received from reinsurers	74.7	78.7
Interest payable on subordinated debt	54.5	55.6
Other interest payable	3.5	2.5
Total finance costs	132.7	136.8

The interest payable on deposits received from reinsurers is as defined by the respective reinsurance treaties and calculated with reference to the risk-adjusted yield on the relevant backing asset portfolio.

6 SEGMENTAL REPORTING

Segmental analysis

The operating segments from which the Group derives income and incurs expenses are as follows:

- the writing of insurance products for distribution to the at- or in-retirement market and the DB de-risking market;
- 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.

The insurance segment writes insurance products for the retirement market – which include Guaranteed Income for Life Solutions, Defined Benefit De-risking Solutions, Care Plans and Protection – and invests the premiums received from these contracts in debt and other fixed income securities, gilts, liquidity funds and Lifetime Mortgage advances.

The two revenue streams of the professional services business, HUB represents the other two operating segments. The HUB operating segments are not currently sufficiently significant to separate to disclose as a reportable segment. In the segmental profit table below, the single reportable segment for Insurance is reconciled to the total Group result by including an 'Other' column which includes the non-reportable segments plus the other companies' results. This 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.

The internal reporting used by the CODM includes segmental information regarding premiums and profit. Material product information is analysed by product line and includes shareholder funded DB, GfL, DB Partnering, Care Plans, Protection, LTM and Drawdown products. Further information on the DB partnering transactions is included in the Business Review. 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.

Adjusted operating profit

The Group reports adjusted operating profit as an alternative measure of profit which is used for decision making and performance measurement. Adjusted operating profit 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 of acquired intangible assets. In addition, it includes Tier 1 interest (as part of financing costs) which is not included in profit before tax.

6 SEGMENTAL REPORTING continued

New business profits represent expected investment returns on financial instruments assumed to be newly purchased to back that business after allowances for expected movements in liabilities and deduction of 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, and corporate bond defaults.

Segmental reporting and reconciliation to financial information

	Year ended 31 December 2022			Year ended 31 December 2021		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
New business operating profit	233.2	–	233.2	224.7	–	224.7
In-force operating profit	113.1	2.9	116.0	87.3	2.7	90.0
Other Group companies' operating results	–	(15.2)	(15.2)	–	(15.1)	(15.1)
Development expenditure	(9.4)	(2.3)	(11.7)	(4.2)	(2.6)	(6.8)
Reinsurance and financing costs	(87.5)	14.2	(73.3)	(89.1)	6.0	(83.1)
Underlying operating profit	249.4	(0.4)	249.0	218.7	(9.0)	209.7
Operating experience and assumption changes	86.9	–	86.9	28.0	–	28.0
Adjusted operating profit/(loss) before tax	336.3	(0.4)	335.9	246.7	(9.0)	237.7
Non-recurring and project expenditure	(11.7)	(0.4)	(12.1)	(14.8)	(0.2)	(15.0)
Investment and economic (losses)/profits	(658.5)	19.3	(639.2)	(248.6)	(2.6)	(251.2)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	27.3	(11.3)	16.0	28.1	(3.0)	25.1
Profit/(loss) before amortisation costs and tax	(306.6)	7.2	(299.4)	11.4	(14.8)	(3.4)
Amortisation of acquired intangibles	–	(18.0)	(18.0)	–	(18.0)	(18.0)
Loss before tax	(306.6)	(10.8)	(317.4)	11.4	(32.8)	(21.4)

Investment and economic losses of £639.2m in 2022 (2021: £251.2m), were principally driven by rising interest rates.

Product information analysis

Premium information relating to the Group's products is presented below:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Defined Benefit De-risking Solutions ("DB")	2,566.9	1,934.6
Guaranteed Income for Life contracts ("GIfL")	519.7	688.2
Defined benefit de-risking partnering ("DB partnering")	258.6	–
Care Plans ("CP")	44.1	51.1
Protection	2.0	2.2
Gross premiums written	3,391.3	2,676.1

Drawdown and Lifetime Mortgage ("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 2022 £m	Year ended 31 December 2021 £m
LTM advances	538.3	528.2
Drawdown deposits and other investment products	14.0	1.1

Reconciliation of gross premiums written to Retirement Income sales

Retirement Income sales is a collective term for GIfL, DB and Care Plan and can be seen in the Business Review on page 25.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Gross premiums written	3,391.3	2,676.1
Protection sales excluded from Retirement Income sales	(2.0)	(2.2)
DB partnering funded	(258.6)	–
Retirement Income sales	3,130.7	2,673.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

7 INCOME TAX

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Current taxation		
Current year	–	0.8
Adjustments in respect of prior periods	8.5	(0.4)
Total current tax	8.5	0.4
Deferred taxation		
Deferred tax recognised for losses in period	(84.4)	–
Origination and reversal of temporary differences	(2.6)	(5.7)
Adjustment in respect of prior period	(8.4)	–
Remeasurement of deferred tax - change in UK tax rate	1.2	(0.3)
Total deferred tax	(94.2)	(6.0)
Total income tax recognised in profit or loss	(85.7)	(5.6)

Deferred tax assets are recognised at the rate at which they are expected to be utilised. On 3 March 2021, the Government announced an increase in the rate of corporation tax to 25% from 1 April 2023. The change in tax rate was substantively enacted in May 2021.

Reconciliation of total income tax to the applicable tax rate

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Loss on ordinary activities before tax	(317.4)	(21.4)
Income tax at 19%, (2021: 19%)	(60.3)	(4.1)
Effects of:		
Expenses not deductible for tax purposes	1.4	1.0
Remeasurement of deferred tax - change in UK tax rate	1.2	(0.3)
Unrecognised deferred tax asset	–	0.1
Impact of future tax rate on tax losses	(23.3)	–
Adjustments in respect of prior periods	0.1	(0.4)
Other	(4.8)	(1.9)
Total income tax recognised in profit or loss	(85.7)	(5.6)

Income tax recognised in other comprehensive income

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Revaluation of land and buildings	0.2	–
Total deferred tax	0.2	–
Total income tax recognised in other comprehensive income	0.2	–

7 INCOME TAX continued**Income tax recognised directly in equity**

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Current taxation		
Relief on Tier 1 interest	–	(4.8)
Relief on cost of redeeming Tier 1 notes	–	(9.6)
Other	–	(0.6)
Total current tax	–	(15.0)
Deferred taxation		
Relief on Tier 1 interest	(3.2)	–
Relief in respect of share-based payments	(1.3)	–
Total deferred tax	(4.5)	–
Total income tax recognised directly in equity	(4.5)	(15.0)

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, the 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 are amortised on a straight-line basis over a ten year period from 1 January 2016. The tax charge for the year to 31 December 2022 includes profits chargeable to corporation tax arising from amortisation of transitional balances of £2.5m (2021: £2.5m).

8 REMUNERATION OF DIRECTORS

Information concerning individual Directors' emoluments, interests and transactions is given in the Directors' Remuneration report. For the purposes of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the Directors in the year was £5.2m (2021: £3.9m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2021: £nil). The aggregate net value of share awards granted to the Directors in the year was £2.4m (2021: £2.0m). 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 £0.9m (2021: two Directors exercised options with an aggregate gain of £0.6m).

9 STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including Directors) during the financial year, analysed by category, was as follows:

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
Directors	10	9
Senior management	124	123
Staff	990	944
Average number of staff	1,124	1,076

The aggregate personnel costs were as follows:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Wages and salaries	85.6	82.3
Social security costs	10.2	9.9
Other pension costs	4.6	4.3
Share-based payment expense	5.9	5.0
Total personnel costs	106.3	101.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10 EMPLOYEE BENEFITS**Defined contribution pension scheme**

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable to the fund and amounted to £4.6m (2021: £4.3m).

Employee share plans

The Group operates a number of employee share option plans. Details of those plans are as follows:

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 are subject to a two year holding period after the options have vested.

The options are accounted for as equity-settled schemes.

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

	Year ended 31 December 2022 Number of options	Year ended 31 December 2021 Number of options
Outstanding at 1 January	22,403,125	19,264,506
Granted	8,563,671	6,795,784
Forfeited	(1,149,299)	(868,418)
Exercised	(2,679,669)	(1,351,472)
Expired	(1,202,105)	(1,437,275)
Outstanding at 31 December	25,935,723	22,403,125
Exercisable at 31 December	4,740,542	3,853,927
Weighted-average share price at exercise (£)	0.81	1.02
Weighted-average remaining contractual life (years)	1.09	1.19

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

During the year to 31 December 2022, awards of LTIPs were made on 24 March 2022 and 12 April 2022. 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	£0.80
Option pricing models used	Black-Scholes, Stochastic, Finnerty
Share price at grant date	£0.89
Exercise price	Nil
Expected volatility – TSR performance	March awards – 53.13%, April awards – 52.96%
Expected volatility – holding period	March awards – 47.14%, April awards – 44.09%
Option life	3 years + 2 year holding period
Dividends	HUB LTIP awards – 1.69%, Other – Nil
Risk-free interest rate – TSR performance	March awards – 1.46%, April awards – 1.62%
Risk-free interest rate – holding period	March awards – 1.45%, April awards – 1.61%

A Stochastic model is used where vesting is related to a total shareholder return target, a Black-Scholes option pricing model is used for all other performance vesting targets, and a Finnerty model is used to model the holding period.

For awards subject to a TSR performance condition, expected volatility has been calculated using historic volatility of the Company and each company in the TSR comparator group, where available, over the period of time commensurate with the remainder of the performance period immediately prior to the date of grant. For awards with a holding period condition, expected volatility has been calculated using historic volatility of the Company over the period of time commensurate with the holding period immediately prior to the date of grant.

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.

10 EMPLOYEE BENEFITS continued

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 2022 Number of options	Year ended 31 December 2021 Number of options
Outstanding at 1 January	5,788,003	5,094,921
Granted	1,313,916	1,432,610
Forfeited	–	–
Exercised	(1,103,280)	(739,528)
Outstanding at 31 December	5,998,639	5,788,003
Exercisable at 31 December	1,652,826	1,683,566
Weighted-average share price at exercise (£)	0.83	0.93
Weighted-average remaining contractual life (years)	0.84	0.93

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

During the year to 31 December 2022, awards of DSBPs were made on 24 March 2022. 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	£0.89
Option pricing model used	Black–Scholes
Share price at grant date	£0.89
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 that 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 2022		Year ended 31 December 2021	
	Number of options	Weighted- average exercise price £	Number of options	Weighted- average exercise price £
Outstanding at 1 January	14,779,553	0.44	15,516,003	0.41
Granted	1,924,649	0.71	1,149,350	0.74
Forfeited	(791,758)	0.46	(1,081,602)	0.42
Cancelled	(526,561)	0.59	(363,145)	0.45
Exercised	(2,337,700)	0.50	(408,488)	0.45
Expired	(130,043)	0.79	(32,565)	0.84
Outstanding at 31 December	12,918,140	0.45	14,779,553	0.44
Exercisable at 31 December	233,954	0.59	278,130	0.60
Weighted-average share price at exercise		0.72		0.93
Weighted-average remaining contractual life (years)		1.22		1.66

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10 EMPLOYEE BENEFITS continued

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

	2022 Number of options outstanding	2021 Number of options outstanding
£0.38	9,949,082	11,119,351
£0.52	395,051	2,443,437
£0.71	1,718,536	–
£0.74	787,780	1,079,922
£1.07	66,166	66,166
£1.18	1,525	70,677
Total	12,918,140	14,779,553

During the year to 31 December 2022, awards of SAYEs were made on 20 April 2022. 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	£0.41
Option pricing model used	Black-Scholes
Share price at grant date	£0.93
Exercise price	£0.71
Expected volatility – 3 year scheme	54.24%
Expected volatility – 5 year scheme	48.39%
Option life	3.37 or 5.37 years
Dividends	1.62%
Risk-free interest rate – 3 year scheme	1.70%
Risk-free interest rate – 5 year scheme	1.72%

Expected volatility has been calculated using historic volatility of the Company over the period of time commensurate with the expected term of the awards immediately prior to the date of grant.

11 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on dividing the profit or loss attributable to ordinary 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 2022			Year ended 31 December 2021		
	Earnings £m	Weighted- average number of shares million	Earnings per share pence	Earnings (restated) £m	Weighted- average number of shares million	Earnings per share (restated) pence
(Loss)/profit attributable to equity holders of Just Group plc	(231.1)	–	–	(15.0)	–	–
Coupon payments in respect of Tier 1 notes (net of tax)	(13.6)	–	–	(20.4)	–	–
Loss on redemption of Tier 1 notes (net of tax)	–	–	–	(47.0)	–	–
Basic (loss)/profit attributable to ordinary equity holders of Just Group plc	(244.7)	1,032.4	(23.70)	(82.4)	1,033.7	(7.97)
Effect of potentially dilutive share options ¹	–	–	–	–	–	–
Diluted (loss)/profit attributable to ordinary equity holders of Just Group plc	(244.7)	1,032.4	(23.70)	(82.4)	1,033.7	(7.97)

1 The weighted-average number of share options for the year ended 31 December 2022 that could potentially dilute basic earnings per share in the future but are not included in diluted EPS because they would be antidilutive was 23.3 million share options.

During the current year, the FRC conducted a limited scope review of the Company's 2021 Annual Report and Accounts in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. The review covered only those aspects of the Annual Report and Accounts that relate to the application of IAS 33, Earnings per share, and compliance with its requirements.

11 EARNINGS PER SHARE continued

As a result of this review, the Directors reconsidered the accounting for the loss on redemption of the Restricted Tier 1 ("RT1") notes redeemed in 2021. Judgement is required in determining the treatment the RT1 notes in application of IAS 33, Earnings per share. The rights associated with the RT1 notes are such that the notes are deemed similar to preference shares. Therefore the requirements in IAS 33 to adjust earnings for redemption gains and losses apply to the RT1 notes in addition to the Company's existing treatment of the coupon payments which were deducted from earnings in the 2021 Annual Report. This note has therefore been restated to correct the treatment of the loss on redemption of the 2019 Restricted Tier 1 notes identified during their review.

The table showing the calculation of the numerator has been amended to include this; losses for the purposes of calculating EPS were previously reported as £(35.4)m and have been restated to £(82.4)m. Following on from this, EPS and diluted EPS have both been restated to use the restated earnings figure. Previously, Losses per share was disclosed as (3.42) pence and diluted losses per share was disclosed as (3.42) pence. Losses per share is now disclosed as (7.97) pence and diluted losses per share as (7.97) pence. There is no impact on adjusted earnings per share.

12 DIVIDENDS AND APPROPRIATIONS

Dividends and appropriations paid in the year were as follows:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Final dividend		
Final dividend in respect of prior year end (1.0 pence per ordinary share, paid on 17 May 2022)	10.4	–
Interim dividend		
Interim dividend in respect of current year end (0.5 pence per ordinary share, paid on 2 September 2022)	5.2	–
Dividends paid on the vesting of employee share schemes	–	–
Total dividends paid	15.6	–
Coupon payments in respect of Tier 1 notes ¹	16.9	25.2
Total distributions to equity holders in the period	32.5	25.2

1 Coupon payments on Tier 1 notes are treated as an appropriation of retained profits and, accordingly, are accounted for when paid.

Subsequent to 31 December 2022, the Directors proposed a final dividend for 2022 of 1.23 pence per ordinary share (2021: 1.0 pence) and together with the interim dividend of 0.5 pence per ordinary share paid in 2 September 2022 amounting to £17.9m (2021: £10.4m) in total. Subject to approval by shareholders at the Company's 2023 AGM, the dividend will be paid on 17 May 2023 to shareholders on the register of members at the close of business on 14 April 2023, and will be accounted for as an appropriation of retained earnings in year ending 31 December 2023.

13 INTANGIBLE ASSETS

	Acquired intangible assets									Total £m
	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	Intellectual property £m	Software £m	Leases £m	PrognoSys™ £m	Software £m	
Year ended 31 December 2022										
Cost										
At 1 January 2022	34.9	200.0	–	–	2.0	–	–	5.9	25.0	267.8
Additions	–	–	–	–	–	–	–	–	4.6	4.6
Disposals	–	–	–	–	–	–	–	0.4	(0.4)	–
At 31 December 2022	34.9	200.0	–	–	2.0	–	–	6.3	29.2	272.4
Amortisation and impairment										
At 1 January 2022	(0.8)	(125.4)	–	–	(0.7)	–	–	(3.1)	(18.1)	(148.1)
Disposals	–	–	–	–	–	–	–	–	–	–
Charge for the year	–	(17.9)	–	–	(0.1)	–	–	(0.5)	(2.0)	(20.5)
At 31 December 2022	(0.8)	(143.3)	–	–	(0.8)	–	–	(3.6)	(20.1)	(168.6)
Net book value at 31 December 2022	34.1	56.7	–	–	1.2	–	–	2.7	9.1	103.8
Net book value at 31 December 2021	34.1	74.6	–	–	1.3	–	–	2.8	6.9	119.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

13 INTANGIBLE ASSETS continued

Year ended 31 December 2021	Acquired intangible assets									Total £m
	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	Intellectual property £m	Software £m	Leases £m	Prognosys™ £m	Software £m	
Cost										
At 1 January 2021	34.9	200.0	26.6	5.6	2.0	11.1	2.0	5.9	18.4	306.5
Additions	–	–	–	–	–	–	–	–	6.6	6.6
Disposals	–	–	(26.6)	(5.6)	–	(11.1)	(2.0)	–	–	(45.3)
At 31 December 2021	34.9	200.0	–	–	2.0	–	–	5.9	25.0	267.8
Amortisation and impairment										
At 1 January 2021	(0.8)	(107.6)	(26.6)	(5.6)	(0.6)	(11.1)	(2.0)	(2.6)	(16.1)	(173.0)
Disposals	–	–	26.6	5.6	–	11.1	2.0	–	–	45.3
Charge for the year	–	(17.8)	–	–	(0.1)	–	–	(0.5)	(2.0)	(20.4)
At 31 December 2021	(0.8)	(125.4)	–	–	(0.7)	–	–	(3.1)	(18.1)	(148.1)
Net book value at 31 December 2021	34.1	74.6	–	–	1.3	–	–	2.8	6.9	119.7
Net book value at 31 December 2020	34.1	92.4	–	–	1.4	–	–	3.3	2.3	133.5

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 2022 represents £1.0m recognised on the 2018 acquisition of HUB Pension Consulting (Holdings) 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:

	2022	2021
Period on which management approved forecasts are based	5 years	5 years
Discount rate (pre-tax)	12.7%	10.5%

The value-in-use of the insurance operating segment is considered by reference to the 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, including an allowance for the mortality rates basis changes due to COVID-19. The discount rate was determined using a weighted average cost of capital approach, with appropriate adjustments to reflect a market participant's view. 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 assumptions will not cause the carrying value of the goodwill to exceed the recoverable amounts.

Other intangible assets with finite useful economic lives are tested for impairment when there is an indication that the carrying value of the asset may be subject to an impairment.

The Group's PVIF of £56.7m at 31 December 2022 represents the present value of future profits from the purchased in-force business of £46.4m recognised on the 2016 acquisition of Partnership Assurance Group and £10.3m on the 2009 acquisition of Just Retirement (Holdings) Limited, the holding company of Just Retirement Limited. The remaining useful economic lives of the Group's PVIF ranges from between two to three years. There are no indications of impairment of the carrying values of PVIF or other intangible assets with finite useful economic lives.

PVIF is an intangible asset within the scope of IFRS 4 and is assessed at least annually, together with the insurance contract liabilities, which are subject to the required liability adequacy test.

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £m	Computer equipment £m	Furniture and fittings £m	Right-of-use assets £m	Total £m
Year ended 31 December 2022					
Cost or valuation					
At 1 January 2022	10.8	10.6	6.3	6.7	34.4
Acquired during the year	–	0.9	2.6	8.1	11.6
Revaluations	(0.9)	–	–	–	(0.9)
At 31 December 2022	9.9	11.5	8.9	14.8	45.1
Depreciation and impairment					
At 1 January 2022	(0.5)	(8.6)	(6.1)	(5.0)	(20.2)
Eliminated on revaluation	0.8	–	–	–	0.8
Impairment	–	–	–	–	–
Depreciation charge for the year	(0.4)	(1.0)	(0.1)	(1.8)	(3.3)
At 31 December 2022	(0.1)	(9.6)	(6.2)	(6.8)	(22.7)
Net book value at 31 December 2022	9.8	1.9	2.7	8.0	22.4
Net book value at 31 December 2021	10.3	2.0	0.2	1.7	14.2
Year ended 31 December 2021					
Cost or valuation					
At 1 January 2021	14.3	9.9	6.3	6.1	36.6
Acquired during the year	–	0.7	–	0.6	1.3
Transfer to held for sale	(3.5)	–	–	–	(3.5)
At 31 December 2021	10.8	10.6	6.3	6.7	34.4
Depreciation and impairment					
At 1 January 2021	(0.1)	(7.2)	(5.9)	(2.9)	(16.1)
Impairment	(0.3)	–	–	–	(0.3)
Depreciation charge for the year	(0.5)	(1.4)	(0.2)	(2.1)	(4.2)
Transfer to held for sale	0.4	–	–	–	0.4
At 31 December 2021	(0.5)	(8.6)	(6.1)	(5.0)	(20.2)
Net book value at 31 December 2021	10.3	2.0	0.2	1.7	14.2
Net book value at 31 December 2020	14.2	2.7	0.4	3.2	20.5

Included in freehold land and buildings is land of value £2.3m (2021: £2.8m).

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 freehold land and buildings as at 11 November 2022 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 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 2022 comprise a loss of £0.5m recognised in profit or loss, a gain of £0.5m recognised in other comprehensive income (gross of tax of £0.3m), partially reversing previously recognised gains of £4.3m (gross of tax of £0.7m), and the elimination of depreciation on the revaluations of £0.8m.

If freehold land and buildings were stated on the historical cost basis, the carrying values would be land of £3.6m (2021: £3.6m) and buildings of £4.4m (2021: £4.6m).

Right-of-use assets are property assets leased by the Group (see note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

15 INVESTMENT PROPERTY

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
At 1 January	69.6	–
Recognised on acquisition of the Jersey Property Unit Trust (see note 35)	–	70.6
Net loss from fair value adjustment	(29.3)	(1.0)
At 31 December	40.3	69.6

Investment properties are leased to tenants. Investment properties are valued using discounted cash flow analysis using assumptions based on the repayment of the underlying loan. The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset. The redemption and default assumptions are derived from the assumptions for the Group's bond portfolio.

Minimum lease payments receivable on leases of investment properties are as follows (undiscounted cashflows):

	2022 £m	2021 £m
Within 1 year	1.1	1.1
Between 1 and 2 years	1.1	1.1
Between 2 and 3 years	1.1	1.1
Between 3 and 4 years	1.1	1.1
Between 4 and 5 years	1.1	1.1
Later than 5 years	127.7	128.8
Total	133.2	134.3

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	
	2022 £m	2021 £m	2022 £m	2021 £m
Units in liquidity funds	1,174.4	1,310.5	1,174.4	1,310.5
Investment funds	421.0	301.8	407.8	290.5
Debt securities and other fixed income securities	11,370.5	12,924.0	13,229.7	12,141.7
Deposits with credit institutions	907.6	52.9	907.6	52.9
Loans secured by residential mortgages	5,305.9	7,422.8	4,265.6	4,328.7
Loans secured by commercial mortgages	583.7	677.8	643.4	686.3
Loans secured by ground rents	246.9	189.7	356.3	185.9
Infrastructure loans	1,056.4	993.1	1,205.8	858.0
Other loans	134.2	117.9	131.0	115.0
Derivative financial assets	2,276.6	691.2	–	–
Total	23,477.2	24,681.7	22,321.6	19,969.5

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 very short dated liquid assets. However as they do not meet the definition of cash available on demand, liquidity funds are reported within financial investments. Liquidity funds do however meet the definition of cash equivalents for the purposes of disclosure in the Consolidated statement of cash flows.

Deposits with credit institutions with a carrying value of £892.4m (2021: £50.3m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

Derivatives are reported within financial investments where the derivative valuation is in an asset position, or alternatively within other financial liabilities where the derivative is in a liability position.

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

This note explains the methodology for valuing the Group's financial assets and liabilities measured at fair value, including financial investments, and provides disclosures in accordance with IFRS 13, Fair value measurement, including an analysis of such assets and liabilities categorised in a fair value hierarchy based on market observability of valuation inputs.

(a) Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1

Inputs to Level 1 fair values are unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date.

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- quoted prices for similar assets and liabilities in active markets;
- quoted prices for identical assets or similar assets in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which very little information is released publicly;
- inputs other than quoted prices that are observable for the asset or liability; and
- market-corroborated inputs.

Level 3

Inputs to Level 3 fair values include some unobservable inputs for the asset or liability. Unobservable inputs are 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.

Assessment of the observability of pricing information

All Level 1 and 2 assets continue to have pricing available from actively quoted prices or observable market data.

Where the Group receives broker/asset manager quotes and the information is given a low BVAL score, the investments are classified as Level 3 as are assets valued internally.

Debt securities and financial derivatives are valued using independent pricing services or third party broker quotes are classified as Level 2.

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, infrastructure loans, private placement debt securities, investment funds, investment contract liabilities, and deposits received from reinsurers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued

(b) Analysis of assets and liabilities held at fair value according to fair value hierarchy

	2022				2021			
	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 through profit or loss								
Units in liquidity funds	1,169.8	4.6	–	1,174.4	1,304.9	5.6	–	1,310.5
Investment funds	–	82.6	338.4	421.0	–	68.5	233.3	301.8
Debt securities and other fixed income securities	3,843.7	5,904.0	1,622.8	11,370.5	4,302.5	7,172.0	1,449.5	12,924.0
Deposits with credit institutions	892.4	15.2	–	907.6	50.3	2.6	–	52.9
Loans secured by residential mortgages	–	–	5,305.9	5,305.9	–	–	7,422.8	7,422.8
Loans secured by commercial mortgages	–	–	583.7	583.7	–	–	677.8	677.8
Loans secured by ground rents	–	–	246.9	246.9	–	–	189.7	189.7
Infrastructure loans	–	–	1,056.4	1,056.4	–	–	993.1	993.1
Other loans	–	22.3	111.9	134.2	15.6	12.6	89.7	117.9
Derivative financial assets	–	2,276.6	–	2,276.6	–	682.7	8.5	691.2
Financial investments	5,905.9	8,305.3	9,266.0	23,477.2	5,673.3	7,944.0	11,064.4	24,681.7
Investment property	–	–	40.3	40.3	–	–	69.6	69.6
Assets classified as held for sale	–	–	–	–	–	–	3.1	3.1
Total financial assets	5,905.9	8,305.3	9,306.3	23,517.5	5,673.3	7,944.0	11,137.1	24,754.4
Liabilities held at fair value through profit or loss								
Derivative financial liabilities	–	3,004.1	19.1	3,023.2	–	386.1	8.6	394.7
Obligations for repayment of cash collateral received	592.8	30.3	–	623.1	311.7	14.5	–	326.2
Deposits received from reinsurers	–	–	1,603.9	1,603.9	–	–	2,144.7	2,144.7
Other financial liabilities	592.8	3,034.4	1,623.0	5,250.2	311.7	400.6	2,153.3	2,865.6
Investment contract liabilities	–	–	32.5	32.5	–	–	33.6	33.6
Fair value of loans and borrowings at amortised cost	–	704.2	–	704.2	–	936.8	–	936.8
Total financial liabilities	592.8	3,738.6	1,655.5	5,986.9	311.7	1,337.4	2,186.9	3,836.0

Other than freehold land and buildings classified as held for sale in 2021 and disposed of in 2022, there are no non-recurring fair value measurements as at 31 December 2022 (2021: nil).

(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 2021 the Group enhanced its methodology over the levelling of financial instruments, and in 2022, it continued to use this methodology which improved the pricing sources resulting in transfers of £1,421.7m from Level 2 to Level 1 (2021: £2,820.8m), and saw the pricing quality fall for £368.2m which moved from Level 1 to Level 2 (2021: £13.3m). A further £122.9m saw the pricing quality also improve so were moved from Level 3 to Level 2. In the prior year £49.9m moved from Level 2 to Level 3 as the pricing quality fell.

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued**(d) Level 3 assets and liabilities measured at fair value**

Reconciliation of the opening and closing balances of Level 3 financial assets and liabilities.

Year ended 31 December 2022	Investment funds £m	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Loans secured by ground rents £m	Infra-structure loans £m	Other loans £m	Derivative financial assets £m	Investment contract liabilities £m	Derivative financial liabilities £m	Deposits received from reinsurers £m
At 1 January 2022	233.3	1,449.5	7,422.8	677.8	189.7	993.1	89.7	8.5	(33.6)	(8.6)	(2,144.7)
Purchases/advances/deposits	106.6	716.0	538.3	91.5	217.6	369.4	–	–	(14.0)	–	(0.9)
Transfers to Level 2	–	(122.9)	–	–	–	–	–	–	–	–	–
Sales/redemptions/payments	(17.7)	(101.1)	(542.7)	(134.4)	(11.2)	(21.6)	(14.3)	–	11.4	–	192.9
Disposal of a portfolio of LTMs ¹	–	–	(750.8)	–	–	–	–	–	–	–	–
Recognised in profit or loss in net investment income											
Realised gains and losses	–	–	(87.0)	(2.2)	–	–	–	–	–	–	–
Unrealised gains and losses	16.2	(303.3)	(1,433.9)	(49.1)	(149.2)	(286.1)	36.5	(8.5)	–	(10.5)	423.5
Interest accrued	–	(15.4)	159.2	0.1	–	1.6	–	–	–	–	(74.7)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	–	3.7	–	–
At 31 December 2022	338.4	1,622.8	5,305.9	583.7	246.9	1,056.4	111.9	–	(32.5)	(19.1)	(1,603.9)

1 In February 2022 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £750.8m. 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.

Year ended 31 December 2021	Investment funds £m	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Loans secured by ground rents £m	Infra-structure loans £m	Other loans £m	Derivative financial assets £m	Investment contract liabilities £m	Derivative financial liabilities £m	Deposits received from reinsurers £m
At 1 January 2021	139.0	1,256.8	8,261.1	592.1	114.9	945.0	66.1	3.6	(42.8)	(3.3)	(2,415.0)
Purchases/advances/deposits	84.9	281.4	528.2	169.0	72.4	79.1	46.1	–	(1.1)	–	(1.2)
Transfers from Level 2	–	49.9	–	–	–	–	–	–	–	–	–
Sales/redemptions/payments	–	(87.9)	(508.9)	(49.4)	–	(17.7)	–	–	11.1	–	202.9
Disposal of a portfolio of LTMs ¹	–	–	(508.8)	–	–	–	–	–	–	–	–
Recognised in profit or loss in net investment income											
Realised gains and losses	–	–	169.1	–	–	–	–	–	–	–	–
Unrealised gains and losses	9.4	(37.6)	(722.8)	(34.6)	2.4	(13.4)	(22.5)	4.9	–	(5.3)	147.3
Interest accrued	–	(13.1)	204.9	0.7	–	0.1	–	–	–	–	(78.7)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	–	(0.8)	–	–
At 31 December 2021	233.3	1,449.5	7,422.8	677.8	189.7	993.1	89.7	8.5	(33.6)	(8.6)	(2,144.7)

1 In August 2021 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £508.8m.

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, global, political and other economic factors.

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% (2021: 7.0%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued**Sensitivity analysis**

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of investment funds 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:

Investment funds net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2022	(9.4)
2021	(8.9)

Debt securities and other fixed income securities

Fixed income securities, in line with market practice, are generally valued using an independent pricing service. These valuations are determined using independent external quotations from multiple sources and are subject to a number of monitoring controls, such as monthly price variances, stale price reviews and variance analysis. Pricing services, where available, are used to obtain the third party broker quotes. When prices are not available from pricing services, prices are sourced from external asset managers or internal models and classified as Level 3 under the fair value hierarchy due to the use of significant unobservable inputs. These include private placement bonds and asset backed securities as well as less liquid corporate bonds.

Principal assumptions underlying the calculation of the debt securities and other fixed income securities classified as Level 3**Credit spreads**

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of bonds 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
2022	(138.1)
2021	(124.6)

Loans secured by residential mortgages**Methodology and judgement underlying the calculation of loans secured by residential mortgages**

The valuation of loans secured by residential 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 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.

Cash flow models are used in the absence of a deep and liquid market for loans secured by residential mortgages. The bulk sales of the portfolios of Just LTMs over the past three years represented market prices specific to the characteristics of the underlying portfolios of loans sold. In particular, loan rates, loan-to-value and customer age. This was considered insufficient to affect the judgement of the methodology and assumptions underlying the discounted cash flow approach used to value individual loans in the remaining portfolio. The methodology and assumptions used would be reconsidered if any information is obtained from future portfolio sales that is relevant and applicable to the remaining portfolio.

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 3.9% (2021: 4.2%).

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued**Mortality**

Mortality assumptions have been derived with reference to England & Wales population mortality using the CMI 2021 model for 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 and has included an allowance for the expected future direct and indirect impacts of this. Further details of the matters considered in relation to mortality assumptions at 31 December 2022 are set out in note 23(b).

Property prices

The approach in place at 31 December 2022 is to calculate the value of a property by taking the latest Automated Valuation Model "AVM" result, typically as at 30 September 2022 or latest surveyor value if more recent, indexing this to the balance sheet date using Nationwide UK house price indices and then making a further allowance for property dilapidation since the last revaluation date. To the extent that this reflects market values as at 31 December 2022, no additional short-term adjustment is allowed for.

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 price

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% (2021: 3.3%), with a volatility assumption of 13% per annum (2021: 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 impacts of Brexit, the COVID-19 pandemic and a higher interest and inflation rate economic environment on the UK property market. House price growth over 2022 continued to be strong initially, but has experienced falls in the latter part of the year. Whilst it is becoming more likely that short term falls in property prices may be experienced, at this stage our view is that there is no clear indication of a change in the long-term prospects of the housing market. In light of this, the future house price growth and property volatility assumptions have been maintained at the same level as assumed at 31 December 2021. 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. The assumed redemption rate varies by duration and product line between 0.5% and 4.1% for loans in JRL (2021: 0.5% and 4.1%) and between 0.6% and 6.8% for loans in PLACL (2021: 0.6% and 6.8%).

In the prior period, a separate provision for potential higher short-term experience arising from additional remortgaging activity was also allowed for. The sharp increase in loan interest rates observed over the year and reductions in maximum loan-to-value ratios available for new business significantly reduce the opportunities for customers to benefit from remortgaging. Consequently, this separate provision has been removed.

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. 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 3.2% (2021: 3.04%) and for loans held within PLACL is 3.5% (2021: 3.51%). The movement over the period observed in both JRL and PLACL is a function of the liquidity premiums on new loan originations compared to the liquidity premiums on those policies which have redeemed or have been included in a portfolio sale over the period, both in reference to the average spread on the back book of business.

Sensitivity analysis

Reasonably 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
2022	(5.2)	(13.9)	(6.3)	(75.2)	(48.5)	(32.1)	19.7	(47.8)
2021	(6.5)	22.7	10.5	(114.6)	(82.3)	(53.2)	(5.2)	(78.0)

The sensitivity factors are applied via financial models either as at the valuation date or from a suitable recent reporting period where appropriate to do so. 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. Sensitivities are generally of a smaller magnitude compared to the prior period due to the discounting effect of interest rate rises over the period. These interest rate rises also underpin the directional change in the mortality and voluntary redemption sensitivities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT 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 some of 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 assumptions underlying the calculation of loans secured by commercial mortgages**Credit spreads**

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of commercial mortgages 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:

Loans secured by commercial mortgages net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2022	(19.2)
2021	(25.0)

Loans secured by ground rents

Loans secured by ground rents are valued using discounted cash flow analysis using assumptions based on the repayment of the underlying loan.

Principal assumptions underlying the calculation of loans secured by ground rents**Credit spreads**

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of ground rents 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:

Loans secured by ground rents net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2022	(77.9)
2021	(59.2)

Infrastructure loans

Infrastructure loans are valued using discounted cash flow analyses.

Principal assumptions underlying the calculation of infrastructure loans classified as Level 3**Credit spreads**

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of infrastructure loans 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:

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued

Infrastructure loans net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2022	(71.7)
2021	(96.6)

Other loans

Other loans classified as Level 3 are mainly commodity trade finance loans. These are valued using discounted cash flow analyses.

Principal assumptions underlying the calculation of other loans classified as Level 3**Credit spreads**

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so 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
2022	(1.1)
2021	(0.9)

Investment contract liabilities

Investment contracts are valued 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.

Principal assumptions underlying the calculation of investment contract liabilities**Valuation discount rates**

The valuation model discounts the expected future cash flows using a 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 5.67% (2021: 2.73%).

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 5.89% and 4.2% respectively (2021: 2.87% and 1.03% respectively).

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 252bps (2021: 219bps) was applied in respect of the most significant reinsurance contract.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so 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	Discount rates +100bps
2022	(39.9)	(111.2)
2021	(72.4)	(196.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18 DEFERRED TAX

	2022			2021		
	Asset £m	Liability £m	Total £m	Asset £m	Liability £m	Total £m
Transitional tax	1.0	–	1.0	–	(1.5)	(1.5)
Intangible assets	(15.0)	–	(15.0)	–	(17.0)	(17.0)
Land and buildings	(1.0)	–	(1.0)	–	(0.8)	(0.8)
Tax losses and other	108.2	–	108.2	–	14.0	14.0
Total deferred tax	93.2	–	93.2	–	(5.3)	(5.3)

The transitional tax asset of £1.0m (2021: liability of £1.5m) represents the transitional adjustments for the purposes of adopting IFRS which is amortised over ten years from 1 January 2016. In the prior year, this was offset by the adjustment arising from the change to the tax rules for life companies which was amortised over ten years from 1 January 2013.

Deferred tax assets have been recognised because it is probable that these assets will be recovered. The losses arising in 2022 were principally from investment and economic losses driven by rising interest rates. Previously, the Group took an active approach to hedging its interest rate exposure. In the second half of 2021 and first half of 2022, as rates rose and our solvency position strengthened, we gradually reduced the interest rate hedging to a broadly neutral position for our IFRS balance sheet during the second half of 2022. Our revised approach is to allow the solvency position to fluctuate as interest rates move, and hence minimise the economic cost should rates rise as they did in 2022 before we had neutralised the hedging. Economic losses were also realised on the third and final portfolio sale of LTMs.

The movement in the net deferred tax balance was as follows:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Net balance at 1 January	(5.3)	(11.3)
Recognised in profit or loss	94.2	6.0
Recognised in equity	4.5	–
Recognised in other comprehensive income	(0.2)	–
Net balance at 31 December	93.2	(5.3)

The Group has unrecognised deferred tax assets of £6.3m, (2021: £6.2m).

19 INSURANCE AND OTHER RECEIVABLES

	2022 £m	2021 £m
Receivables arising from insurance and reinsurance contracts	295.4	20.0
Finance lease receivables	0.8	2.3
Other receivables	26.6	13.1
Total insurance and other receivables	322.8	35.4

Receivables arising from insurance contracts, reinsurance contracts and also other receivables are accounted for at amortised cost, which approximates fair value. The timing of settlements for December 2022 transactions has resulted in an increase to receivables arising from Insurance contracts in the period. The credit rating of these balances is disclosed in note 33.

Insurance and other receivables expected to be recovered after more than one year are £59.7m (2021: £0.7m in respect of finance lease receivables).

20 CASH AND CASH EQUIVALENTS

	2022 £m	2021 £m
Cash available on demand	482.0	510.2
Units in liquidity funds	1,174.4	1,310.5
Cash and cash equivalents in the Consolidated statement of cash flows	1,656.4	1,820.7

Units in liquidity funds comprise wholly of units in funds which invest in very short dated liquid assets. However as they do not meet the definition of Cash available on demand, liquidity funds are reported within financial investments (see note 16). Liquidity funds do however meet the definition of cash equivalents for the purposes of disclosure in the Consolidated statement of cash flows.

21 SHARE CAPITAL

The allotted, issued and fully paid ordinary share capital of Just Group plc is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2022	1,038,537,044	103.9	94.6	597.1	795.6
In respect of employee share schemes	165,888	–	0.1	–	0.1
At 31 December 2022	1,038,702,932	103.9	94.7	597.1	795.7
At 1 January 2021	1,038,128,556	103.8	94.5	597.1	795.4
In respect of employee share schemes	408,488	0.1	0.1	–	0.2
At 31 December 2021	1,038,537,044	103.9	94.6	597.1	795.6

The company does not have a limited amount of authorised share capital.

The merger reserve is the result of a placing of 94,012,782 ordinary shares in 2019 and the acquisition of 100% of the equity of Partnership Assurance Group plc in 2016. The placing was achieved by the Company acquiring 100% of the equity of a limited company for consideration of the 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. The merger reserve recognised represents the premium over the nominal value of the shares issued.

Consideration for the acquisition of the equity shares of Partnership Assurance Group plc 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. The merger reserve recognised represents 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 2022 £m	Year ended 31 December 2021 £m
At 1 January	322.4	294.0
Issued in the year	–	325.0
Issue costs, net of tax	–	(2.6)
Redeemed in the year	–	(294.0)
At 31 December	322.4	322.4

On 16 September 2021 the Group issued £325m 5.0% perpetual restricted Tier 1 contingent convertible notes, incurring issue costs of £2.6m, net of tax, and concurrently redeemed its £300m 9.375% perpetual restricted Tier 1 contingent convertible notes issued in 2019 (£294.0m net of issue costs, net of tax) at a cost of £341.0m, net of tax. The loss on redemption of the 2019 notes of £47.0m (net of tax) was recognised directly in equity.

During the year, interest of £16.9m was paid to holders of the 2021 notes (2021: interest of £25.2m to holders of the 2019 notes). The 2021 notes bear interest on the principal amount up to 30 September 2031 (the first reset date) at the rate of 5.0% 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 30 March and 30 September each year which commenced on 30 March 2022.

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**

	2022 £m	2021 £m
Gross insurance liabilities	18,332.9	21,812.9
Net reinsurance assets	(1,981.1)	(2,533.5)
Net insurance liabilities	16,351.8	19,279.4

Reinsurance in the table above includes reinsurance assets net of reinsurance liability positions that can arise on longevity swaps which are presented as liabilities in the Consolidated statement of financial position.

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23 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

(a) Terms and conditions of insurance contracts

The Group's long-term insurance contracts, written by the Group's life companies, Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL"), include Retirement Income (Guaranteed Income for Life ("GifL"), Defined Benefit ("DB"), and Care Plans), and whole of life and term protection insurance.

The valuation of 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 liabilities 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 liabilities 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.

(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 COVID-19 pandemic has had a significant effect on mortality rates over the past three years. High COVID-19 mortality rates in 2020 and early 2021 contributed significantly to positive mortality experience variances in those respective reporting periods, whereas during 2022 rates have been closer to expected levels, for the UK population overall. The extent to which mortality rates may be elevated in future, as a result of the pandemic, is subject to considerable uncertainty.

An allowance for future effects of COVID-19 has been implemented through a combination of using the latest CMI 2021 improvement model and applying an overlay to increase short term mortality rates but which tapers to zero in the long-term. The CMI 2021 improvement model has been used with core parameters, placing no weight on 2020 and 2021 experience. The overlay applies multipliers to mortality rates for each calendar year, uniformly across all ages. The Group will continue to follow closely the actual impact of COVID-19 on mortality and to analyse potential direct and indirect future impacts of the pandemic, including the possibility there will be enduring influences on the longevity of customers. The Group will consider the conclusions of such analysis, alongside assessment of other factors influencing mortality trends, in keeping its assumptions under regular review.

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, and management's own industry experience.

The standard tables which underpin the mortality assumptions are summarised in the table below.

	2022	2021
Individually underwritten Guaranteed Income for Life Solutions (JRL)	Modified E&W Population mortality, with CMI 2021 model mortality improvements	Modified E&W Population mortality, with CMI 2019 model mortality improvements
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	Modified E&W Population mortality, with CMI 2021 model mortality improvements	Modified E&W Population mortality, with CMI 2019 model mortality improvements
Defined Benefit (JRL)	Modified E&W Population mortality, with CMI 2021 model mortality improvements. Medically underwritten unchanged from 2021	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
Defined Benefit (PLACL)	Modified E&W Population mortality, with CMI 2021 model mortality improvements	Modified E&W Population mortality, with CMI 2019 model mortality improvements
Care Plans and other annuity products (PLACL)	Unchanged from 2021	Modified PCMA/PCFA or modified E&W Population mortality with CMI 2019 model mortality improvements
Protection (PLACL)	Unchanged from 2021	TM/TF00 Select

All references to the use of the CMI 2019 or CMI 2021 models relate to improvements for calendar year 2020 onwards.

23 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

The long-term improvement rates in the CMI 2021 model are 2.0% for males and 1.75% for females (2021: 2.0% for males and 1.75% for females). The period smoothing parameter in the modified CMI 2021 model has been set to 7.0 (2021: 7.0). The addition to initial rates ("A") parameter in the model varies between 0% and 0.25% depending on product (2021: between 0% and 0.25% depending on product). All other CMI model parameters are the defaults (2021: other parameters set to defaults).

Valuation discount rates

Valuation discount rate assumptions are set by considering the yields on the assets allocated 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 relating to the Russian/Ukraine conflict, supply chain issues and inflation 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 2022. The considerations around COVID-19 and macro-economic factors for property prices affecting the NNEG are as described in note 17.

Valuation discount rates – gross liabilities	2022 %	2021 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	5.67	2.73
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	5.89	2.87
Defined Benefit (JRL)	5.67	2.73
Defined Benefit (PLACL)	5.89	2.87
Other annuity products (PLACL)	4.20	1.03
Term and whole of life products (PLACL)	4.12	1.03

The overall reduction in yield to allow for the risk of defaults from all non-LTM assets (including gilts, corporate bonds, infrastructure loans, private placements and commercial mortgages) and the NNEG from LTMs was 79 bps in JRL and 66bps in PLACL (2021: 64bps and 63bps respectively).

Future expenses

Assumptions for future policy expense levels, expressed as a per plan charge for GfL and a per scheme member charge for DB, are determined from the Group's recent expense analyses. The assumed future policy expense levels incorporate an annual inflation rate allowance of 4.15% (2021: 4.45%) derived from the long-term expected retail price and consumer price indices implied by inflation swap rates and an additional allowance for earnings inflation. Long-term inflation expectations have fallen during the period, resulting in a decrease in the inflation rate allowance.

Inflation

Assumptions for annuity escalation are required for LPI, RPI and CPI index linked liabilities, the majority of which are within the Defined Benefit business. The inflation curve assumed in each case is that which is implied by market swap rates, taking into account any escalation caps and/or floors applicable. A change in approach since 31 December 2021, to using a mark to model basis for LPI inflation instead of the previous approach which utilised market prices that were not actively traded, has been implemented.

(c) Movements

The following movements have occurred in the insurance contract balances during the year.

Year ended 31 December 2022	Gross £m	Reinsurance £m	Net £m
At 1 January 2022	21,812.9	(2,533.5)	19,279.4
Change due to new premiums	2,982.5	(202.8)	2,779.7
Change due to new claims	(1,494.0)	231.6	(1,262.4)
Unwinding of discount	612.7	(73.6)	539.1
Changes in economic assumptions	(5,418.7)	515.1	(4,903.6)
Changes in non-economic assumptions	(164.1)	95.2	(68.9)
Other movements	1.6	(13.1)	(11.5)
At 31 December 2022	18,332.9	(1,981.1)	16,351.8
Year ended 31 December 2021	Gross £m	Reinsurance £m	Net £m
At 1 January 2021	21,118.4	(2,865.5)	18,252.9
Change due to new premiums	2,298.1	33.8	2,331.9
Change due to new claims	(1,478.1)	239.0	(1,239.1)
Unwinding of discount	488.8	(62.1)	426.7
Changes in economic assumptions	(595.1)	135.4	(459.7)
Changes in non-economic assumptions	(9.8)	–	(9.8)
Other movements	(9.4)	(14.1)	(23.5)
At 31 December 2021	21,812.9	(2,533.5)	19,279.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

Reinsurance in the table above includes reinsurance assets net of reinsurance liability positions that can arise on longevity swaps which are presented as liabilities in the Consolidated statement of financial position.

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 relate to discount rates and inflation.

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. The movement of the discount rate includes the effect of any change in the underlying assets over the period, for example due to purchases to support new business and trading for risk management purposes. For the year to 31 December 2022, changes in discount rates resulted in a net reduction of insurance liabilities of £4,659m (2021: £813m) which was due to large increases in risk-free rates over the period (e.g. the 10- year risk-free rate increased by 276bps) and changes to the backing asset portfolio, including as a consequence of the LTM portfolio sale during 2022.

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 2022, changes in inflation, driven by a rise in market-implied expectations of future RPI and CPI inflation, resulted in a net increase of insurance liabilities of £153.3m (2021: £348m). This includes an impact of a £49m reduction in respect of the change in approach since 31 December 2021 to the derivation of the annuity escalation curves required for LPI linked liabilities and is a reduction in liabilities.

Non-economic assumption changes

The principal non-economic assumption changes impacting the movement in insurance liabilities during the year relate to mortality assumptions for both JRL and PLACL products. 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). A decrease in future expectations of longevity 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 payments in proportion to the policy cash flows estimated to arise during the year.

	Expected cash flows (undiscounted)					Carrying value (discounted) £m
	Within 1 year £m	1-5 years £m	5-10 years £m	Over 10 years £m	Total £m	
2022						
Gross	1,505.9	5,884.3	6,954.4	20,876.9	35,221.5	18,332.9
Reinsurance	(209.4)	(762.1)	(801.7)	(1,567.4)	(3,340.6)	(1,981.1)
Net	1,296.5	5,122.2	6,152.7	19,309.5	31,880.9	16,351.8
	Expected cash flows (undiscounted)					Carrying value (discounted) £m
	Within 1 year £m	1-5 years £m	5-10 years £m	Over 10 years £m	Total £m	
2021						
Gross	1,435.4	5,465.3	6,356.3	16,893.6	30,150.6	21,812.9
Reinsurance	(201.7)	(733.5)	(786.3)	(1,650.8)	(3,372.3)	(2,533.5)
Net	1,233.7	4,731.8	5,570.0	15,242.8	26,778.3	19,279.4

Reinsurance in the table above includes reinsurance assets net of reinsurance liability positions that can arise on longevity swaps which are presented as liabilities in the Consolidated statement of financial position.

(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 to 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 also been included within the liabilities line item.

The sensitivity factors are applied via financial models either as at the valuation date or from a suitable recent reporting period where appropriate to do so. 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.

23 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

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 sensitivities below cover the changes on all assets and liabilities from the given stress. The impact on liabilities includes the net effect of the impact on reinsurance assets and liabilities. 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.

Sensitivities are generally of a smaller magnitude compared to the prior period due to the discounting effect of interest rate rises over the period. The reduction in the interest rate sensitivity is further due to the change in the interest rate hedging position adopted. The mortality and voluntary redemption sensitivities are further impacted by the interest rate increases observed during the period, as mentioned in the sensitivities to loans secured against residential mortgages in note 17.

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
2022	Assets	(1,545.4)	1,837.6	(5.2)	(13.4)	(6.0)	(62.6)	(37.1)	(25.6)	19.2	–
	Liabilities	1,552.7	(1,848.6)	(27.0)	(111.3)	(81.9)	(34.3)	(32.2)	(16.1)	(30.1)	(123.2)
	Total	7.3	(11.0)	(32.2)	(124.7)	(87.9)	(96.9)	(69.3)	(41.7)	(10.9)	(123.2)
2021	Assets	(2,602.0)	3,118.9	(6.5)	23.8	7.5	(90.8)	(59.2)	(41.2)	(6.2)	(0.0)
	Liabilities	2,076.3	(2,492.5)	(33.7)	(140.6)	(104.4)	(67.7)	(67.7)	(22.5)	(64.2)	(151.6)
	Total	(525.7)	626.4	(40.2)	(116.8)	(96.9)	(158.5)	(126.9)	(63.7)	(70.4)	(151.6)

24 INVESTMENT CONTRACT LIABILITIES

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
At 1 January	33.6	42.8
Deposits received from policyholders	14.0	1.1
Payments made to policyholders	(12.5)	(11.1)
Change in contract liabilities recognised in profit or loss	(2.6) ¹	0.8
At 31 December	32.5	33.6

1 This represents the £2.6m in the consolidated statement of comprehensive income less the impact for foreign exchange translation.

(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. Capped Drawdown pension business is classified as investment contracts as there is no transfer of longevity risk due to the premium protection option within these fixed term contracts.

(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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24 INVESTMENT CONTRACT LIABILITIES continued

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 2022.

Valuation discount rates	2022 %	2021 %
Investment contracts	5.67	2.73

25 LOANS AND BORROWINGS

	Carrying value		Fair value	
	2022 £m	2021 £m	2022 £m	2021 £m
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	173.6	249.2	187.8	323.5
£125m 8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Group plc	122.5	122.2	130.1	165.6
£250m 7.0% 10.5 year subordinated debt 2031 non-callable 5.5 years (Green Tier 2) issued by Just Group plc	248.5	248.4	244.7	287.2
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	154.7	154.5	141.6	160.5
Total loans and borrowings	699.3	774.3	704.2	936.8

The £250m 7.0% bond is callable after October 2025. The maturity analysis in note 33(d) assumes it is called at the first possible date.

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 £300m for general corporate and working capital purposes available until 13 June 2025. Interest is payable on any drawdown loans at a rate of SONIA 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 2022 £m	Year ended 31 December 2021 £m
At 1 January	774.3	773.5
Repayment of Just Group plc Tier 2 subordinated debt	(76.0)	–
Financing cash flows	(76.0)	–
Amortisation of issue costs	1.0	0.8
Non-cash movements	1.0	0.8
At 31 December	699.3	774.3

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. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of less than 12 months and leases of low value assets.

Movements in lease liabilities during the year were as follows:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
At 1 January	3.9	6.9
Lease payments	(3.0)	(3.7)
Financing cash flows	(3.0)	(3.7)
New Lease	7.6	–
Rent increase	–	0.6
Disposal	–	–
Interest	0.1	0.1
Non-cash movements	7.7	0.7
At 31 December	8.6	3.9

26 LEASE LIABILITIES continued

Lease liabilities are payable as follows:

	2022 £m	2021 £m
At 31 December		
Less than one year	1.1	3.0
Between one and five years	6.8	1.0
More than five years	0.8	–
	8.7	4.0
Interest	(0.1)	(0.1)
Total lease liability	8.6	3.9

27 OTHER FINANCIAL LIABILITIES

The Group has the following other financial liabilities which are measured at fair value through profit or loss:

	Note	2022 £m	2021 £m
Derivative financial liabilities	(a)	3,023.2	394.7
Obligations for repayment of cash collateral received	(a)	623.1	326.2
Deposits received from reinsurers	(b)	1,603.9	2,144.7
Total other liabilities		5,250.2	2,865.6

(a) Derivative financial liabilities and obligations for repayment of cash collateral received

Derivative financial liabilities and obligations for repayment of cash collateral received 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 unbundled from their reinsurance contract and recognised at fair value through profit or loss in accordance with IAS 39, Financial instruments: recognition and measurement. Deposits received from reinsurers are measured in accordance with the reinsurance contract, taking into account an appropriate discount rate for the timing of expected cash flows of the liabilities.

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 £1,421.9m (2021: £1,952.7m).

28 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses various derivative financial instruments to manage its exposure to interest rates, counterparty credit risk, inflation and foreign exchange risk (see note 33).

	2022			2021		
	Asset fair value £m	Liability fair value £m	Notional amount £m	Asset fair value £m	Liability fair value £m	Notional amount £m
Derivatives						
Foreign currency swaps	412.9	1,320.3	12,662.5	243.4	247.2	8,069.4
Interest rate swaps	1,407.6	1,580.0	13,647.9	169.9	44.9	9,117.7
Inflation swaps	437.5	79.7	4,293.4	261.8	92.5	4,580.0
Forward swaps	5.0	10.5	546.3	1.8	3.4	213.9
Total return swaps	13.6	13.5	–	5.8	5.8	–
Put options on property index (NNEG hedges)	–	19.2	705.0	8.5	0.9	705.0
Total	2,276.6	3,023.2	31,855.1	691.2	394.7	22,686.0

The Group's derivative financial instruments are not designated as hedging instruments and changes in their fair value are included in profit or loss. The significant increase in the interest rate swaps is due to changes in the hedging position.

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 2022, the Group had pledged collateral of £1,286.2m (2021: £61.3m), of which £393.8m were corporate bonds and European Investment Bank bonds (2021: £11m) and had received cash collateral of £623.1m (2021: £326.2m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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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 and GfL business and quota share for DB partnering business, as follows:

- DB was reinsured at 90% for non-underwritten schemes in 2021 and 2022.
- DB Partnering was reinsured at 100% for the scheme completed in 2022.
- GfL was reinsured at 90% in 2021 and 2022.
- Care new business was not reinsured in 2021 or 2022.

In-force business is reinsured under longevity swap and quota share treaties. The quota share reinsurance treaties have deposit back or other collateral arrangements to remove the majority of the reinsurer credit risk, as described below. The majority of longevity swaps also have collateral arrangements, for the same purpose.

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 controlled by the Group, 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 reinsurer's full obligation under the treaty are either deposited into a ringfenced collateral account of corporate bonds, or held under a funds withheld structure of 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.
- 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 of notes/shares issued through the dedicated Investment vehicle. The investments in the vehicle are restricted only for the purpose of this reinsurance. Consequently, the collateralised assets 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 reinsurance claims but as this cash is ringfenced for the reinsurer purpose, it is also not recognised as an asset by the Group.

	2022 £m	2021 £m
Deposits held in trust	568.7	491.7

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 2022, this reserve totalled £2.0m (2021: £3.4m).

30 INSURANCE AND OTHER PAYABLES

	2022 £m	2021 £m
Payables arising from insurance and reinsurance contracts	31.7	22.0
Other payables	230.8	71.3
Total insurance and other payables	262.5	93.3

Other payables include unsettled investment purchases, which have increased in the period as a result of cash liability for recognised investment trades. All amounts are due within one year.

31 COMMITMENTS

Capital commitments

The Group had no capital commitments as at 31 December 2022 (2021: £nil).

32 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2022 (2021: £nil).

33 FINANCIAL AND INSURANCE RISK MANAGEMENT

This note presents information about the major financial and insurance risks to which the Group is exposed, and its objectives, policies and processes for their measurement and management. Financial risk comprises exposure to market, credit and liquidity risk.

(a) Insurance risk

The Group's insurance risks include exposure to longevity, mortality and morbidity and exposure to factors such as withdrawal levels and management and administration expenses. 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.

Individually underwritten GfL policies 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 writing long term insurance policies. In the event that early repayments on LTMs 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 exposure to morbidity risk as the LTM is repayable when the customer moves into long-term care.

Management of insurance risk

Underpinning the management of insurance risk are:

- The use of controls around the development of suitable products and their pricing;
- Adherence to approved underwriting requirements;
- The development and use of medical information including Prognosys™ for both pricing and reserving to provide detailed insight into longevity risk;
- The use of reinsurance to reduce longevity risk. The Group retains oversight of the overall exposures and monitors that the aggregation of risk ceded is within the reinsurance counterparty risk appetite;
- The assessment and recalibration of adequacy of risk based capital;
- Review and approval of assumptions used by the Board;
- Regular monitoring and analysis of actual experience; and
- Monitoring of expense levels.

Concentrations of insurance risk

Improved longevity arises from enhanced medical treatment and improved life circumstances. Concentration risk to individuals groups whose longevity may improve faster than the population is managed by writing business across a wide range of different medical and lifestyle conditions to avoid excessive exposure. Reinsurance is also an important mitigant to concentrations of insurance risk.

(b) Market risk

Market risk is the risk of loss or of adverse change in the financial situation 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. Market risk is implicit in the insurance business model and arises from exposure to interest rates, property markets, inflation and exchange rates. The Group is not exposed to equity risk. Some very limited equity risk exposure arises from investment into credit funds which have a mandate which allows preferred equity to be held. Changes in the value of the Group's investment portfolio will also affect the Group's financial position. In addition 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.

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.

Just has several EUR denominated bonds that have coupons linked to EURIBOR, which are hedged into fixed GBP coupons. If EURIBOR were no longer produced, there is a risk that the bond coupons would not match the swap EUR leg payments. In mitigation, Just would restructure the related cross currency asset swap to match the new coupon rate.

For each of the material components of market risk, described in more detail below, the Group's Market Risk Policy sets out the Group's 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 arising from the changes in the values of assets or liabilities as a result of changes in risk-free interest rates. The Group seeks to limit its exposure through appropriate asset and liability matching and hedging strategies. The Group actively hedges its interest rate exposure to protect balance sheet positions on both Solvency II and economic bases in accordance with its risk appetite framework and principles.

The Group's main 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

The following table indicates the earlier of contractual repricing or maturity dates for the Group's significant financial assets.

	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
2022						
Units in liquidity funds	1,174.4	–	–	–	–	1,174.4
Investment funds	82.7	338.3	–	–	–	421.0
Debt securities and other fixed income securities	676.2	1,424.5	2,405.0	6,864.7	–	11,370.4
Deposits with credit institutions	907.6	–	–	–	–	907.6
Loans secured by residential mortgages	–	–	–	–	5,305.9	5,305.9
Loans secured by commercial mortgages	67.1	338.5	125.1	53.0	–	583.7
Loans secured by ground rents	–	–	–	246.9	–	246.9
Infrastructure loans	–	24.2	160.3	871.9	–	1,056.4
Other loans	1.5	117.9	6.4	8.5	–	134.3
Derivative financial assets	51.8	157.4	322.3	1,745.1	–	2,276.6
Total	2,961.3	2,400.8	3,019.1	9,790.1	5,305.9	23,477.2

	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
2021						
Units in liquidity funds	1,310.5	–	–	–	–	1,310.5
Investment funds	68.4	233.4	–	–	–	301.8
Debt securities and other fixed income securities	733.5	1,920.0	2,345.9	7,924.6	–	12,924.0
Deposits with credit institutions	52.9	–	–	–	–	52.9
Derivative financial assets	8.0	62.7	96.4	524.1	–	691.2
Loans secured by residential mortgages	–	–	–	–	7,422.8	7,422.8
Loans secured by commercial mortgages	43.4	395.0	189.8	49.6	–	677.8
Loans secured by ground rents	–	–	–	189.7	–	189.7
Infrastructure loans	–	25.3	123.5	844.3	–	993.1
Other loans	0.9	108.3	3.2	5.5	–	117.9
Total	2,217.6	2,744.7	2,758.8	9,537.8	7,422.8	24,681.7

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 the provision of lifetime mortgages which creates an exposure to the UK residential property market. A substantial decline or sustained underperformance in UK residential property prices, against which the Group's lifetime mortgages are secured, could result in the mortgage debt at the date of redemption exceeding the proceeds from the sale of the property.

Demand for lifetime mortgage products may also be impacted by a fall in property prices. It may diminish consumers' propensity to borrow and reduce the amount they are able to borrow due to reductions in property values.

The risk is managed by controlling the loan value as a proportion of the property's value at outset and obtaining independent third party valuations 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, including disposals, in the portfolio in line with the Group's LTM backing ratio target, and the establishment of the NNEG hedges. The Group has managed its property risk exposure in the year via a reduction in the LTM backing ratio and an additional LTM portfolio sale.

A sensitivity analysis of the impact of residential 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 2022.

The Group is also exposed to commercial property risk indirectly through the investment in loans secured by commercial mortgages. Mitigation of such risk is covered by the credit risk section below.

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued**(iii) Inflation risk**

Inflation risk is the risk of change in the value of assets or liabilities arising from changes in actual or expected inflation or in the volatility of inflation. Exposure to long term inflation occurs in relation to the Group's own management expenses and its writing index-linked Retirement Income contracts. Its impact is managed through the application of disciplined cost control over management expenses and through matching inflation-linked assets and inflation-linked liabilities for the long term inflation risk.

(iv) Currency risk

Currency risk arises from changes in foreign exchange rates which affect the value of assets denominated in foreign currencies.

Exposure to currency risk could arise from the Group's investment in non-sterling denominated assets. The Group invests in fixed income securities denominated in US dollars and 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 mitigate 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. 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. Concentration of credit risk exposures is managed by placing limits on exposures to individual counterparties, sectors and geographic areas.
- 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 28).
- Reinsurance treaties. Reinsurance is used to manage longevity risk and to fund new business 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 and/or through robust collateral arrangements.
- 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 for loans secured by residential mortgages has been considered within "property risk" above.

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:

2022	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	–	1,169.8	–	–	–	4.6	–	1,174.4
Investment funds	–	–	–	–	–	–	421.0	421.0
Debt securities and other fixed income securities	306.0	698.2	1,582.5	3,262.6	5,120.6	400.6	–	11,370.5
Deposits with credit institutions	–	–	99.4	773.0	20.0	15.1	0.1	907.6
Loans secured by residential mortgages	–	–	–	–	–	–	5,305.9	5,305.9
Loans secured by commercial mortgages	–	–	–	–	–	–	583.7	583.7
Loans secured by ground rents	–	–	–	–	–	–	246.9	246.9
Infrastructure loans	–	71.2	97.4	141.7	733.9	12.2	–	1,056.4
Other loans	–	–	–	–	–	22.3	111.9	134.2
Derivative financial assets	–	–	–	1,669.9	606.7	–	–	2,276.6
Reinsurance	–	–	126.9	197.1	3.7	–	204.4	532.1
Insurance and other receivables	–	–	–	–	–	–	322.8	322.8
Total	306.0	1,939.2	1,906.2	6,044.3	6,484.9	454.8	7,196.7	24,332.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

2021	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	–	1,304.9	–	–	–	5.6	–	1,310.5
Investment funds	–	–	–	–	–	–	301.8	301.8
Debt securities and other fixed income securities	741.8	894.0	2,132.3	3,279.7	5,554.2	322.0	–	12,924.0
Deposits with credit institutions	–	–	–	11.1	39.2	2.6	–	52.9
Loans secured by residential mortgages	–	–	–	–	–	–	7,422.8	7,422.8
Loans secured by commercial mortgages	–	–	–	–	–	–	677.8	677.8
Loans secured by ground rents	–	–	–	–	–	–	189.7	189.7
Infrastructure loans	–	82.4	116.6	180.9	567.5	45.7	–	993.1
Other loans	–	–	–	–	–	12.5	105.4	117.9
Derivative financial assets	–	–	0.3	519.3	171.6	–	–	691.2
Reinsurance	–	–	214.7	277.0	5.1	–	0.5	497.3
Insurance and other receivables	–	–	–	–	–	–	35.4	35.4
Total	741.8	2,281.3	2,463.9	4,268.0	6,337.6	388.4	8,733.4	25,214.4

There are no financial assets that are either past due or impaired.

The credit rating for Cash available on demand at 31 December 2022 was between a range of AA and BB (2021: between a range of AA and BB).

The carrying amount of those assets subject to credit risk represents the maximum credit risk exposure.

In the tables below, the amounts of assets or liabilities presented in the Consolidated Balance Sheet are offset first by financial instruments that have the right of offset under a master netting arrangement or similar arrangements with any remaining amount reduced by cash and securities collateral.

2022	Balance Sheet £m	Related financial Instruments ¹ £m	Cash collateral ² £m	Securities collateral pledged £m	Net amount £m
Derivative assets	2,277	(1,766)	(491)	(5)	15
Derivative liabilities	(3,023)	1,766	783	444	(30)

1 Related financial instruments represents outstanding amounts with the same counterparty which, under agreements such as the ISDA Master Agreement, could be offset and settled net following certain predetermined events.

2 Cash and securities held may exceed target levels due to the complexities of operational collateral management, timing and agreements in place with individual counterparties.

2021	Balance Sheet £m	Related financial Instruments ¹ £m	Cash collateral ² £m	Securities collateral pledged £m	Net amount £m
Derivative assets	691	(369)	(311)	–	11
Derivative liabilities	(395)	380	26	–	–

1 Related financial instruments represents outstanding amounts with the same counterparty which, under agreements such as the ISDA Master Agreement, could be offset and settled net following certain predetermined events.

2 Cash and securities held may exceed target levels due to the complexities of operational collateral management, timing and agreements in place with individual counterparties. This may result in over/under-collateralisation of derivative positions. The amount of collateral reported in the table above is restricted to the value of the associated derivatives recognised in the Statement of Financial Position.

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued**(d) Liquidity risk**

Liquidity risk is the risk of loss because the Group, although solvent, does not have sufficient financial resources available to it in order to meet its obligations as they fall due.

The investment of cash received from Retirement Income sales into corporate bonds, gilts and lifetime mortgages, and commitments to pay policyholders and other obligations, requires liquidity risks to be taken.

Exposure to liquidity risk arises from:

- maintaining and servicing collateral requirements arising from the changes in market value of financial derivatives used by the Group;
- needing to realise 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; and
- ensuring financial support can be provided across the Group.

Liquidity risk is managed by holding assets of a suitable maturity and marketability to meet liabilities as they fall due. The Group's short-term liquidity requirements to meet annuity payments are predominantly funded by investment coupon receipts, and bond principal repayments. 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 individually.

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 include an assessment of the impact of a 1-in-200 year event on the Group's long term liquidity and the minimum cash and cash equivalent levels required 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 over the last 40 years, in shorter periods from one day up to and including one month.

During the year the Group replaced the existing revolving credit facility with a new and undrawn revolving credit facility of up to £300m for general corporate and working capital purposes available until 13 June 2025.

Interest is payable on any drawdown loans at a rate of SONIA plus a margin of between 1.00% and 1.50% per annum depending on the Group's unsecured issuer rating provided by any of Fitch, S&P and Moody's.

The table below summarises the maturity profile of the financial liabilities, including both principal and interest payments, of the Group based on remaining undiscounted contractual obligations:

	Within one year or payable on demand £m	One to five years £m	More than five years £m
2022			
Investment contract liabilities	7.8	30.7	0.7
Subordinated debt	65.0	559.8	855.3
Derivative financial liabilities	28.3	324.5	2,651.3
Obligations for repayment of cash collateral received	623.1	–	–
Deposits received from reinsurers	182.0	651.3	1,772.3
	Within one year or payable on demand £m	One to five years £m	More than five years £m
2021			
Investment contract liabilities	10.2	21.1	1.5
Subordinated debt	71.8	684.2	899.2
Derivative financial liabilities	7.3	41.9	344.6
Obligations for repayment of cash collateral received	326.2	–	–
Deposits received from reinsurers	192.0	679.8	1,924.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

34 CAPITAL

Group capital position

The Group's estimated capital surplus position at 31 December 2022 was as follows:

	Solvency Capital Requirement		Minimum Group Solvency Capital Requirement	
	2022 ¹ £m	2021 ² £m	2022 ³ £m	2021 ³ £m
Eligible Own Funds	2,757	3,004	2,152	2,263
Solvency Capital Requirement	(1,387) ³	(1,836)	(388) ³	(482)
Excess Own Funds	1,370³	1,168	1,764³	1,781
Solvency coverage ratio	199%³	164%	555%³	469%

1 Estimated regulatory position. Solvency II capital coverage ratios as at 31 Dec 2021 and 31 Dec 2022 include a recalculation of transitional measures on technical provisions ("TMTP") as at the respective dates.

2 This is the reported regulatory position as included in the Group's Solvency and Financial Condition Report as at 31 December 2021.

3 Unaudited.

Further information on the Group's Solvency II position, including a reconciliation between the regulatory capital position to the reported capital surplus, is included in the Business Review. This information is estimated and therefore subject to change. It is also unaudited.

The Group and its regulated insurance subsidiaries are 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 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. They 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 over the next one year time horizon 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.

The capital requirement for Just Group plc is calculated using a partial internal model. Just Retirement Limited ("JRL") uses a full internal model and Partnership Life Assurance Company Limited ("PLACL") capital is calculated using the standard formula.

Group entities that are under supervisory regulation and are required to maintain a minimum level of regulatory capital include:

- JRL and PLACL – 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.

Capital management

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 expectations;
- to safeguard the Group's ability to continue as a going concern, and to continue to write new business;
- to ensure that in all reasonably 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;
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk; and
- to generate capital from in-force business, excluding economic variances, management actions, and dividends.

The Group regularly assesses a wide range of actions to improve the capital position and resilience of the business.

To improve resilience to property risk, we have significantly reduced the exposure related to LTMs by selling three blocks of LTMs and transacting three no-negative equity guarantee ("NNEG") hedges since 2018.

In managing its capital, the Group undertakes stress and scenario testing to consider the Group's capacity to respond to a series of relevant financial, insurance, or operational shocks or changes to financial regulations should future circumstances or events differ from current assumptions. The review also considers mitigating actions available to the Group should a severe stress scenario occur, such as raising capital, varying the volumes of new business written and a scenario where the Group stops writing new business.

EVT compliance

At 31 December 2022, Just passed the PRA EVT with a buffer of 1.53% (unaudited) over the current minimum published deferment rate of 2.0% (allowing for volatility of 13%, in line with the requirement for the EVT). At 31 December 2021, the buffer was 0.75% (unaudited) compared to the minimum deferment rate of 0.5%. The buffer increased primarily due to rise in risk free rates.

Management regularly assesses the level of buffer above the minimum deferment rate and considers appropriateness of the buffer against an established framework.

Regulatory developments

The PRA approved the Group's major model change application on 28 November 2022. We are planning to apply to the PRA to bring the PLACL SCR calculation onto the internal model.

34 CAPITAL continued

In November 2022, HMT published its response to the consultation on the review of Solvency II and set out its plans for reform. The key elements of the reform for the Group relate to the risk margin and the Matching Adjustment. We welcome the reduction in risk margin to a more appropriate level and that we hope that the proposed expansion of the matching adjustment criteria enables us to invest in a wider range of assets, in particular to help support investment in the UK economy. However, the detailed expectations underlying the reforms still needs to be developed and the implementation date has not been set. The Group will engage with PRA and HMT consultations in 2023 as appropriate.

35 GROUP ENTITIES

The Group holds investment in the ordinary shares (unless otherwise stated) of the following subsidiary undertakings and associate undertakings, which are all consolidated in these Group accounts. All subsidiary undertakings have a financial year end at 31 December (unless otherwise stated).

	Principal activity	Registered office	Percentage of nominal share capital and voting rights held
Direct subsidiary			
Just Retirement Group Holdings Limited ⁵	Holding company	Reigate	100%
Partnership Assurance Group Limited ⁵	Holding company	Reigate	100%
Indirect subsidiary			
HUB Acquisitions Limited ^{1, 5}	Holding company	Reigate	100%
HUB Financial Solutions Limited	Distribution	Reigate	100%
Just Re 1 Limited ⁵	Investment activity	Reigate	100%
Just Re 2 Limited ⁵	Investment activity	Reigate	100%
Just Retirement (Holdings) Limited ⁵	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 ⁵	Management services	Reigate	100%
Just Retirement Money Limited	Provision of lifetime mortgage products	Reigate	100%
Partnership Group Holdings Limited ⁵	Holding company	Reigate	100%
Partnership Holdings Limited ⁵	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 Services Limited ⁵	Management services	Reigate	100%
TOMAS Online Development Limited ⁵	Software development	Belfast	100%
Enhanced Retirement Limited	Dormant	Reigate	100%
HUB Digital Solutions Limited	Dormant	Reigate	100%
Pension Buddy Limited (formerly HUB Online Development Limited)	Dormant	Belfast	100%
HUB Pension Solutions Limited	Dormant	Reigate	100%
HUB Transfer Solutions Limited	Dormant	Reigate	100%
JRP Group Limited	Dormant	Reigate	100%
JRP Nominees Limited	Dormant	Reigate	100%
Just Annuities Limited	Dormant	Reigate	100%
Just Equity Release Limited	Dormant	Reigate	100%
Just Incorporated Limited	Dormant	Reigate	100%
Just 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%
The Open Market Annuity Service Limited	Dormant	Belfast	100%
HUB Pension Consulting (Holdings) Limited (formerly Corinthian Group Limited) ⁵	Holding company	Reigate	100%
HUB Pension Consulting Limited ⁵	Pension consulting	Reigate	100%
Spire Platform Solutions Limited ^{2, 3}	Software development	Portsmouth	33% ⁴
Associate			
Guernsey Property Unit Trust	Investment activity	Guernsey	60%
Comentis	Product development	Bristol	13%

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

35 GROUP ENTITIES continued

Registered offices

Reigate office:
Enterprise House
Bancroft Road
Reigate, Surrey RH2 7RP

Belfast office:
3rd Floor, Arena Building
Ormeau Road
Belfast BT7 1SH

South Africa office:
Spaces – Waterfront, Dock Road Junction
Corner of Stanley and Dock Road
Waterfront
Cape Town 8001

Jersey office:
44 Esplanade
St Helier
Jersey JE4 9WG

Portsmouth office:
Building 3000, Lakeside North Harbour
Portsmouth
Hampshire PO6 3EN

Consolidated structured entities

In 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. Just is the cell owner of the individual protected cell and owns the single insurance share associated with the cell. The Group has provided £10m financial support in the form of a letter of credit.

In December 2021 the Group invested in a controlling interest in a Jersey Property Unit Trust ("JPUT"). The Group has determined that it controls the JPUT as a result of the Group's ability to remove the Trustees; other than the Group and the Trustees there are no other parties with decision making rights over the JPUT. The Group has taken the option within IFRS 3, Business combinations to apply the concentration test to determine whether the JPUT represents a business within the scope of IFRS 3. The conclusion of the concentration test is that the assets of the JPUT are concentrated in the single identifiable asset of the investment property and as such the investment by the Group does not represent a business combination (see note 15). The Group has consolidated the results of the JPUT; any excess of investment purchase price over the fair value of the assets acquired is allocated against the identifiable assets and liabilities in proportion to their relative fair values; goodwill is not recognised.

Unconsolidated structured entities

The Group has interests in structured entities which are not consolidated as the definition of control has not been met based on the investment proportion held by the Group.

Interests in unconsolidated structured entities include investment funds and liquidity funds and loans granted to special purpose vehicles ("SPVs") secured by assets held by the SPVs such as commercial mortgages and ground rents.

As at 31 December 2022 the Group's interest in unconsolidated structured entities, which are classified as investments held at fair value through profit or loss, are shown below:

	2022 £m	2021 £m
Loans secured by commercial mortgages	583.7	677.8
Loans secured by ground rents	246.9	189.7
Asset backed securities	7.0	9.5
Investment funds	399.2	301.8
Liquidity funds	1,174.4	1,310.5
Total	2,411.2	2,489.3

The Group's exposure to financial loss from its interest in unconsolidated structured entities is limited to the amounts shown above. The Group is not required to provide financial support to the entities, nor does it sponsor the entities.

Non-controlling interests

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 HUB Pension Consulting (Holdings) Limited (formerly Corinthian Group Limited). On 22 September 2021 the Group acquired the remaining 25% of the ordinary share capital at a cost of £52,659.80.

The non-controlling interests of the minority shareholders of Spire Platform Solutions Limited of £0.6m have been recognised in the year.

Associates

During the year the Group invested £196m for a 60% equity stake in a Guernsey Property Unit Trust ("GPUR") "TP2 Unit Trust", M&G (Guernsey), PO Box 156, Dorey Court, Admiral Park, St. Peter Port, Guernsey GY1 4EU.

The GPUR is a structured entity as voting rights are not the determining factor in assessing which party controls the entity. Although the Group has a majority equity stake, the decisions regarding the relevant activities of the GPUR are made by the Trustee. Each investor holds veto rights, however these are not proportionate to the equity holding and as such the veto rights do not give any investor more power than any other investor. The Group accounts for this investment as an Associate using the equity method.

In December 2022 the Group invested £1m for a 13% equity stake in Comentis Ltd, incorporated and registered in England and Wales with company number 13061362 whose registered office is at Henleaze House, Harbury Road, Bristol, England, BS9 4PN.

35 GROUP ENTITIES continued

The investment includes the right for the Group to appoint a Director to the board of Comentis Ltd and as a result the investment has been classified as an Associate and accounted for using the equity method in the Group accounts. Comentis Ltd has a reporting period ending 31 March which is different to the Group's year end of 31 December. Given the timing of the acquisition, there is no impact on the application of the equity method in the Group's 2022 financial statements.

Summarised financial information for associates

	Year ended 31 December 2022 £m
Assets	
Investment properties	212.0
Trade and other receivables	52.0
Cash and cash equivalents	6.0
Total assets	270.0
Equity	
Partners capital	327.0
Retained earnings	(57.0)
Total equity	270.0

Reconciliation of carrying value

	Year ended 31 December 2022 £m
Investment in associate - GPUT	196.2
Share of associates net income - GPUT	(2.9)
Carrying amount - GPUT	193.3
Investment in associate - Comentis	1.0
Carrying amount	194.3

36 RELATED PARTIES

The Group has related party relationships with its key management personnel and subsidiary undertakings detailed in note 35.

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 2022 £m	Year ended 31 December 2021 £m
Short-term employee benefits	3.0	3.9
Share-based payments	1.7	1.5
Total key management compensation	4.7	5.4
Loans owed by Directors	0.4	0.4

The loan advances to Directors accrue interest fixed at 4% per annum and are repayable in whole or in part at any time.

37 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The Company is the ultimate Parent Company of the Group and has no controlling interest.

38 POST BALANCE SHEET EVENTS

Subsequent to 31 December 2022, the Directors proposed a final dividend for 2022 of 1.23 pence per ordinary share (2021: 1.0 pence), amounting to £17.9m (2021: £10.4m) in total. Subject to approval by shareholders at the Company's 2023 AGM, the dividend will be paid on 17 May 2023 to shareholders on the register of members at the close of business on 14 April 2023, and will be accounted for as an appropriation of retained earnings in year ending 31 December 2023.

There are no other material post balance sheet events that have taken place between 31 December 2022 and the date of this report.

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

for the year ended 31 December 2022

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Year ended 31 December 2022	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 2022	103.8	93.4	299.5	(4.3)	442.6	935.0	322.4	1,257.4
Profit for the year	–	–	–	–	60.6	60.6	–	60.6
Total comprehensive loss for the year	–	–	–	–	60.6	60.6	–	60.6
Contributions and distributions								
Shares issued	0.1	0.1	–	–	–	0.2	–	0.2
Tier 1 notes issued (net of costs)	–	–	–	–	–	–	–	–
Tier 1 notes redeemed	–	–	–	–	–	–	–	–
Dividends	–	–	–	–	(15.6)	(15.6)	–	(15.6)
Interest paid on Tier 1 notes (net of tax)	–	–	–	–	(13.7)	(13.7)	–	(13.7)
Share-based payments	–	–	–	(5.9)	2.2	(3.7)	–	(3.7)
Transfer from merger reserve	–	–	–	–	–	–	–	–
Total contributions and distributions	0.1	0.1	–	(5.9)	(27.1)	(32.8)	–	(32.8)
At 31 December 2022	103.9	93.5	299.5	(10.2)	476.1	962.8	322.4	1,285.2

Year ended 31 December 2021	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 2021	103.8	93.3	487.5	(5.4)	327.8	1,007.0	294.0	1,301.0
Loss for the year	–	–	–	–	(9.6)	(9.6)	–	(9.6)
Total comprehensive loss for the year	–	–	–	–	(9.6)	(9.6)	–	(9.6)
Contributions and distributions								
Shares issued	–	0.1	–	–	–	0.1	–	0.1
Tier 1 notes issued (net of costs)	–	–	–	–	–	–	322.4	322.4
Tier 1 notes redeemed	–	–	–	–	(47.0)	(47.0)	(294.0)	(341.0)
Dividends	–	–	–	–	–	–	–	–
Interest paid on Tier 1 notes (net of tax)	–	–	–	–	(20.4)	(20.4)	–	(20.4)
Share-based payments	–	–	–	1.1	3.8	4.9	–	4.9
Transfer from merger reserve	–	–	(188.0)	–	188.0	–	–	–
Total contributions and distributions	–	0.1	(188.0)	1.1	124.4	(62.4)	28.4	(34.0)
At 31 December 2021	103.8	93.4	299.5	(4.3)	442.6	935.0	322.4	1,257.4

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

as at 31 December 2022

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Company number: 08568957	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Investments in Group undertakings	2	848.5	842.5
Loans to Group undertakings	3	1,000.0	1,000.0
Deferred tax		1.3	–
		1,849.8	1,842.5
Current assets			
Financial investments	4	109.0	167.7
Prepayments and accrued income		1.1	0.2
Amounts due from Group undertakings		27.2	27.0
Cash available on demand		11.1	11.5
		148.4	206.4
Total assets		1,998.2	2,048.9
Equity			
Share capital	5	103.9	103.8
Share premium	5	93.5	93.4
Merger reserve		299.5	299.5
Shares held by trusts		(10.2)	(4.3)
Accumulated profit		476.1	442.6
Total equity attributable to ordinary shareholders of Just Group plc		962.8	935.0
Tier 1 notes		322.4	322.4
Total equity		1,285.2	1,257.4
Liabilities			
Non-current liabilities			
Subordinated debt	25	702.5	777.9
		702.5	777.9
Current liabilities			
Other payables		10.5	13.6
		10.5	13.6
Total liabilities		713.0	791.5
Total equity and liabilities		1,998.2	2,048.9

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 £60.6m, (2021: loss of £9.6m).

The financial statements were approved by the Board of Directors on 6 March 2023 and were signed on its behalf by:



ANDY PARSONS
Director

STATEMENT OF CASH FLOWS OF THE COMPANY

for the year ended 31 December 2022

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	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Cash flows from operating activities		
Profit/(loss) before tax	62.6	(7.7)
Impairment of investments in Group undertakings	–	188.0
Share-based payments	(3.7)	4.9
Income from shares and loans to Group undertakings	(78.1)	(197.1)
Interest income	(52.2)	(55.6)
Interest expense	57.0	57.6
Increase in prepayments and accrued income	(1.3)	–
Decrease in other payables	(16.0)	(8.0)
Taxation paid	(3.3)	(11.3)
Net cash outflow from operating activities	(35.0)	(29.2)
Cash flows from investing activities		
Increase in financial assets	(3.4)	–
Capital injections in subsidiaries	(6.0)	(5.8)
Dividends received	50.0	169.0
Net cash inflow from investing activities	40.6	163.2
Cash flows from financing activities		
Issue of ordinary share capital (net of costs)	0.2	0.1
Proceeds from issue of Tier 1 notes (net of costs)	–	321.8
Redemption of Tier 1 notes	–	(350.6)
Decrease in borrowings (net of costs)	(77.6)	–
Dividends paid	(15.6)	–
Net coupon received on Tier 1 notes	11.2	2.9
Net interest received on borrowings	17.1	15.6
Net cash outflow from financing activities	(64.7)	(10.2)
Net (decrease)/increase in cash and cash equivalents	(59.1)	123.8
Cash and cash equivalents at start of year	179.2	55.4
Cash and cash equivalents at end of year	120.1	179.2
Cash available on demand	11.1	11.5
Units in liquidity funds	109.0	167.7
Cash and cash equivalents at end of year	120.1	179.2

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

General information

Just Group plc (the "Company") is a public company limited by shares, incorporated and domiciled in England and Wales.

1.1 Basis of preparation

The financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and the disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority. 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.

1.8 Classification of intra-group loan arrangements

The Company assesses the commercial substance of its intra-group lending arrangements to determine the classification as either a financial asset (that gives rise to a financial liability or equity instrument in the subsidiary) or whether the lending arrangement forms part of the Company's investment in the subsidiary. In making the assessment the Company considers evidence of past principal and coupon payments, planned payments and the contractual terms of the arrangement. Intra-group loans that bear a market rate of interest and have fixed repayment dates are classified as financial liabilities by the subsidiary and as financial assets by the Company.

The Company also issued Restricted Tier 1 notes in the external market in 2019 and on-lent the proceeds from these instruments to its subsidiaries JRL and PLACL under the same commercial terms as the Company obtained in the external market. These instruments are classified as equity instruments by the issuer as explained in note 22 to the Group financial statements; classification by the subsidiaries is consistent with this. As the on-lending of this instrument was on the same commercial terms, the Company does not consider that the transaction represents an action in its capacity as shareholder, and therefore the asset recognised in the Company's financial statements is classified as a financial asset in the scope of IFRS 9.

2 INVESTMENTS IN GROUP UNDERTAKINGS

	Shares in Group undertakings £m
At 1 January 2022	842.5
Additions	6.0
At 31 December 2022	848.5
At 1 January 2021	1,024.7
Additions	5.8
Provision for impairment	(188.0)
At 31 December 2021	842.5

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

2 INVESTMENTS IN GROUP UNDERTAKINGS continued

Details of the Company's investments in the ordinary shares of subsidiary undertakings are given in note 35 to the Group financial statements. Additions to shares in Group undertakings relate to shares issued by Just Retirement Group Holdings Limited and the cost of share-based payments for services provided by employees of subsidiary undertakings to be satisfied by shares issued by the Company. Investments in Group undertakings are assessed annually to assess whether there is any indication of impairment.

As at 31 December 2022, 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.

Impairment testing was therefore carried out to assess the recoverable amount of the investments in JRL and PLACL at 31 December 2022. 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 at 31 December 2022 for JRL was £513m and £272m for PLACL. The recoverable amounts for both entities were calculated to be in excess of this amount, indicating that no impairment of the Group's investment in JRL or PLACL was required. Upon acquisition of the investment in PLACL in 2016, Just Group plc recognised a merger reserve of £532m. Since the acquisition, impairments in the investment in PLACL totalling £298m have 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, 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 9.5% for JRL and 9.0% 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 £150m and £25m 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 or PLACL 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 13 to the Group's consolidated financial statements). No impairment was required to the carrying value of the goodwill relating to JRL at 31 December 2022.

3 LOANS TO GROUP UNDERTAKINGS

	Loans to Group undertakings £m
At 1 January 2022	1,000.0
Additions	–
At 31 December 2022	1,000.0
At 1 January 2021	1,000.0
Additions	–
At 31 December 2021	1,000.0

Details of the Company's loans to Group undertakings are as follows:

	2022 £m	2021 £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	100.0
7.0% 10.5 year subordinated debt 2031 (Tier 2) issued by Just Retirement Limited in November 2020	75.0	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	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	1,000.0

4 FINANCIAL INVESTMENTS

	Fair value		Cost	
	2022 £m	2021 £m	2022 £m	2021 £m
Units in liquidity funds	109.0	167.7	109.0	167.7
Total	109.0	167.7	109.0	167.7

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.

4 FINANCIAL INVESTMENTS continued

In the fair value hierarchy, units in liquidity funds are all classified as Level 1. There have been no transfers between levels during the year.

5 SHARE CAPITAL

The allotted, issued and fully paid ordinary share capital of the Company at 31 December 2022 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2022	1,038,537,044	103.8	93.4	299.5	496.7
Shares issued in respect of employee share schemes	165,888	0.1	0.1	–	0.2
At 31 December 2022	1,038,702,932	103.9	93.5	299.5	496.9
At 1 January 2021	1,038,128,556	103.8	93.3	487.5	684.6
Shares issued in respect of employee share schemes	408,488	–	0.1	–	0.1
Provision for impairment in investment in Group undertakings (see note 2)	–	–	–	(188.0)	(188.0)
At 31 December 2021	1,038,537,044	103.8	93.4	299.5	496.7

The merger reserve is the result of a placing of 94,012,782 ordinary shares in 2019 and the acquisition of 100% of the equity of Partnership Assurance Group plc in 2016. The placing was achieved by the Company acquiring 100% of the equity of a limited company for consideration of the 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. The merger reserve recognised represents the premium over the nominal value of the shares issued. Consideration for the acquisition of the equity shares of Partnership Assurance Group plc 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. The merger reserve recognised represents 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 RELATED PARTY TRANSACTIONS**(a) Trading transactions and balances**

The following transactions were made with related parties during the year:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Staff costs, Directors' remuneration, operating expenses and management fees charged by Just Retirement Management Services Limited	10.7	14.8
Interest on loan balances charged to Just Retirement Limited	63.9	63.9
Interest on loan balances charged to Partnership Life Assurance Company Limited	19.8	19.8
Dividends from Partnership Assurance Group Limited	50.0	169.0

The following balances in respect of related parties were owed by the Company at the end of the year:

	2022 £m	2021 £m
Just Retirement Limited	(0.2)	(0.1)
Just Retirement Management Services Limited	–	(1.6)

The following balances in respect of related parties were owed to the Company at the end of the year:

	2022 £m	2021 £m
HUB Financial Solutions Limited	–	0.3
Just Retirement Group Holdings Limited	0.1	0.1
Partnership Life Assurance Company Limited	0.7	0.7
Loan to Just Retirement Limited (including interest)	759.9	759.9
Loan to Partnership Life Assurance Company Limited (including interest)	253.0	253.0
Amounts owed for Group corporation tax	13.0	13.0

(b) Key management compensation

Key management personnel comprise the Directors of the Company.

Key management compensation is disclosed in note 36 to the Group financial statements.

ADDITIONAL FINANCIAL INFORMATION

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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 2022 of £1,370m.

The core surplus generation assumes that future property growth is in line with the best estimate assumption of 3.3%. The cash flow amounts allow for return on surplus on assets that maintain the current capital coverage ratio. 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.

Year	Core surplus generation £m	TMTP amortisation £m	Surplus generation £m
2023	228	(73)	155
2024	223	(73)	150
2025	215	(73)	142
2026	208	(73)	135
2027	202	(73)	129
2028	198	(73)	125
2029	194	(73)	121
2030	190	(73)	117
2031	186	(73)	113
2032	181	–	181
2033	176	–	176
2034	171	–	171
2035	165	–	165
2036	158	–	158
2037	151	–	151
2038	144	–	144
2039	136	–	136
2040	128	–	128
2041	119	–	119
2042	110	–	110
2043 – 2047	429	–	429
2048 – 2052	254	–	254
2053 – 2057	145	–	145

SOLVENCY II SURPLUS GENERATION continued**New business contribution**

The table below shows the expected future emergence of Solvency II surplus arising from 2022 new business at 100% of SCR over 50 years from the point of sale. It shows the initial Solvency II capital strain in 2022. The amounts are shown undiscounted.

Year	Surplus generation £m
Point of sale	(60.0)
Year 1	15.5
Year 2	15.2
Year 3	15.9
Year 4	16.6
Year 5	17.2
Year 6	17.1
Year 7	17.7
Year 8	17.0
Year 9	16.4
Year 10	16.4
Year 11	16.0
Year 12	16.3
Year 13	16.6
Year 14	16.5
Year 15	16.2
Year 16	15.9
Year 17	15.1
Year 18	14.4
Year 19	14.1
Year 20	13.7
Years 21 to 30	114.3
Years 31 to 40	44.1
Years 41 to 50	18.4

ADDITIONAL FINANCIAL INFORMATION continued

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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	270	1.3	–	–	103	157	10	–
Communications and technology	1,327	6.5	100	191	249	741	46	–
Auto manufacturers	250	1.2	–	–	218	26	6	–
Consumer (staples including healthcare)	1,012	5.1	127	245	193	354	15	78
Consumer (cyclical)	142	0.7	–	4	13	125	0	–
Energy	535	2.6	–	181	105	160	89	–
Banks	1,120	5.5	35	61	568	456	–	–
Insurance	607	3.0	6	142	96	363	(0)	–
Financial – other	956	4.7	59	85	270	43	324	175
Real estate including REITs	437	2.1	31	15	96	267	28	–
Government	1,596	7.8	340	782	216	258	–	–
Industrial	622	3.1	–	63	71	430	24	34
Utilities	2,266	11.0	–	115	797	1,342	12	–
Commercial mortgages	584	2.9	77	144	253	110	(0)	–
Ground Rent	291	1.4	138	7	81	65	(0)	–
Infrastructure loans	1,811	9.0	71	103	474	1,137	26	–
Other	42	0.2	–	–	42	–	0	–
Corporate/government bond total	13,868	68.1	984	2,138	3,845	6,034	580	287
Lifetime mortgages	5,306	26.1						
Liquidity funds	1,174	5.8						
Investments portfolio	20,348	100.0						
Derivatives and collateral	3,169							
Total	23,517							

INFORMATION FOR SHAREHOLDERS

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The following information is unaudited.

ANNUAL GENERAL MEETING

The Company's 2023 Annual General Meeting ("AGM") will be held on Tuesday 9 May 2023 at 10.00 am at 1 Angel Lane, London EC4R 3AB. More information about the 2023 AGM can be found in the Notice of Meeting, which will be made available to shareholders separately.

SHAREHOLDER PROFILE AS AT 31 DECEMBER 2022

Holdings	No. of holders	% of holders	No. of shares	% of issued share capital
1-5,000	506	49.80	500,416	0.05
5,001-10,000	74	7.28	552,097	0.05
10,001-100,000	192	18.90	6,797,838	0.65
100,001-1,000,000	119	11.71	42,816,299	4.12
1,000,001-10,000,000	98	9.65	336,830,751	32.43
10,000,001-20,000,000	14	1.38	202,901,683	19.54
20,000,001 and over	13	1.28	448,303,848	43.16
Totals	1,016	100.00	1,038,702,932	100.00

JUST GROUP PLC SHARE PRICE

The Company'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 www.justgroupplc.co.uk/investors/data-and-share-information/share-monitor and also on many other websites.

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 the Company's reference number 3947 to Equiniti via one of the methods below.

Online	Telephone	Post
Shareholders can view and manage their shareholdings online and dividend mandates at www.shareview.co.uk .	+44 (0) 371 384 2787 Lines are open 8.30am to 5.30pm (UK time) Monday to Friday (excluding public holidays in England and Wales).	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA

DIVIDEND PAYMENTS AND MANDATES

From April 2023, any dividends due will only be paid by direct credit. We strongly encourage all shareholders to register a Shareview Portfolio and nominate their bank account at www.shareview.co.uk in order to receive their cash dividends by direct transfer to a bank or building society account.

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 and reduce our carbon footprint, 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.

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 on 0800 111 6768.

INFORMATION FOR SHAREHOLDERS continued

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INVESTOR RELATIONS ENQUIRIES

For all institutional investor relations enquiries, please contact our Investor Relations department whose contact details can be found at www.justgroupplc.co.uk/investors/investor-contacts. Individual shareholders with queries regarding their shareholding in the Company 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://www.justgroupplc.co.uk/investors/alert-service>. Select the information of interest to you, such as Results, Board changes and AGM and other meetings. You will then be notified by email when this information is available to view on our website.

Digital copies of our Annual Report and Accounts are available at www.justgroupplc.co.uk/investors/results-and-presentations and physical copies can be obtained by contacting our registrar, Equiniti Limited.

CAUTIONARY STATEMENT AND FORWARD-LOOKING STATEMENTS

This Annual Report has been prepared for, and only for, the members of Just Group plc (the “Company”) as a body, and for no other persons. The Company, its Directors, employees, agents and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

By their nature, the statements concerning the risks and uncertainties facing the Company and its subsidiaries (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 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 impact from the COVID-19 outbreak or other infectious diseases and the continuing situation in Ukraine); 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

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The following is unaudited.

DIRECTORS

Non-Executive Directors:

John Hastings-Bass, Chair
Ian Cormack, Senior Independent Director
Paul Bishop
Michelle Cracknell
Mary Kerrigan
Mary Phibbs
Kalpana Shah

Executive Directors:

David Richardson, Group Chief Executive Officer
Andy Parsons, Group Chief Financial Officer

GROUP COMPANY SECRETARY

Simon Watson

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GLOSSARY

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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 underlying operating profit after attributed tax, rather than IFRS profit before tax. This measure is calculated by dividing underlying operating profit after attributed tax 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 of acquired intangible assets. In addition, it includes Tier 1 interest (as part of financing costs) which is not included in profit before tax (because the Tier 1 notes are treated as equity rather than debt in the IFRS financial statements). Adjusted operating profit is reconciled to IFRS profit before tax in the 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 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 acquired intangibles – relate to the amortisation of the Group's intangible assets arising on consolidation, including the amortisation of intangible assets recognised in relation to the acquisition of Partnership Assurance Group plc by Just Group plc (formerly Just Retirement Group plc).

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 ("CP") – 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 deferred ("DB deferred") business – the part of DB de-risking transactions that relates to deferred members of a pension scheme. These members have accrued benefits in the pension scheme but have not retired yet.

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 – see Lifetime mortgage.

Finance costs – represent interest payable on reinsurance deposits and financing and the interest on the Group's Tier 2 and Tier 3 debt.

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 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, and adjusted operating profit before tax is reconciled to IFRS profit before tax in 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 Return on equity, Solvency II capital coverage ratio, Underlying organic capital generation, Retirement Income sales, New business operating profit, Underlying operating profit, Management expenses, Adjusted operating profit, 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.

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; reinsurance management fees which are largely driven by strategic decisions; amortisation of acquired intangible assets relating to merger and acquisition activity; and other costs impacted by external factors. Management expenses are reconciled to IFRS other operating expenses in note 4 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 asset value ("NAV") – IFRS total equity, net of tax, and excluding equity attributable to Tier 1 noteholders.

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, and adjusted operating profit before tax is reconciled to IFRS profit before tax in 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.

GLOSSARY continued

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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 calculated in the same way as Underlying organic capital generation/(consumption), but includes impact of management actions and other operating items.

Other Group companies' operating results – the results of Group companies including our HUB group of companies, which provides regulated advice and intermediary services, and professional services to corporates, and corporate costs incurred by Group holding companies and the overseas start-ups.

Other operating expenses – 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.

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.

Retail sales (in reference to Just Group sales or products) – collective term for GifL and Care Plan.

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 6 to the consolidated financial statements. DB partner premium is not included in the Retirement Income sales.

Return on equity – an APM and one of the Group's KPIs. Return on equity is underlying operating profit after attributed tax for the period divided by the average tangible net asset value for the period. Tangible net asset value is reconciled to IFRS total equity in the Business Review.

Secure Lifetime Income ("SLI") – 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.

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.

Tangible net asset value – IFRS total equity excluding goodwill and other intangible assets, net of tax, and excluding equity attributable to Tier 1 noteholders.

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 one of the Group's KPIs. Underlying operating profit is calculated in the same way as adjusted operating profit before tax but excludes operating experience and assumption changes. Underlying operating profit is reconciled to adjusted operating profit before tax, and adjusted operating profit before tax is reconciled to IFRS profit before tax in the Business Review.

Underlying organic capital generation/(consumption) – an APM and one of the Group's KPIs. Underlying organic capital generation/(consumption) is the net increase/(decrease) in Solvency II excess own funds over the year, generated from ongoing business activities, and includes surplus from in-force, net of new business strain, cost overruns and other expenses and debt interest. It excludes economic variances, regulatory adjustments, capital raising or repayment and impact of management actions and other operating items. The Board believes that this measure provides good insight into the ongoing capital sustainability of the business. Underlying organic capital generation/(consumption) is reconciled to Solvency II excess own funds, and Solvency II excess own funds is reconciled to shareholders' net equity on an IFRS basis in the Business Review.

ABBREVIATIONS

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ABI – Association of British Insurers	LPI – Limited Price Indexation
AGM – Annual General Meeting	LTIP – Long Term Incentive Plan
APM – alternative performance measure	LTM – lifetime mortgage
Articles – Articles of Association	MA – matching adjustment
CMI – Continuous Mortality Investigation	MAR – Market Abuse Regulation
Code – UK Corporate Governance Code	NAV – net asset value
CP – Care Plans	NNEG – no-negative equity guarantee
CPI – consumer prices index	ORSA – Own Risk and Solvency Assessment
DB – Defined Benefit De-risking Solutions	PAG – Partnership Assurance Group
DC – defined contribution	PLACL – Partnership Life Assurance Company Limited
DSBP – deferred share bonus plan	PPF – Pension Protection Fund
EBT – employee benefit trust	PRA – Prudential Regulation Authority
EPS – earnings per share	PRI – United Nations Principles for Responsible Investment
ERM – equity release mortgage	PVIF – purchased value of in-force
ESG – environment, social and governance	PwC – PricewaterhouseCoopers LLP
EVT – effective value test	REIT – Real Estate Investment Trust
FCA – Financial Conduct Authority	RPI – retail price inflation
FRC – Financial Reporting Council	SAPS – Self-Administered Pension Scheme
GDPR – General Data Protection Regulation	SAYE – Save As You Earn
GHG – greenhouse gas	SCR – Solvency Capital Requirement
GifL – Guaranteed Income for Life	SFCR – Solvency and Financial Condition Report
Hannover – Hannover Life Reassurance Bermuda Ltd	SID – Senior Independent Director
IFRS – International Financial Reporting Standards	SIP – Share Incentive Plan
IP – intellectual property	SLI – Secure Lifetime Income
ISA – International Standards on Auditing	SME – small and medium-sized enterprise
JRL – Just Retirement Limited	STIP – Short Term Incentive Plan
KPI – key performance indicator	tCO₂e – tonnes of carbon dioxide equivalent
LCP – Lane Clark & Peacock LLP	TMTTP – transitional measures on technical provisions
	TSR – total shareholder return

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